

**SYLACAUGA CITY
BOARD OF EDUCATION**

**BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED SEPTEMBER 30, 2018

SYLACAUGA CITY BOARD OF EDUCATION
SYLACAUGA, ALABAMA

YEAR ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4
<u>BASIC FINANCIAL STATEMENTS:</u>	
Statement of Net Position	14
Statement of Activities	15
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Index - Notes to the Financial Statements	21
Notes to the Financial Statements	22
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of Board's Proportionate Share of the Net Pension Liability	54
Schedule of Board's Contributions - Teachers' Retirement System of Alabama	55
Schedule of Board's Proportionate Share of the Net OPEB Liability	56
Schedule of Board's Contributions - Alabama Retired Education Employees' Health Care Trust	57
Notes to Required Supplementary Information	58
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	59
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue Fund	61

(Continued)

SYLACAUGA CITY BOARD OF EDUCATION
SYLACAUGA, ALABAMA

YEAR ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
<u>REQUIRED SUPPLEMENTARY INFORMATION - (CONTINUED):</u>	
Note to the Schedules of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund	63
<u>SUPPLEMENTARY INFORMATION:</u>	
Schedule of Expenditures of Federal Awards	64
Notes to the Schedule of Expenditures of Federal Awards.....	66
<u>AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL:</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance	69
Schedule of Findings and Questioned Costs	71
<u>ADDITIONAL INFORMATION:</u>	
Independent Auditor's Report on Additional Information	73
Schedule of Debt Service - Capital Outlay School Warrants, Series 2010 - QSCB	74
Schedule of Insurance Coverage	75
Schedule of Fidelity Bonds	76
Analysis of Expenditures - General Fund and Special Revenue Fund	77

INDEPENDENT AUDITOR'S REPORT

To the Members of the Sylacauga City Board of Education
Sylacauga, Alabama

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued)

Auditor's Responsibility - (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sylacauga City Board of Education as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note 15 to the financial statements, "Change in Accounting Principles", the Sylacauga City Board of Education has adopted the provisions GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of September 30, 2018. 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, Budgetary Comparison Information, Schedule of the Board's Proportionate Share of the Net Pension Liability, Schedule of Board's Proportionate Share of Net OPEB Liability, Schedule of Board's Contributions, and Notes to Required Supplementary Information on pages 4-13 and 54-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sylacauga City Board of Education's basic financial statements. The Schedules of Debt Service, Insurance Coverage, Fidelity Bonds and Analysis of Expenditures - General Fund and Special Revenue Fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of *Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

(Continued)

Other Information - (Continued)

The 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.

The Schedules of Debt Service, Insurance Coverage, Fidelity Bonds and Analysis of Expenditures - General Fund and Special Revenue Fund have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2019 on our consideration of the Sylacauga 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 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 Sylacauga City Board of Education's internal control over financial reporting and compliance.

POTTER, BRYANT, & MOORE, P.C.
Certified Public Accountants

Potter, Bryant & Moore, P.C.

Birmingham, Alabama
February 20, 2019

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

SYLACAUGA CITY BOARD OF EDUCATION
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2018

Introduction

The Management's Discussion and Analysis (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 June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The MD&A should be read in conjunction with the financial statements and notes which follow this analysis.

As discussed in Note 15 of the accompanying financial statements, the Board adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (collectively, "GASB 75") effective October 1, 2017. The standard was not applied retroactively to the 2017 financial statements because the Alabama Public Education Employee's Health Care Trust (Trust) did not provide the necessary information.

The Sylacauga City Board of Education (the "Board") and its Superintendent have the responsibility for operating, maintaining and servicing the needs of four school sites, which include Indian Valley Elementary School, Pinecrest Elementary School, Nichols-Lawson Middle School, and Sylacauga High School. All Sylacauga City schools are accredited by AdvancEd.

At the beginning of the school term (August 2018) the Board employed 158 teachers, counselors, and librarians, along with 126 support personnel and administrators, who serve a student population of 2,114.

