

Report on the

# Selma City Board of Education

Dallas County, Alabama

October 1, 2014 through September 30, 2015

Filed: July 1, 2016



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*





State of Alabama  
Department of  
**Examiners of Public Accounts**

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Ronald L. Jones  
Chief Examiner

Honorable Ronald L. Jones  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Selma City Board of Education, Dallas County, Alabama, for the period October 1, 2014 through September 30, 2015.

Respectfully submitted,

Sworn to and subscribed before me this  
the 13 day of June, 2016.

Khonda VanderBrinker 823-17  
Notary Public

Brooke Phillips  
Brooke Phillips  
Examiner of Public Accounts

Sworn to and subscribed before me this  
the 10th day of June, 2016.

Jan E Hall  
Notary Public

Amanda Hensley  
Amanda Hensley  
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, 2014 through September 30, 2015**

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 charged with governance of the Board are listed in Exhibit 12. 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 41-5-14 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. An unmodified opinion 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, 2015.

Findings are numbered and reported by the fiscal year in which the finding originally occurred.

A problem was found with the Board’s internal controls over financial reporting (Exhibit 15) and it is summarized below:

**UNRESOLVED PRIOR FINDINGS**

- ◆ 2013-008 relates to inadequate internal controls over supplemental inventories of items not classified as fixed assets.

The *Code of Alabama 1975*, Section 40-12-4, allows a county governing body to levy a county license tax for school purposes. On December 1, 2012, the Dallas County Commission passed a resolution authorizing a one-half cent sales tax to be collected for the Dallas County Board of Education for educational purposes. The *Code of Alabama 1975*, Section 40-12-4(b), states, in part, “In all counties having more than one local board of education, revenues collected under the provisions of this section shall be distributed within such county on the same basis of the total calculated costs for the Foundation Program for those local boards of education within the county.” Attorney General’s Opinion Number 85-00125, dated December 10, 1984, concluded that the *Code of Alabama 1975*, Section 40-12-4, cannot be used to propose a county-wide sales tax earmarked solely for county schools and excluding the city school system. The Dallas County Board of Education began receiving the additional one-half cent sales tax in the 2013 fiscal year. Distribution of the one-half cent sales tax to the Selma City Board of Education began in June 2014. The matter of sales tax collected before June 2014 and any amounts due to the Selma City Board of Education has not been resolved as of September 30, 2015.

The following officials/administrative personnel employees were invited to an exit conference to discuss the results of the audit: Superintendent: Dr. Angela Mangum; former Chief Administrative Officer: Dr. Larry DiChiara; Chief School Financial Officer: Grindal Harris; and Board Members: Henry Hicks, Sr.; Brenda Randolph Obomanu; Frank Chestnut, Jr.; Dr. Kirit D. Chapatwala; and Dr. Udo F. Ufomadu.

The following individuals attended the exit conference, held at the Board’s central office: Superintendent: Dr. Angela Mangum; Chief School Financial Officer: Grindal Harris; and Board Members: Henry Hicks, Sr.; Frank Chestnut, Jr.; Dr. Kirit D. Chapatwala; and Dr. Udo F. Ufomadu. Representatives from the Department of Examiners of Public Accounts in attendance were: Emily Tyler, Audit Manager, Brooke Phillips, Examiner, and Amanda Hensley, Examiner. The results of the audit were also discussed by telephone with Dr. Larry DiChiara, former Chief Administrative Officer.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Selma City Board of Education, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Selma City Board of Education's basic financial statements, as 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 Selma City Board of Education'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 Selma City Board of Education'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 and each major fund of the Selma City Board of Education, as of September 30, 2015, 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, in the fiscal year ended September 30, 2015, the Selma City Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions*** – an amendment of GASB Statement Number 27. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Net Pension Liability, the Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 7 through 10) 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 11), as required by U. S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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 June 3, 2016, 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 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 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.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 3, 2016



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*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, 2015. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the 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 No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this report.

### **Financial Highlights**

The board had a General Fund balance at year-end (September 30, 2015) of \$1.8M.

### **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. Also included in RSI are exhibits pertaining to the Board's pension liability.

## **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 Boards' net position is reported as Governmental Activities.

### **Exhibit I: Statement of Net Position**

	Governmental Activities as of Sept. 30, 2015	Governmental Activities as of Sept. 30, 2014
<b>Assets</b>		
Current and other assets	19,387,978.61	15,657,169.90
Capital Assets	68,204,868.02	70,131,550.01
<b>Total Assets</b>	<b>87,592,846.63</b>	<b>85,788,719.91</b>
Deferred Outflows of Resources	2,205,410.89	
<b>Liabilities</b>		
Current and other liabilities	2,405,037.98	2,569,135.53
Long-term liabilities	56,455,480.80	26,703,868.22
<b>Total Liabilities</b>	<b>58,860,518.78</b>	<b>29,273,003.75</b>
Deferred Inflows of Resources	5,126,367.26	3,194,366.41
<b>Net Position</b>		
Invested in Capital Assets	42,514,921.13	43,427,681.79
Restricted	7,034,505.77	6,529,873.04
Unrestricted	(23,738,055.42)	3,363,794.92
<b>Total Net Position</b>	<b>25,811,371.48</b>	<b>53,321,349.75</b>

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 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. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Board's financial statements. For fiscal year 2015, the Board made prior period adjustments due to the adoption of GASB 68 which required the restatement of the September 30, 2015 net position in Governmental Activities.

The Board's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25.8M 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 \$7.03M 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 (23.74M) primarily due to the addition of pension liabilities with the adoption of GASB Statement 68.