Financial Highlights – Significant Items to Note

- The Board's General Fund Budgetary Balance increased \$163,511. The Code of Alabama requires school systems to maintain a one-month fund balance in its General Fund. The Board had a 1.42 month budgetary fund balance at the end of the fiscal year.
- The Board completed major additional/renovation projects that began in FY2010. Each campus has had building additions, renovations or major maintenance. All athletic facilities have been updated and expanded to better suit the needs of our students and the community. Projects completed in FY2018 include: softball and baseball dressing rooms, fields and concession stands;

Using the Financial Statements – An Overview for the User

The financial section consists of five parts: *management's discussion and analysis* (this section), the *independent auditor's report*, the *basic financial statements*, *required supplementary information*, and *other supplementary information*.

The Board's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Board's finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Board's overall financial position.

It is important to note that all activities of the Board reported in the *government-wide financial statements* are classified as governmental activities. These activities include the following:

- Instruction includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.
- Instructional support includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, school nurses, and professional development expenses.

- Operation and maintenance includes utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Auxiliary services includes student transportation expenses, such as bus driver salaries and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance. Auxiliary services also include food service expenses such as salaries and benefits of lunchroom managers, cooks, cashiers, and servers. Also included in food service expenses are food purchases, food preparation and service supplies, and depreciation of food service equipment and facilities.
- General administrative services includes salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Interest and fiscal charges includes interest on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other includes salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the kindergarten through 12th grade instructional programs.

Government-wide financial statements are designed to provide readers with a broad overview of the Board's finances in a manner similar to a private-sector business. These statements report capital assets and depreciation of all exhaustible capital assets along with outstanding balances of long-term debt and other obligations. These statements report all assets and liabilities using an "economic resources" measurement focus and accrual basis of accounting. The accrual basis takes into account all of the Board's current year revenues and expenses regardless of when received or paid.

The following *government-wide financial statements* report on all of the governmental activities of the Board as a whole.

The *statement of net position* presents information on all of the Board's assets and deferred inflows of resources (what it owns) and liabilities and deferred outflows of resources (what it owes), with the difference between the two reported as net position. The net position reported in the statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The *statement of activities* presents information showing how the Board's net position changed during the current fiscal year. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board.

Fund financial statements – A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Board's funds can be classified into two categories: governmental funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same governmental activities reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Board's near-term financing requirements.

Government-wide financial statements are presented on the accrual basis of accounting, which focuses more on overall long-term availability of spendable resources. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately for the General Fund, the Capital Projects Fund, and the Debt Service Fund which are considered to be major funds of the Board.

Fiduciary Funds – The Board is the trustee, or fiduciary, for some of its booster and parent organization activity funds, which are under the control and administration of its schools. All of the Board's fiduciary activities are reported in a separate *Statement of Fiduciary Net Position*. These funds are not available to the Board to finance its operations, and therefore are not included in the *government-wide financial statements*. The Board is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

Notes to the Basic Financial Statements – The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly present the Board's financial position, and its operations. After the presentation of the *basic financial statements*, additional supplemental information is presented following the notes to the basic financial statements. The required supplementary information includes a comparison of the original adopted budget to the final amended budget of the Board's General Fund, which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.

Analysis of the School Board's Overall Financial Position

Over time, net position may serve as a useful indicator of a government's financial position. Refer to *Table 1* when reading the following analysis of net position. The Board's assets exceeded liabilities by \$3.88 million at September 30, 2018.

At September 30, 2018, \$35.50 million of net position reflects the Board's investment in capital assets (e.g. land, buildings, improvements other than buildings, furniture and equipment, and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since the capital assets are used in governmental activities, this portion of net position is not available for future spending or funding of operations.