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

**Exhibit II: Statement of Activities**

	Governmental Activities as of Sept. 30, 2015	Governmental Activities as of Sept. 30, 2014
<b>Revenues</b>		
Program Revenues:		
Charges for Services	3,987,347.83	3,514,973.05
Operating Grants & Contributions	25,879,186.58	25,647,945.21
Capital Grants and Contributions	2,340,504.06	2,131,517.40
General Revenues		
Property Taxes	3,213,029.81	3,246,669.37
Sales Tax	882,921.59	283,798.88
Alcohol Beverage Tax	134,459.13	142,821.07
Other Taxes	77,444.40	84,511.06
Federal & State Aid Not Restricted To Specific Purposes	429,192.39	426,608.23
Investment Earnings	191,381.76	321,151.63
Gain on Disposition of Capital Assets		
Other General Revenues	939,204.57	1,191,676.08
<b>Total Revenues</b>	<u><u>38,074,672.12</u></u>	<u><u>36,991,671.98</u></u>
<b>Expenses</b>		
Instructional Services	20,319,710.78	19,905,777.33
Instructional Support Services	5,559,731.70	5,075,240.44
Operation & Maintenance Services	5,232,264.78	4,001,340.54
Student Transportation Services	377,350.59	389,188.14
Food Services	3,183,921.05	2,826,333.60
General Administrative Services	1,954,778.86	1,920,790.97
Interest and Fiscal Charges	819,810.80	1,314,555.31
Other	1,876,081.83	2,380,559.56
<b>Total Expenses</b>	<u><u>39,323,650.39</u></u>	<u><u>37,813,785.89</u></u>
Changes in Net Position	(1,248,978.27)	(822,113.91)
Net Position- Beginning of Year	27,060,349.75	54,143,463.66
Net Position - End of Year	<u><u>25,811,371.48</u></u>	<u><u>53,321,349.75</u></u>

The Board's net position decreased \$1.2 million during the current fiscal year. Due to the adoption of GASB Statement 68, the beginning net position decreased \$26.3 million to account for pension liabilities previously unstated.

Program Revenues, specifically Operating Grants and Contributions, are the largest component of Total Revenues (85%).

- Operating Grants and Contributions contribute 80% of Program Revenues and 68% of total 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 include State Capital Outlay Funds and State Funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

General Revenues, primarily property taxes and other taxes, are used to provide \$5.9M for expenses not covered by program revenues.

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board (52%).

- In addition to teacher salaries and benefits, Instructional Services include: teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, 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, and professional development expenses.
- Operation and Maintenance Services include: utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- In addition to bus driver salaries and benefits, Student Transportation Services include: mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses, and bus shops, and fleet insurance.
- Food Services include: salaries and benefits for cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- General Administrative Services include: salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.

- Debt Service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other Expenses include: the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.

### **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 \$14.0 million. Approximately \$1.8M 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 2015 fiscal year budget, adopted in September 2014, 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.

**Long-Term Debt** - At year-end, the Board had \$30.4M in warrants, notes, capital lease contracts payable, 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, 2015. were as follows:**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds & Warrants Payable	26,703,868.22	7,452,133.41	(3,752,520.83)	30,403,480.80	212,530.21
Total Bonds and Notes Payable	26,703,868.22	7,452,133.41	(3,752,520.83)	30,403,480.80	212,530.21
Other Liabilities:					
Net Pension Liability	28,321,000.00		(2,269,000.00)	26,052,000.00	
Total Other Liabilities	28,321,000.00		(2,269,000.00)	26,052,000.00	
<hr/>					
Governmental Activities Long Term Liabilities	55,024,868.22	7,452,133.41	(6,021,520.83)	56,455,480.80	212,530.21

A long-term debt activity for the year consisted 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 or 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). These are the Bonds & Warrants Payable.

**Capital Assets and Debt Administration**

**Capital Assets** - At September 30, 2015, the Board had approximately \$68.2M invested in capital assets including land, buildings, equipment costing \$5,000 or more, vehicles, buildings and equipment under capital lease, and construction in progress. This amount is net of accumulated depreciation to date. 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, 2015 was as follows:**

	Beginning Balance	Additions	Retirements	Ending Balance
<i>Governmental Activities:</i>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land and Land Improvements	1,029,895.71			1,029,895.71
Total Capital Assets, Not Being Depreciated	1,029,895.71			1,029,895.71
<i>Capital Assets Being Depreciated:</i>				
Buildings	71,832,133.20			71,832,133.20
Building Improvements	3,620,491.53			3,620,491.53
Equipment and Furniture	2,199,172.72	97,356.94		2,296,529.66
Vehicles	831,738.62			831,738.62
Total Capital Assets, Being Depreciated	78,483,536.07	97,356.94		78,580,893.01
<i>Less Accumulated Depreciation for:</i>				
Buildings	6,823,466.92	1,730,185.35		8,553,652.27
Buildings Improvements	174,446.67	115,855.73		290,302.40
Equipment and Furniture	1,720,716.76	141,187.58		1,861,904.34
Vehicles	663,251.42	36,810.27		700,061.69
Total Accumulated Depreciation	9,381,881.77	2,024,038.93		11,405,920.70
Total Capital Assets Being Depreciated, Net	69,101,654.30	(1,926,681.99)		67,174,972.31
Total Governmental Activities Capital Assets, Net	70,131,550.01	(1,926,681.99)		68,204,868.02

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

The following are currently known Selma City economic factors considered in going into the 2015-2016 Fiscal Year.

- ✓ The unemployment rate in Dallas County for February 2016 was 9.6 percent, which is reflective of the slowing economy nationwide. Dallas County's unemployment rate ranks 8th out of 67 counties and compares unfavorably to the State's average unemployment rate of 6.2 percent for March 2016.
- ✓ The population in Selma City as of the year 2010 census increased slightly since the last ten-year census taken in 2000. The population increased by approximately 1,807 people over a ten-year period. The latest annual population estimate published by the Census Bureau on July 1, 2014 reports Selma at 19,814. The decennial census performed by the US 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 2015-2016 fiscal year due to increasing expenditures and fringe benefits. This uncertainty has caused the Board to budget for continued cautious spending for the 2016 fiscal year.

Student Enrollment - The latest student enrollment figure as of the twenty-day report in the 2015-2016 school year was 3,588.45; which was a decrease of approximately 221 students from the previous years' data.

<b>ADM</b>	<b>Fiscal Year</b>
3,589	2016
3,810	2015
3,743	2014
3,810	2013

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

<b>YEAR</b>	<b>RETIREMENT PERCENTAGE</b>	<b>PEEHIP PER MONTH</b>
2016 Tier I	11.71%	\$780.00
2016 Tier II	11.05%	\$780.00
2015 Tier I	11.71%	\$780.00
2015 Tier II	11.05%	\$780.00
2014 Tier I	11.71%	\$714.00
2014 Tier II	11.08%	\$714.00
2013	10.08%	\$714.00
2012	10.00%	\$714.00

**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 334 876-4442 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:30 p.m., Central Standard Time.

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# *Basic Financial Statements*

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***Statement of Net Position***  
***September 30, 2015***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 15,381,218.15
Investments	44,759.54
Ad Valorem Property Taxes Receivable	2,990,367.26
Receivables (Note 4)	873,299.96
Inventories	98,333.70
Capital Assets (Note 5):	
Nondepreciable	1,029,895.71
Depreciable, Net	67,174,972.31
Total Assets	<u>87,592,846.63</u>
<b><u>Deferred Outflows of Resources</u></b>	
Employer Pension Contribution	<u>2,205,410.89</u>
Total Deferred Outflows of Resources	<u>2,205,410.89</u>
<b><u>Liabilities</u></b>	
Accounts Payable	3,467.15
Unearned Revenue	271,698.33
Salaries and Benefits Payable	2,129,872.50
Long-Term Liabilities:	
Portion Due or Payable Within One Year	212,530.21
Portion Due or Payable After One Year	56,242,950.59
Total Liabilities	<u>58,860,518.78</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	2,990,367.26
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	2,136,000.00
Total Deferred Inflows of Resources	<u>5,126,367.26</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	42,514,921.13
Restricted for:	
Debt Service	5,543,017.51
Capital Projects	173,797.74
Other Purposes	1,317,690.52
Unrestricted	<u>(23,738,055.42)</u>
Total Net Position	<u>\$ 25,811,371.48</u>

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

***Statement of Activities***  
***For the Year Ended September 30, 2015***

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b><u>Governmental Activities</u></b>			
Instruction	\$ 20,319,710.78	\$ 308,229.39	\$ 16,791,032.90
Instructional Support	5,559,731.70	81,034.06	5,114,153.08
Operation and Maintenance	5,232,264.78	304,908.02	1,117,720.13
Auxiliary Services:			
Student Transportation	377,350.59	84,731.92	201,953.20
Food Service	3,183,921.05	2,883,757.67	221,572.14
General Administrative and Central Support	1,954,778.86	51,438.70	1,226,748.99
Interest and Fiscal Charges	819,810.80		
Other Expenses	1,876,081.83	273,248.07	1,206,006.14
Total Governmental Activities	<u>\$ 39,323,650.39</u>	<u>\$ 3,987,347.83</u>	<u>\$ 25,879,186.58</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.

		<b>Net (Expenses) Revenues and Changes in Net Position</b>	
<b>Capital Grants and Contributions</b>		<b>Total Governmental Activities</b>	
\$	2,286,539.67	\$	(933,908.82)
			(364,544.56)
	17,964.39		(3,791,672.24)
			(54,665.47)
	36,000.00		(78,591.24)
			(676,591.17)
			(819,810.80)
			(396,827.62)
<u>\$</u>	<u>2,340,504.06</u>		<u>(7,116,611.92)</u>

3,213,029.81  
882,921.59  
134,459.13  
77,444.40

429,192.39  
191,381.76  
939,204.57

5,867,633.65

(1,248,978.27)

27,060,349.75

\$ 25,811,371.48

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2015***

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 3,545,741.13	\$ 1,405,127.86
Investments		44,759.54
Ad Valorem Property Taxes Receivable	2,990,367.26	
Receivables (Note 4)	251,194.88	622,105.08
Interfund Receivables	5,087.72	
Inventories		98,333.70
Total Assets	<u>6,792,390.99</u>	<u>2,170,326.18</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	3,004.50	462.65
Interfund Payables		5,087.72
Unearned Revenues		271,698.33
Salaries and Benefits Payable	2,010,536.10	119,336.40
Total Liabilities	<u>2,013,540.60</u>	<u>396,585.10</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue - Property Taxes	2,990,367.26	
Total Deferred Inflows of Resources	<u>2,990,367.26</u>	
<b><u>Fund Balances</u></b>		
Nonspendable:		
Inventories		98,333.70
Restricted for:		
Debt Service		
Capital Projects		
Child Nutrition Program		1,219,356.82
Assigned to:		
Local Schools		456,050.56
Unassigned	1,788,483.13	
Total Fund Balances	<u>1,788,483.13</u>	<u>1,773,741.08</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,792,390.99</u>	<u>\$ 2,170,326.18</u>

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



Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 5,543,017.51	\$ 4,887,331.65	\$ 15,381,218.15
		44,759.54
		2,990,367.26
		873,299.96
		5,087.72
		98,333.70
<u>5,543,017.51</u>	<u>4,887,331.65</u>	<u>19,393,066.33</u>
		3,467.15
		5,087.72
		271,698.33
		<u>2,129,872.50</u>
		<u>2,410,125.70</u>
		2,990,367.26
		<u>2,990,367.26</u>
		98,333.70
5,543,017.51		5,543,017.51
	4,887,331.65	4,887,331.65
		1,219,356.82
		456,050.56
		<u>1,788,483.13</u>
<u>5,543,017.51</u>	<u>4,887,331.65</u>	<u>13,992,573.37</u>
<u>\$ 5,543,017.51</u>	<u>\$ 4,887,331.65</u>	<u>\$ 19,393,066.33</u>

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

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Total Fund Balances - Governmental Funds \$ 13,992,573.37

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

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

The Cost of Capital Assets is	\$ 79,610,788.72	
Accumulated Depreciation is	<u>(11,405,920.70)</u>	
		68,204,868.02

Deferred outflows and inflows of resources related to pensions are applicable to  
future periods and, therefore, are not reported in the governmental funds. 69,410.89

Long-term liabilities are not due and payable in the current period and, therefore,  
are not reported as liabilities in the funds.