Table 1: Summary of Net Position

As of September 30, 2018 and 2017

(in millions)

	Governmental Activities		
	2018	2017	Increase (Decrease)
Current and other assets	\$ 6.89	\$ 7.14	\$ (0.25)
Capital assets	41.83	43.46	(1.63)
Total assets	<u>48.72</u>	<u>50.60</u>	<u>(1.88)</u>
Deferred outflows of resources	<u>3.21</u>	<u>3.33</u>	<u>(0.12)</u>
Current and other liabilities	1.44	1.89	(0.45)
Long-term liability	<u>39.78</u>	<u>26.19</u>	<u>13.59</u>
Total liabilities	<u>41.22</u>	<u>28.08</u>	<u>13.14</u>
Deferred inflows of resources	<u>6.83</u>	<u>2.83</u>	<u>4.00</u>
Net position:			
Net investment in capital assets	35.50	36.91	(1.41)
Restricted	2.35	2.72	(0.37)
Unrestricted	<u>(33.97)</u>	<u>(16.61)</u>	<u>(17.36)</u>
Total net position	<u>\$ 3.88</u>	<u>\$ 23.02</u>	<u>\$ (19.14)</u>

Overall, the Board had a decrease in net position of \$19.14 million. The majority of the decrease is due to an adjustment to the ending net position in 2017.

The beginning net position on the Statement of Activities reflects a restatement in the amount of \$17,197,008.13 for the OPEB liability restatement, moving local school non-public funds into the Special Revenue Fund and accumulated depreciation correction.

The change in beginning net position is reflected as follows:

Ending Net Position 2017	\$23,023,051.31
Fund Balance Restatement	179,034.92
Capital Asset Restatement	304,438.95
OPEB Liability Restatement	<u>(17,680,482.00)</u>
Beginning Net Position (restated)	<u>\$ 5,826,043.18</u>

Noncurrent liabilities increased by approximately \$17.20 million primarily the result of recording a \$18.20 million other post-employment benefit (OPEB) liability in connection with the adoption of GASB 75, offset by a decrease in long-term liabilities of \$4.8 million which was attributable to regularly scheduled principal payments and reductions in net pension and OPEB liabilities.

Also in connection with adopting GASB 75, the Board recorded deferred outflows of resources of \$515,106. These amounts represent employer contributions to the OPEB plan subsequent to the measurement date, changes in proportionate share of contributions, and differences between projected and actual earnings of the Trust and did not exist in the 2017 statement of net position as the Board adopted GASB 75 prospectively. See Note 16 for additional information.

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities*. *Table 2* condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the Board for the year. It also shows the impact the operations had on changes in net position as of September 30, 2018.

Table 2: Summary of Changes in Net Position from Operating Results

Fiscal Years Ended September 30, 2018 and 2017

(in millions)

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues:		
Charges for services	\$ 2.30	\$ 2.14
Operating grants and contributions	14.75	14.77
Capital grants and contributions	0.67	0.68
General Revenues:		
Local property taxes	1.79	1.77
Local sales tax	1.61	1.56
Alcohol beverage tax	0.07	0.09
Grants and contributions	0.66	0.66
Other taxes	0.04	0.05
Other	1.06	1.68
Total revenues	<u>\$ 22.95</u>	<u>\$ 23.40</u>
Expenses:		
Instruction	\$ 13.72	\$ 14.68
Instructional support	3.97	3.84
Operation and maintenance	2.24	2.30
Auxiliary services	2.37	2.39
General administrative services	1.55	1.13
Other	1.05	0.82
Total expenses	<u>\$ 24.90</u>	<u>\$ 25.16</u>
Increase (decrease) in net position	<u>\$ (1.95)</u>	<u>\$ (1.76)</u>
Net position, beginning of year	<u>\$ 23.02</u>	<u>\$ 24.78</u>
Prior period adjustment	<u>\$ (17.19)</u>	<u>\$ -</u>
Net position, beginning of year, as restated	<u>\$ 5.83</u>	<u>\$ 24.78</u>
Net position, end of year	<u><u>\$ 3.88</u></u>	<u><u>\$ 23.02</u></u>

Governmental Activities – As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2018, was \$24.90 million. Revenue received to support Governmental Activities during the fiscal year was \$22.95 million.