Current Portion of Long-Term Debt	212,530.21	
Noncurrent Portion of Long-Term Debt	<u>\$ 56,242,950.59</u>	
		<u>(56,455,480.80)</u>

Total Net Position - Governmental Activities \$ 25,811,371.48

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, 2015***

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b><u>Revenues</u></b>		
State	\$ 20,992,357.57	\$
Federal	281,566.12	7,026,816.28
Local	5,433,594.07	1,641,691.31
Other	96,599.51	49,629.29
Total Revenues	26,804,117.27	8,718,136.88
<b><u>Expenditures</u></b>		
Current:		
Instruction	15,803,294.71	2,653,123.41
Instructional Support	4,404,275.17	1,205,447.92
Operation and Maintenance	3,767,436.76	89,685.39
Auxiliary Services:		
Student Transportation	245,688.87	103,581.55
Food Service		3,505,240.19
General Administrative and Central Support	1,492,901.99	349,075.00
Other	762,386.83	1,115,960.46
Capital Outlay	8,299.00	7,594.75
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	26,484,283.33	9,029,708.67
Excess (Deficiency) of Revenues Over Expenditures	319,833.94	(311,571.79)
<b><u>Other Financing Sources (Uses)</u></b>		
Indirect Cost	370,173.31	
Long-Term Debt Issued		
Premiums on Long-Term Debt Issued		
Transfers In	52,006.00	381,984.35
Other Financing Sources	25,345.92	2,684.76
Transfers Out	(853,282.57)	(52,006.00)
Payments to Refunding Escrow Agent		
Total Other Financing Sources (Uses)	(405,757.34)	332,663.11
Net Changes in Fund Balances	(85,923.40)	21,091.32
Fund Balances - Beginning of Year	1,874,406.53	1,752,649.76
Fund Balances - End of Year	\$ 1,788,483.13	\$ 1,773,741.08

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

<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$ 1,794,147.97	\$ 543,764.09	\$ 23,330,269.63
		7,308,382.40
186,389.99	85.24	7,261,760.61
		146,228.80
<u>1,980,537.96</u>	<u>543,849.33</u>	<u>38,046,641.44</u>
	132,353.87	18,588,771.99
		5,609,723.09
	1,316,399.97	5,173,522.12
		349,270.42
		3,505,240.19
	181,532.77	2,023,509.76
		1,878,347.29
	81,463.19	97,356.94
1,064,663.85	1,050,617.72	2,115,281.57
1,227,242.80	49,875.96	1,277,118.76
<u>2,291,906.65</u>	<u>2,812,243.48</u>	<u>40,618,142.13</u>
<u>(311,368.69)</u>	<u>(2,268,394.15)</u>	<u>(2,571,500.69)</u>
		370,173.31
	7,452,133.41	7,452,133.41
	649,017.10	649,017.10
670,160.89		1,104,151.24
		28,030.68
	(198,862.67)	(1,104,151.24)
	(1,828,948.40)	(1,828,948.40)
<u>670,160.89</u>	<u>6,073,339.44</u>	<u>6,670,406.10</u>
358,792.20	3,804,945.29	4,098,905.41
5,184,225.31	1,082,386.36	9,893,667.96
<u>\$ 5,543,017.51</u>	<u>\$ 4,887,331.65</u>	<u>\$ 13,992,573.37</u>

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***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, 2015***

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Net Changes in Fund Balances - Total Governmental Funds \$ 4,098,905.41

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the 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	\$ 97,356.94	
Depreciation Expense	<u>(2,024,038.93)</u>	(1,926,681.99)

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. 2,115,281.57

Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities. 1,828,948.40

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (7,452,133.41)

Premiums on debt issuance are reported as other financing sources in the governmental funds, but are amortized in the Statement of Activities. (649,017.10)

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 governmental funds.

Amortization of Premiums/Loss on Refunding	\$ (457,307.96)	
Pension Expense, Current Year Increase	<u>(278,410.89)</u>	735,718.85

Change in Net Position of Governmental Activities \$ (1,248,978.27)

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **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.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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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 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.
- ◆ **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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***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 at the first regular meeting of the City of Selma and the Dallas County Commission in February of each year. Property taxes are 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 capital projects 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **4. Restricted Assets**

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

#### **5. Capital Assets**

Capital assets, which include property 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	25 – 50 years
Building Improvements	\$50,000	5 – 30 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 – 15 years
Equipment Under Capital Lease	\$ 5,000	5 – 20 years

#### **6. Deferred Outflows of Resources**

Deferred outflows of resources is 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **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. Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

#### **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. 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **11. Net Position/Fund Equity**

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

- ◆ **Net Investment in Capital Assets** – Capital assets minus 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.

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

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained 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.
  
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
  
- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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- D. Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorized the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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.

**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. 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. The Debt Service Fund adopts budgets on the modified accrual basis of accounting, and the Capital Projects Fund adopts project-length budgets. All appropriations lapse at fiscal year-end.

On or before October 1 of each year, each county or 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**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 \$4,929,066.35 in the Debt Service and Capital Projects Funds which is included in cash and cash equivalents on the financial statements.

Investment	Fair Value
Morgan Stanley Institutional Liquidity Funds – Treasury Portfolio	\$4,929,066.35
Total	<u>\$4,929,066.35</u>

**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 AAAM by Standard and Poor's Rating Group.



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**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, 2015, receivables for the Board’s individual major funds are as follows:

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Receivables:</b>			
Accounts Receivable	\$245,902.74	\$ 38,084.70	\$283,987.44
Intergovernmental	5,292.14	584,020.38	589,312.52
<b>Total Receivables</b>	<b>\$251,194.88</b>	<b>\$622,105.08</b>	<b>\$873,299.96</b>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2015**

**Note 5 – Capital Assets**

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

	Balance 10/01/2014	Additions	Retirements	Balance 09/30/2015
<b><u>Governmental Activities:</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,029,895.71	\$	\$	\$ 1,029,895.71
Total Capital Assets, Not Being Depreciated	1,029,895.71			1,029,895.71
Capital Assets Being Depreciated:				
Buildings	71,832,133.20			71,832,133.20
Building Improvements	3,620,491.53			3,620,491.53
Equipment and Furniture	2,199,172.72	97,356.94		2,296,529.66
Vehicles	831,738.62			831,738.62
Total Capital Assets Being Depreciated	78,483,536.07	97,356.94		78,580,893.01
Less Accumulated Depreciation for:				
Buildings	(6,823,466.92)	(1,730,185.35)		(8,553,652.27)
Building Improvements	(174,446.67)	(115,855.73)		(290,302.40)
Equipment and Furniture	(1,720,716.76)	(141,187.58)		(1,861,904.34)
Vehicles	(663,251.42)	(36,810.27)		(700,061.69)
Total Accumulated Depreciation	(9,381,881.77)	(2,024,038.93)		(11,405,920.70)
Total Capital Assets Being Depreciated, Net	69,101,654.30	(1,926,681.99)		67,174,972.31
Total Governmental Activities Capital Assets, Net	\$70,131,550.01	\$(1,926,681.99)	\$	\$ 68,204,868.02

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

	Current Year Depreciation Expense
<b><u>Governmental Activities:</u></b>	
Instruction	\$1,902,291.47
Instructional Support	3,007.24
Operation and Maintenance	68,188.80
Auxiliary Services:	
Student Transportation	29,885.89
Food Service	1,244.30
Other	19,421.23
Total Depreciation Expense – Governmental Activities	<u>\$2,024,038.93</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **Note 6 – Defined Benefit Pension Plan**

##### **A. Plan Description**

The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### 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, 2015, was 11.71% of annual pay for Tier 1 members and 11.05% 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 \$2,205,410.89 for the year ended September 30, 2015.

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

At September 30, 2015, the Board reported a liability of \$26,052,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the Board's proportion was 0.286772%, which was a decrease of 0.002355% from its proportion measured as of September 30, 2013.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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For the year ended September 30, 2015, the Board recognized pension expense of \$1,927,000.00. At September 30, 2015, 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	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		1,953,000.00
Changes in proportion and differences between employer contributions and proportionate share of contributions		183,000.00
Employer contributions subsequent to the measurement date	2,205,410.89	
Total	<u>\$2,205,410.89</u>	<u>\$2,136,000.00</u>

The \$2,205,410.89 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2016	\$(531,000)
2017	\$(531,000)
2018	\$(531,000)
2019	\$(531,000)
2020	\$ (12,000)
Thereafter	\$

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### E. Actuarial Assumptions

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

Inflation	3.00%
Investment Rate of Return (*)	8.00%
Projected Salary Increases	3.50%-8.25%
(*) Net of pension plan investment expense	

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset 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	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	
(*) Includes assumed rate of inflation of 2.50%.		

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**F. Discount Rate**

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

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

The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Board's proportionate share of collective net pension liability	\$35,491	\$26,052	\$18,052
(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, 2014. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **Note 7 – Other Postemployment Benefits (OPEB)**

##### **A. Plan Description**

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

##### **B. Funding Policy**

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

	Fiscal Year 2015
Individual Coverage – Non-Medicare Eligible	\$151.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$391.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$250.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$250.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$700.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$934.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$907.00
Surviving Spouse – Medicare Eligible	\$354.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$595.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$568.00



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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For employees that retire other than for disability on or after October 1, 2005, and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is \$28.00 per month for retired members that use tobacco.

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2015	\$780.00	\$180.76	23.17%	\$1,009,054.47	100%
2014	\$714.00	\$220.09	30.83%	\$1,209,974.96	100%
2013	\$714.00	\$216.90	30.38%	\$1,207,187.04	100%

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**Note 8 – Unearned Grant Revenues**

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2015, the various components of unearned revenue reported in the governmental funds were as follows:

	Unearned Revenues
IDEA-Part B	\$ 18,460.80
Preschool (3-5) Part B	3,002.80
Title I, Part A	213,049.78
Title I, Part A – School Improvements	9,003.03
Improving Teacher Quality State Grants	27,585.54
Child Nutrition Program Prepaid Meals	596.38
Total Unearned Revenue for Governmental Funds	<u>\$271,698.33</u>

**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.

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*Notes to the Financial Statements*  
*For the Year Ended September 30, 2015*

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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 1<sup>st</sup> 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.

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, during the audit period.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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

	Debt Outstanding 10/01/2014 (*)	Issued/ Increased
<b>Governmental Activities:</b>		
Capital Improvement Pool QZAB Bonds, Series 2011A	\$ 2,600,000.00	\$
Qualified School Construction Bonds, Series 2010	20,000,000.00	
Capital Improvement Pool Bonds, Series 2008A	2,103,868.22	
School Tax Warrants, Series 2015-A		5,915,000.00
Capital Improvement Pool Refunding Bonds, Series 2015-B		1,537,133.41
Certificate of Participation Payable	2,000,000.00	
Sub-Total	<u>26,703,868.22</u>	<u>7,452,133.41</u>
Net Pension Liability	28,321,000.00	
Total Governmental Activities Long-Term Liabilities	<u>\$55,024,868.22</u>	<u>\$7,452,133.41</u>
(*) With the implementation of GASB Statement Number 68, the beginning long-term debt was restated for Pension Liability.		

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, 2015**

Repaid/ Decreased	Refunded	Debt Outstanding 09/30/2015	Amounts Due Within One Year
\$	\$	\$ 2,600,000.00	\$
(115,281.57)	(1,637,239.26)	20,000,000.00	112,530.21
		351,347.39	
		5,915,000.00	
(2,000,000.00)		1,537,133.41	100,000.00
(2,115,281.57)	(1,637,239.26)	30,403,480.80	212,530.21
(2,269,000.00)		26,052,000.00	
<u>\$ (4,384,281.57)</u>	<u>\$ (1,637,239.26)</u>	<u>\$ 56,455,480.80</u>	<u>\$ 212,530.21</u>

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

Fiscal Year Ending	Warrants Payable		Total Principal and Interest Requirements to Maturity
	Principal	Interest	
September 30, 2016	\$ 212,530.21	\$ 1,434,032.00	\$ 1,646,562.21
2017	241,932.37	1,435,416.81	1,677,349.18
2018	256,884.81	1,428,292.82	1,685,177.63
2019	218,446.18	1,423,307.48	1,641,753.66
2020	285,753.72	1,416,885.18	1,702,638.90
2021-2025	1,739,339.30	6,927,814.22	8,667,153.52
2026-2030	24,708,594.21	2,980,876.12	27,689,470.33
2031-2035	2,200,000.00	2,564,200.00	4,764,200.00
2036	540,000.00	21,600.00	561,600.00
Totals	<u>\$ 30,403,480.80</u>	<u>\$ 19,632,424.63</u>	<u>\$ 50,035,905.43</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### *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 \$8,978,227.67 are pledged to repay the remaining principal and interest on the warrants at September 30, 2015. Proceeds of the pledged ad valorem taxes in the amount of \$2,699,728.16 were received by the Board during the fiscal year ended September 30, 2015. There were no payments due during the fiscal year ended September 30, 2015. The Series 2015-A School Tax Warrants will mature in fiscal year 2036.