- ✓ \$2.30 million was generated from user fees for services provided during the year, such as school lunches, summer school, local school fees, and after school programs.
- ✓ State and federal governments subsidized certain programs with grants and contributions totaling \$15.42 million.
- ✓ \$5.23 million was received from district taxpayers, as follows: \$1.79 million in property taxes \$1.61 million in local sales tax, \$0.66 million from city council appropriations and \$1.17 million in other taxes (business privilege tax, helping school vehicle tags, alcohol beverage tax, manufactured home registration fees, and other tax miscellaneous revenue).

Chart 1: Revenue by Source – Governmental Activities

Fiscal Years Ended September 30, 2018 and 2017

(in millions)

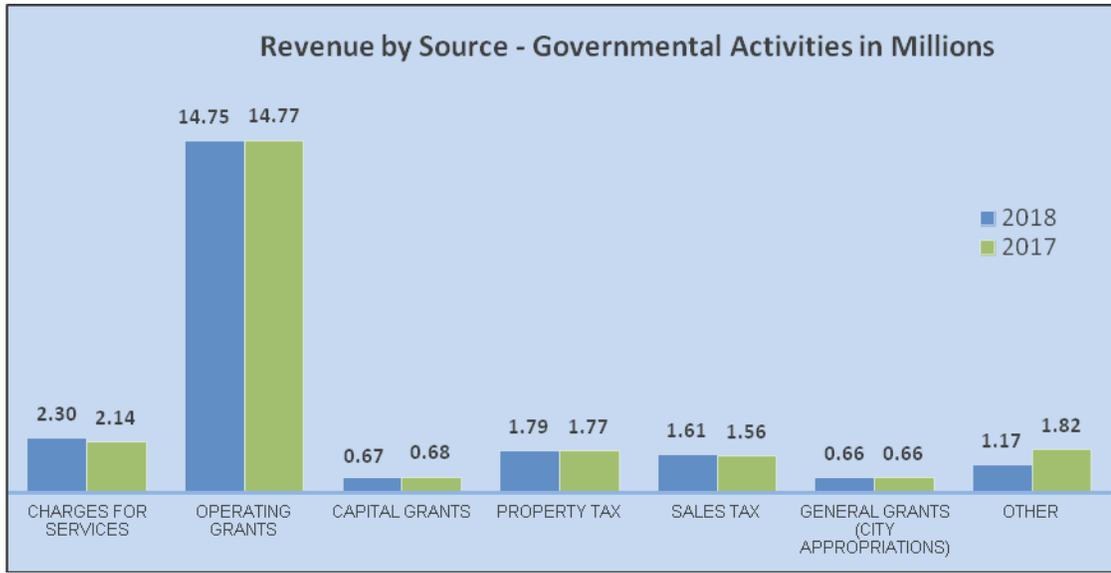


Chart 2: Expenses by Function/Program – Governmental Activities

Fiscal Years Ended September 20, 2018 and 2017

(in millions)