On May 5, 2015, 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 Capital Improvement Pool Bonds, Series 2008-A. Future revenues in the amount of \$2,230,718.44 are pledged to repay the remaining principal and interest on the bonds at September 30, 2015. Proceeds of the Public School Fund allocation in the amount \$1,010,118.00 were received by the Board during the fiscal year ended September 30, 2015. There were no payments made on the bonds during the fiscal year ended September 30, 2015. The Capital Improvement Pool Bonds, Series 2015-B, will mature in fiscal year 2029.

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 are to be used for renovating several buildings at Selma High School. Future revenues in the amount of \$4,035,200.00 are pledged to repay the principal and interest on the bonds at September 30, 2015. Proceeds from the allocation of Public School Capital Outlay Funds in the amount of \$1,010,118.00 were received by the Board during the fiscal year ending September 30, 2015, of which \$8,730.80 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 are to be used to construct a new Selma High School. Future revenues in the amount of \$34,420,000.00 are pledged to repay the principal and interest on the bonds at September 30, 2015. Proceeds from the allocation of Public School Capital Outlay Funds in the amount of \$1,010,118.00 were received by the Board during the fiscal year ending September 30, 2015, of which \$154,912.00 was used to pay interest on the bonds. The Capital Outlay Pool Qualified Construction Bonds, Series 2010 will mature in fiscal year 2027.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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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. Future revenues in the amount of \$371,759.32 are pledged to repay the principal and interest on the bonds at September 30, 2015. Proceeds from the allocation of Public School Capital Outlay Funds in the amount of \$1,010,118.00 were received by the Board during the fiscal year ending September 30, 2015, of which \$165,157.53 was used to pay principal and interest on the bonds during the fiscal year ended September 30, 2015. The Capital Improvement Pool Bonds, Series 2008A, will mature in fiscal year 2018.

#### **Defeased Debt**

On May 5, 2015, the Alabama Public School and College Authority, on behalf of the 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 Pool Warrants, Series 2008 (“Series 2008”), with interest rates ranging from 3.25% to 4.25% and \$22,415,000 of outstanding Capital Improvement Pool Warrants Series, 2009-C (“Series 2009-C”), with interest rates ranging from 3.00% to 4.00%. The net proceeds of \$56,648,455.46 (after a premium of \$9,310,250.60 and a payment of \$271,795.14 in underwriting fees and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old warrants. As a result, the Board’s Series 2008A bonds are considered to be partially defeased and the applicable portion of the liability for those warrants has been removed. The Board had a 3.23% participation in the Series 2015-B bonds, which resulted in the Board being obligated for \$1,537,133.41 of the total principal of \$47,610,000.00.

The Board’s portion of the advance refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$191,709.14. This difference was charged off in the current year. As a result of the advance refunding, the Board increased its total debt service requirements by \$63,133.84, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$811.18.

#### **Prior Year Defeased Debt**

In prior years, the Board defeased the certificates of participation relating to the Qualified Zone Academy Bonds (QZAB), Series 2002. The Board deposited funds into an irrevocable trust with an escrow agent to provide for the future debt service payments on the QZAB certificates when they mature on September 11, 2016. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Board’s financial statements. At September 30, 2015, the total \$1 million of the QZAB certificates outstanding are considered defeased.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### *Note 10 – Risk Management*

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for 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 Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee 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.



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**Note 11 – Interfund Transactions**

**Interfund Receivables and Payables**

The interfund receivables and payables at September 30, 2015, were as follows:

	Interfund Receivables General Fund	Totals
<b>Interfund Payables:</b>		
Special Revenue Fund	\$5,087.72	\$5,087.72
<b>Totals</b>	<b>\$5,087.72</b>	<b>\$5,087.72</b>

**Interfund Transfers**

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

	Transfers Out			Totals
	General Fund	Special Revenue Fund	Capital Projects Fund	
<b>Transfers In:</b>				
General Fund	\$	\$52,006.00	\$	\$ 52,006.00
Special Revenue Fund	381,984.35			381,984.35
Debt Service Fund	471,298.22		198,862.67	670,160.89
<b>Totals</b>	<b>\$853,282.57</b>	<b>\$52,006.00</b>	<b>\$198,862.67</b>	<b>\$1,104,151.24</b>

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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**Note 12 – Restatement**

In fiscal year 2015, the Board adopted Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions***. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Board's financial statements. For fiscal year 2015, the Board made prior period adjustments due to the adoption of GASB Statement Number 68 which required the restatement of the September 30, 2014, net position in governmental activities. The result is a decrease in net position of \$26,261,000.00, at September 30, 2014.

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

	Total
Governmental Activities Net Position, September 30, 2014, as Previously Reported	\$ 53,321,349.75
Net Pension Liability Due to Adoption of GASB Statement Number 68	<u>(26,261,000.00)</u>
Governmental Activities Net Position, September 30, 2014, as Restated	<u>\$ 27,060,349.75</u>

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*Required Supplementary Information*

***Schedule of the Employer's Proportionate Share of the  
Net Pension Liability  
For the Year Ended September 30, 2015  
(dollar amounts in thousands)***

	<b>2015</b>
Employer's proportion of the net pension liability	0.286772%
Employer's proportionate share of the net pension liability	\$ 26,052
Employer's covered-employee payroll during the measurement period (*)	\$ 18,196
Employer's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	143.17%
Plan fiduciary net position as a percentage of the total collective pension liability	71.01%

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

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

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***Schedule of the Employer's Contributions***  
***For the Year Ended September 30, 2015***  
***(dollar amounts in thousands)***

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	<b>2015</b>
Contractually required contribution	\$ 2,205
Contributions in relation to the contractually required contribution	<u>\$ 2,205</u>
Contribution deficiency (excess)	\$
Employer's covered-employee payroll	\$ 18,888
Contributions as a percentage of covered-employee payroll	11.67%

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

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2015***

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues</b>			
State	\$ 20,774,748.00	\$ 20,846,529.00	\$ 20,992,357.57
Federal	52,500.00	52,500.00	281,566.12
Local	4,645,477.00	4,976,504.76	5,433,594.07
Other	50,000.00	50,000.00	96,599.51
Total Revenues	<u>25,522,725.00</u>	<u>25,925,533.76</u>	<u>26,804,117.27</u>
<b>Expenditures</b>			
Current:			
Instruction	15,601,451.99	15,769,494.54	15,907,503.58
Instructional Support	4,338,874.99	4,354,609.93	4,384,685.60
Operation and Maintenance	3,377,832.00	3,412,810.00	3,766,478.92
Auxiliary Services:			
Student Transportation	183,271.00	183,271.00	247,354.28
General Administrative and Central Support	1,403,420.00	1,540,441.00	1,481,835.42
Other	282,531.00	634,911.00	792,465.76
Capital Outlay			8,299.00
Total Expenditures	<u>25,187,380.98</u>	<u>25,895,537.47</u>	<u>26,588,622.56</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>335,344.02</u>	<u>29,996.29</u>	<u>215,494.71</u>
<b>Other Financing Sources (Uses)</b>			
Indirect Cost	341,819.00	352,223.49	370,173.31
Transfers In			52,006.00
Other Financing Sources		2,390.41	25,345.92
Transfers Out	(1,399,199.75)	(829,268.10)	(853,282.57)
Total Other Financing Sources (Uses)	<u>(1,057,380.75)</u>	<u>(474,654.20)</u>	<u>(405,757.34)</u>
Net Change in Fund Balances	(722,036.73)	(444,657.91)	(190,262.63)
Fund Balances - Beginning of Year	<u>3,500,000.00</u>	<u>3,989,281.86</u>	<u>3,989,281.86</u>
Fund Balances - End of Year	<u>\$ 2,777,963.27</u>	<u>\$ 3,544,623.95</u>	<u>\$ 3,799,019.23</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
\$	\$ 20,992,357.57
	281,566.12
	5,433,594.07
	96,599.51
	<u>26,804,117.27</u>
(104,208.87)	15,803,294.71
19,589.57	4,404,275.17
957.84	3,767,436.76
(1,665.41)	245,688.87
11,066.57	1,492,901.99
(30,078.93)	762,386.83
	8,299.00
<u>(104,339.23)</u>	<u>26,484,283.33</u>
104,339.23	319,833.94
	370,173.31
	52,006.00
	25,345.92
	<u>(853,282.57)</u>
	<u>(405,757.34)</u>
104,339.23	(85,923.40)
<u>(2,114,875.33)</u>	<u>1,874,406.53</u>
<u>\$ (2,010,536.10)</u>	<u>\$ 1,788,483.13</u>

\$ 104,339.23

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<b>Revenues</b>			
Federal	\$ 6,800,532.00	\$ 7,622,794.80	\$ 7,026,816.28
Local	1,087,775.00	1,087,775.00	1,641,691.31
Other	97,000.00	97,000.00	49,629.29
Total Revenues	<u>7,985,307.00</u>	<u>8,807,569.80</u>	<u>8,718,136.88</u>
<b>Expenditures</b>			
Current:			
Instruction	2,083,877.41	2,898,018.59	2,653,123.41
Instructional Support	1,168,545.58	1,410,892.25	1,205,447.92
Operation and Maintenance	117,815.00	117,815.00	89,685.39
Auxiliary Services:			
Student Transportation	50,502.00	49,802.00	103,581.55
Food Service	3,275,294.00	3,275,294.00	3,504,155.64
General Administrative and Central Support	456,567.17	462,461.76	349,075.00
Other	1,383,901.84	1,136,882.20	1,115,960.46
Capital Outlay	134,009.00	249,700.00	7,594.75
Total Expenditures	<u>8,670,512.00</u>	<u>9,600,865.80</u>	<u>9,028,624.12</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(685,205.00)</u>	<u>(793,296.00)</u>	<u>(310,487.24)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	951,916.00	381,984.35	381,984.35
Other Financing Sources			2,684.76
Transfers Out			(52,006.00)
Total Other Financing Sources (Uses)	<u>951,916.00</u>	<u>381,984.35</u>	<u>332,663.11</u>
Net Change in Fund Balances	266,711.00	(411,311.65)	22,175.87
Fund Balances - Beginning of Year	<u>1,254,806.00</u>	<u>1,870,901.61</u>	<u>1,870,901.61</u>
Fund Balances - End of Year	<u>\$ 1,521,517.00</u>	<u>\$ 1,459,589.96</u>	<u>\$ 1,893,077.48</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
\$	\$ 7,026,816.28
	1,641,691.31
	49,629.29
	<u>8,718,136.88</u>
	2,653,123.41
	1,205,447.92
	89,685.39
	103,581.55
1,084.55	3,505,240.19
	349,075.00
	1,115,960.46
	7,594.75
<u>1,084.55</u>	<u>9,029,708.67</u>
<u>(1,084.55)</u>	<u>(311,571.79)</u>
	381,984.35
	2,684.76
	<u>(52,006.00)</u>
	<u>332,663.11</u>
(1,084.55)	21,091.32
<u>(118,251.85)</u>	<u>1,752,649.76</u>
<u>\$ (119,336.40)</u>	<u>\$ 1,773,741.08</u>

\$ (1,084.55)

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2015***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of Education</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
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)		
Impact Aid	84.041	N.A.
Career and Technical Education - Basic Grants to States	84.048	N.A.
Education for Homeless Children and Youth	84.196	N.A.
Twenty-First Century Community Learning Centers	84.287	N.A.
Rural Education	84.358	N.A.
Improving Teacher Quality State Grants	84.367	N.A.
Total U. S. Department of Education		
<b><u>U. S. Department of Agriculture</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
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.
Fresh Fruit and Vegetable Program	10.582	N.A.
Total U. S. Department of Agriculture		
<b><u>Social Security Administration</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Social Security - Disability Insurance	96.001	N.A.
<b><u>Other Federal Assistance</u></b>		
<b><u>U. S. Department of Defense</u></b>		
<b><u>Direct Program</u></b>		
Air Force R.O.T.C.	N.A.	N.A.
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 and integral part of this schedule.