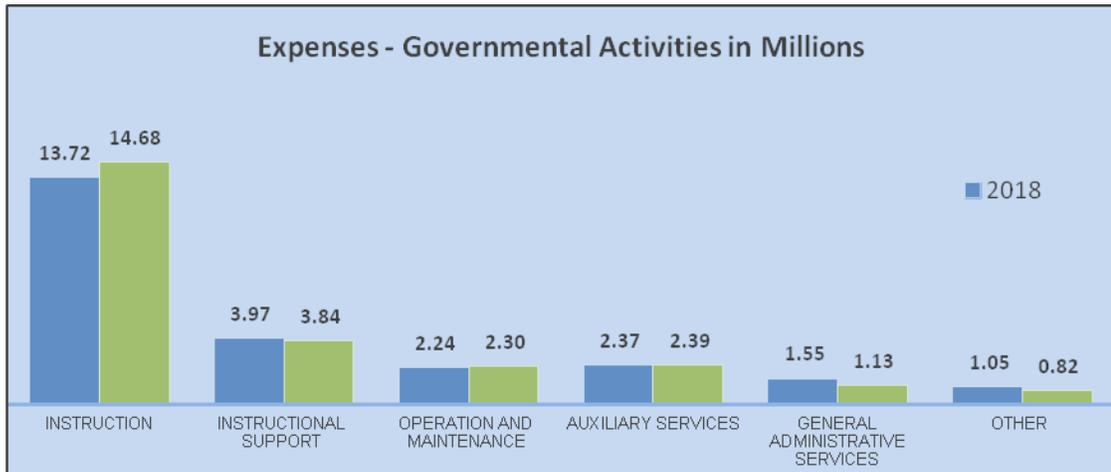


Table 3 is a condensed statement taken from the *Statement of Activities* showing the total cost for providing identified services for six major Board activities. The net cost of services is the remaining cost of services after subtracting grants and charges for services the Board used to offset total cost of each program.

Table 3: Net Cost of Governmental Activities

Fiscal Year Ended September 30, 2018

(in millions)

	Total Cost of Services	Net Cost of Services
Instruction	\$ 13.72	\$ (3.18)
Instructional support	3.97	(1.18)
Operation and maintenance	2.24	(1.17)
Auxiliary services	2.75	(0.31)
General administrative services	1.54	(1.09)
Other	0.68	(0.24)
Total	<u>\$ 24.90</u>	<u>\$ (7.17)</u>

Performance of School Board Funds

The Board utilizes fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes allows users to determine whether the Board is being accountable for the resources provided by taxpayers and other entities and may also help to provide more insight into the Board's overall financial health. The following analysis of the Board's funds should be read in reference to the *fund financial statements*.

Governmental Funds – The focus on the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balance of \$3.83 million.

General Fund – The general fund is the primary operating fund of the Board. Generally accepted accounting principles (GAAP) requires fund financial statements to be presented using the modified accrual basis of accounting. Daily financial transactions are recorded using the modified cash or budgetary basis of accounting. In order for the Board's financial transactions to be presented in accordance with GAAP, certain adjustments were necessary. The *Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund* shows the board's general fund balance in the amount of \$2.10 million using the budgetary basis, but using the GAAP basis the general fund balance is \$.92 million. Differences between the GAAP and budgetary basis statements are primarily due to the accrual of salaries and fringe benefit expenditures to be paid in the subsequent fiscal year. This adjustment had a negative impact on the Board's fund balance that would not have been present using the budgetary basis of accounting. However, the general fund balance remained stable.

The general fund's total expenditures and other financing uses was \$17.77 million. The general fund had an increase in fund balance of \$163,511 The school system's budget is created to support the mission of the Sylacauga City Schools. The focus is preparing graduates who are ready for college, career and community success. The school system's Strategic Plan has four parts: Governance and Leadership; Teaching and Assessing for Learning; Facilities, Resources, and Support Systems; and Collaboration, Communication and Continuous Improvement. The central focus of the Strategic Plan is Teaching and Assessing for Learning. The following is a breakdown of general fund expenditures by strategic plan goal:



Capital Projects Fund – The primary function of the capital projects fund is to segregate funds being held for construction, major capital improvements or bus purchases. The fund balance of this fund was decreased by \$.74 million in FY2018. Revenues consisted of State Public School Fund revenue \$.34 million, Transportation Fleet Renewal revenue \$.08, local match \$.10 million and other local resources of \$.42. Capital Expenditures and debt payments totaled \$1.64million.

The Board completed a major construction/renovation program that began in FY2010. The projects include: classroom additions/renovations at Sylacauga High School, gymnasium additions at Indian Valley and Pinecrest Elementary Schools and cafeteria upgrades at each campus. In December 2014, the former Frontier Bank building was purchased to be renovated for the new location of the Central Office. The school system has completed major renovations to all athletic facilities including Legion Stadium. Construction and renovations projects were funded primarily with bond funds.