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2014-09/30/2015	\$ 3,329,611.94	\$ 3,329,611.94	\$ 2,897,559.13	\$ 2,897,559.13
10/01/2014-09/30/2015	1,062,209.59	1,062,209.59	936,356.21	936,356.21
10/01/2014-09/30/2015	44,267.01	44,267.01	36,264.21	36,264.21
	<u>1,106,476.60</u>	<u>1,106,476.60</u>	<u>972,620.42</u>	<u>972,620.42</u>
10/01/2014-09/30/2015	1,824.73	1,824.73	1,824.73	1,824.73
10/01/2014-09/30/2015	96,919.75	96,919.75	95,562.00	95,562.00
10/01/2014-09/30/2015	20,000.00	20,000.00	20,000.00	20,000.00
10/01/2014-09/30/2015	150,000.00	150,000.00	150,000.00	150,000.00
10/01/2014-09/30/2015	87,845.86	87,845.86	71,456.87	71,456.87
10/01/2014-09/30/2015	466,517.65	466,517.65	388,932.11	388,932.11
	<u>5,259,196.53</u>	<u>5,259,196.53</u>	<u>4,597,955.26</u>	<u>4,597,955.26</u>
10/01/2014-09/30/2015	592,451.91	592,451.91	592,451.91	592,451.91
10/01/2014-09/30/2015	1,837,762.44	1,837,762.44	1,837,762.44	1,837,762.44
10/01/2014-09/30/2015	131,826.58	131,826.58	131,826.58	131,826.58
	<u>1,969,589.02</u>	<u>1,969,589.02</u>	<u>1,969,589.02</u>	<u>1,969,589.02</u>
	<u>2,562,040.93</u>	<u>2,562,040.93</u>	<u>2,562,040.93</u>	<u>2,562,040.93</u>
10/01/2014-09/30/2015	7,382.90	7,382.90	7,382.90	7,382.90
10/01/2014-09/30/2015	92,064.72	92,064.72	92,064.72	92,064.72
	<u>2,661,488.55</u>	<u>2,661,488.55</u>	<u>2,661,488.55</u>	<u>2,661,488.55</u>
10/01/2014-09/30/2015	2,780.00	2,780.00	2,780.00	2,780.00
10/01/2014-09/30/2015	46,158.59	46,158.59	46,158.59	46,158.59
	<u>\$ 7,969,623.67</u>	<u>\$ 7,969,623.67</u>	<u>\$ 7,308,382.40</u>	<u>\$ 7,308,382.40</u>

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2015***

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***Note 1 – Basis of Presentation***

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

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## *Additional Information*

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***Board Members and Administrative Personnel***  
***October 1, 2014 through September 30, 2015***

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<b>Board Members</b>		<b>Term Expires</b>
Hon. Henry Hicks, Sr.	President	2016
Hon. Kirit Chatwala, Ph.D.	Vice-President	2016
Hon. Brenda Randolph Obomanu	Member	2016
Hon. Frank Chestnut, Jr.	Member	2016
Hon. Udo F. Ufomadu, Ph.D.	Member	2016
<b><u>Administrative Personnel</u></b>		
Angela Mangum, Ph.D.	Superintendent	June 2018
Larry DiChiara, Ed.D.	Chief Administrative Officer	April 2015
Grindal Harris	Chief School Financial Officer	Indefinite



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***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***

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**Independent Auditor's Report**

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

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 and each major fund of the Selma City Board of Education, as of and for the year ended September 30, 2015, 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 June 3, 2016.

**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, and, therefore, material weaknesses, or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2013-008, which we consider to be a significant deficiency.

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***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***

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**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***.

**Selma City Board of Education's Response to Findings**

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 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 Selma City Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 3, 2016

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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by OMB Circular A-133***

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***Independent Auditor's Report***

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

***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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Selma City Board of Education's compliance.

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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by OMB Circular A-133***

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***Opinion on Each Major Federal Program***

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 each of its major federal programs for the year ended September 30, 2015.

***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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by OMB Circular A-133***

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



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 3, 2016

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2015***

**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?  X  Yes    \_\_\_\_\_ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     X  No

**Federal Awards**

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

Significant deficiency(ies) identified? \_\_\_\_\_ Yes     X  None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes     X  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: \$300,000.00

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes     X  No

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2015***

**Section II – Financial Statement Findings (GAGAS)**

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2013-008	Internal Control	<p><b><u>Finding:</u></b>            Rule 290-2-1-.01(4)(a) issued by the State Board of Education states “<i>Local boards of education are required to maintain a supplemental inventory of equipment items not classified as fixed assets.</i>” The supplemental inventory of noncapitalized equipment is identified as items with a useful life of one year or more but a unit cost of less than \$5,000. The Board failed to maintain an accurate supplemental inventory of noncapitalized equipment for Selma High School.</p> <p><b><u>Recommendation:</u></b>            The Board should implement policies and procedures to ensure that an accurate supplemental equipment inventory is maintained.</p>	

**Section III – Federal Awards Findings and Questioned Costs**

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	



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*Auditee Response/Corrective Action Plan*



# SELMA CITY SCHOOLS

OFFICE OF THE  
SUPERINTENDENT

2194 BROAD ST.  
P.O. BOX 350  
SELMA, AL 36702-0350  
(334) 874-1600

June 14, 2016

Mr. Ronald Jones  
Chief Examiner  
P.O. Box 302251  
Montgomery, AL 36130-2251

Dear Mr. Jones:

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, 2015.

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Corrective Action Plan Details  
Finding Reference Numbers, Findings, and Responses

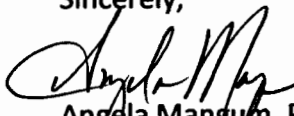
**Finding #2013-008:** Rule 290-2-1-.01(4)(a) issued by the State Board of Education states "*Local boards of education are required to maintain a supplemental inventory of equipment items not classified as fixed assets.*" The supplemental inventory of noncapitalized equipment is identified as items with a useful life of one year or more but a unit cost of less than \$5,000. The Board failed to maintain an accurate supplemental inventory of noncapitalized equipment for Selma High School.

*Contact Person: Grindal D. Harris, CSFO*


*Response: The Board has put in place a technology inventory policy and additional assignments to ensure that a supplemental inventory of equipment and fixed assets be maintained. We will send a listing to cost centers at least twice a year and also do spot checking.*

*Anticipated completion date: October 1, 2016*

Sincerely,

  
Angela Mangum, Ph.D.  
Superintendent

Sincerely,

  
Grindal D. Harris  
Chief School Financial Officer