In February 2015, the citizens of Sylacauga passed an extension of the 9.5 mill ad valorem tax. The vote extended the tax to October 1, 2049. After the vote in favor of the tax extension, the City of Sylacauga refinanced the Series 2005 bond issue and added \$6.61 million to do major renovations to athletic facilities. The City will use proceeds from the ad valorem tax to make payments on the bond issue. Taxes received in excess of debt payments will be used for renovations/upkeep of buildings throughout the school system and other school system needs.

Fiduciary Funds – Only the *Statement of Fiduciary Net Position* is presented, as the Board serves as the custodian of these funds, which are held in school accounts.

Capital Assets

The Board's investment in capital assets for its governmental activities for the year ended September 30, 2018, is \$41.83 million. The Board's investment in capital assets includes land at estimated historical cost, buildings and improvements at estimated historical cost, equipment and furniture at estimated historical cost and construction in progress, and is shown in *Table 4* below.

Table 4: Capital Assets (net of accumulated depreciation)

Fiscal Years Ended September 30, 2018 and 2017
(in millions)

	Governmental Activities		
	2018	2017	Increase (Decrease)
Land and improvements	\$ 2.64	\$ 2.87	\$ (0.23)
Construction in progress	-	0.63	(0.63)
Buildings and improvements	55.94	55.01	0.93
Equipment and vehicles	3.76	3.72	0.04
Less: accumulated depreciation	(20.51)	(18.77)	(1.74)
Total	<u>\$ 41.83</u>	<u>\$ 43.46</u>	<u>\$ (1.63)</u>

Budgetary Highlights

The Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The FY2018 budget adopted on September 8, 2017 included only guaranteed revenues and matching expenditures.

Budget Amendment – The original budget figures were amended when revenue or expenditure fluctuations exceeded 10 percent. The amended budget was adopted on June 26, 2018. This amendment included miscellaneous adjustments in the general fund such as utilities, substitutes, materials/supplies, safety supplies and purchased services. The amendment also included grants that were awarded to the school system after the original budget was adopted.

Economic Factors and Next Year's Budget

The following are currently known economic factors for Sylacauga City Board of Education going into the 2018-2019 fiscal year:

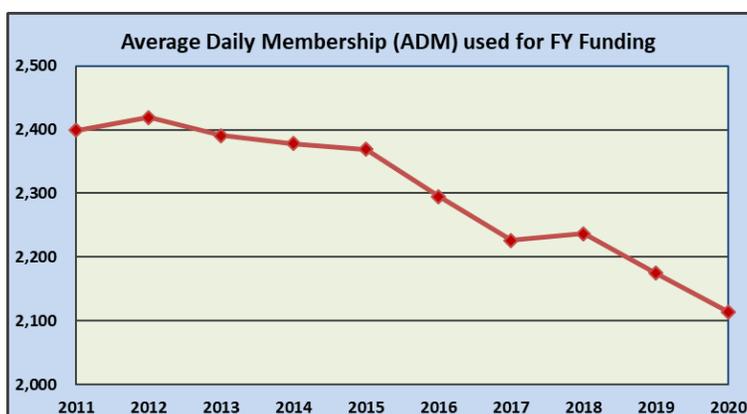
- ✓ **Economic Conditions** – According to the Alabama Department of Labor, seasonally adjusted unemployment rates in the state of Alabama have shown a very positive trend since 2009. The unemployment rate in Talladega County in December 2018 was 3.9%. The Alabama and United States unemployment rates were also 3.9%.
- ✓ **City Profile** – Sylacauga has been called “Alabama’s Best Kept Secret.” A small, but progressive city, Sylacauga makes it easy for its citizens to experience quality living. The city has a variety of recreational and cultural opportunities. With a pleasant year round climate, citizens enjoy many outdoor activities including recreational sports, hiking/biking trails, tennis and several city parks.
- ✓ **Employment Opportunities** – Talladega County offers several tax incentives for existing industries, expanding industries, and new industries locating in Alabama. Many of the county’s largest employers are related to manufacturing, education or healthcare. According to the Talladega County Economic Development Authority, Honda of Alabama currently employs 5,000, and is the county’s largest employer. New South Express and Nemak Aluminum Components have a combined employment in excess of 1,740. Those companies produce and supply vehicle parts. Alabama Institute for Deaf & Blind employs 1,266 employees.

At the time these financial statements were prepared and audited, the School Board was aware of the following circumstances that could significantly affect the School Board’s financial health in the future.

Student Enrollment – State funding for school systems is based on the Average Daily Membership (ADM) from the prior school year. This student count is taken on the 20th day after Labor Day. The following table shows the ADM which was used to calculate the funding for each fiscal year.

The 20-day count for the 2018-2019 school year was 2,114, for a decrease of 61 students. This count will be used to calculate the state funding for FY2020. The decrease in ADM will cause a decrease of approximately 4.70 state funded units.

School Year	ADM	Funds Fiscal Year	ADM Increase (Decrease)
2018-2019	2,114	2020	(61)
2017-2018	2,175	2019	(62)
2016-2017	2,237	2018	11
2015-2016	2,226	2017	(69)
2014-2015	2,295	2016	(74)
2013-2014	2,369	2015	(9)
2012-2013	2,378	2014	(13)
2011-2012	2,391	2013	(28)
2010-2011	2,419	2012	20
2009-2010	2,399	2011	(2)



Medical and Retirement Costs – Employee health insurance is provided through the Public Education Employees’ Health Insurance Program (PEEHIP). PEEHIP employer costs were \$9,360 per employee in FY2015 and FY2016. PEEHIP employer costs increased to \$9,600 in FY2017 and remained \$9,600 in FY2018. In FY2016, employer contributions to the Teacher’s Retirement System (TRS) were 11.94% for Tier I employees and 10.84% for Tier II employees. Rates for FY2017 were 12.01% for Tier I and 10.82% for Tier II. In FY2018, rates were 12.24% for Tier I and 11.01% for Tier II. The board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

Historically, even though the school system has reduced staffing, the cost of employee benefits continued to rise. The increase in benefit costs and reduction in ADM have made the budgeting process even more vital to the financial health of the school system.

Benefit Cost per Full Time Equivalent Unit					
<u>Fiscal Year</u>	<u>Total Benefits</u>	<u>FTE's</u>	<u>Per FTE</u>	<u>% Increase/ (Decrease)</u>	
2013	\$ 4,535,925	293	\$ 15,481		
2014	\$ 4,728,900	290	\$ 16,307		5.34%
2015	\$ 4,921,577	283	\$ 17,391		6.65%
2016	\$ 4,878,863	282	\$ 17,301		-0.52%
2017	\$ 4,923,379	277	\$ 17,774		2.73%
2018	\$ 5,030,294	281	\$ 17,901		0.71%

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 resources it receives. If you have any questions about this report or need additional financial information, please contact:

***Lisa A. Dickerson, Chief Finance Officer
Sylacauga City Board of Education
43 North Broadway Avenue
Sylacauga, AL 35150
Phone (256) 249-7007***



Sylacauga City Schools
College Career Community

BASIC FINANCIAL STATEMENTS

SYLACAUGA CITY BOARD OF EDUCATION

STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 4,560,825.14
Investments	11,762.95
Ad Valorem Property Taxes Receivable	1,620,000.00
Receivables, Net	662,366.34
Inventories	39,169.00
Capital Assets:	
Non-depreciable	2,640,183.55
Depreciable, Net	<u>39,189,312.87</u>
Total Assets	<u>48,723,619.85</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Employer Pension Contribution	1,449,159.18
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	1,211,000.00
Employer OPEB Contribution	<u>546,676.00</u>
Total Deferred Outflows of Resources	<u>3,206,835.18</u>
<u>LIABILITIES</u>	
Accounts Payable	63,330.28
Unearned Revenue	25,457.40
Salaries and Benefits Payable	1,354,720.38
Long-Term Liabilities:	
Portion Due or Payable Within One Year	145,910.72
Portion Due or Payable After One Year	<u>39,632,661.47</u>
Total Liabilities	<u>41,222,080.25</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable Revenue - Property Taxes	1,620,000.00
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	2,519,000.00
Proportionate Share of Collective Deferred Inflows Related to Net OPEB Liability	<u>2,687,339.00</u>
Total Deferred Inflows of Resources	<u>6,826,339.00</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	35,498,185.23
Restricted For:	
Debt Service	2,006,860.56
Capital Projects	219,865.69
Other Purposes	129,430.86
Unrestricted	<u>(33,972,306.56)</u>
Total Net Position	<u>\$ 3,882,035.78</u>

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

SYLACAUGA CITY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

<u>Functions/Programs</u>	<u>Program Revenues</u>				Net (Expenses)
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenues and Changes in Net Position</u>
					<u>Total Governmental Activities</u>
Instructional Services	\$ 13,724,702.51	\$ 590,459.69	\$ 9,486,177.29	\$ 471,255.40	\$ (3,176,810.13)
Instructional Support Services	3,971,260.05	212,373.20	2,577,291.97	0.00	(1,181,594.88)
Operation & Maintenance Services	2,235,545.74	67,097.26	899,221.91	99,678.63	(1,169,547.94)
Student Transportation Services	885,753.45	54,209.81	598,318.35	76,122.00	(157,103.29)
Food Services	1,486,312.91	1,191,503.49	141,808.63	0.00	(153,000.79)
General Administrative Services	1,544,516.42	43,712.12	380,159.20	27,111.97	(1,093,533.13)
Interest and Fiscal Charges	94,804.51	0.00	0.00	0.00	(94,804.51)
Other Expenses	<u>953,137.61</u>	<u>142,747.52</u>	<u>665,271.26</u>	<u>0.00</u>	<u>(145,118.83)</u>
Totals	\$ <u>24,896,033.20</u>	\$ <u>2,302,103.09</u>	\$ <u>14,748,248.61</u>	\$ <u>674,168.00</u>	<u>(7,171,513.50)</u>
 <u>General Revenues</u>					
Taxes:					
Property Taxes for General Purposes					1,692,289.00
Property Taxes for Specific Purposes					102,972.00
Sales Tax					1,610,471.36
Alcoholic Beverage Tax					64,988.31
Other Taxes					35,430.94
Grants and Contributions Not Restricted for Specific Programs					655,792.73
Investment Earnings					58,636.80
Miscellaneous					<u>1,006,924.96</u>
Total General Revenues					<u>5,227,506.10</u>
Changes in Net Position					(1,944,007.40)
Net Position - Beginning of Year (as Restated)					<u>5,826,043.18</u>
Net Position - End of Year					\$ <u>3,882,035.78</u>

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

SYLACAUGA CITY BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$1,774,556.62	\$ 559,542.27	\$ 2,006,860.56	\$ 219,865.69	\$ 4,560,825.14
Investments	0.00	11,762.95	0.00	0.00	11,762.95
Ad Valorem Property Taxes Receivable	1,620,000.00	0.00	0.00	0.00	1,620,000.00
Receivables, Net	385,118.01	277,248.33	0.00	0.00	662,366.34
Inventories	<u>0.00</u>	<u>39,169.00</u>	<u>0.00</u>	<u>0.00</u>	<u>39,169.00</u>
Total Assets	<u>\$3,779,674.63</u>	<u>\$ 887,722.55</u>	<u>\$ 2,006,860.56</u>	<u>\$ 219,865.69</u>	<u>\$ 6,894,123.43</u>
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 61,330.28	\$ 2,000.00	\$ 0.00	\$ 0.00	\$ 63,330.28
Unearned Revenues	0.00	25,457.40	0.00	0.00	25,457.40
Salaries and Benefits Payable	<u>1,182,796.61</u>	<u>171,923.77</u>	<u>0.00</u>	<u>0.00</u>	<u>1,354,720.38</u>
Total Liabilities	<u>1,244,126.89</u>	<u>199,381.17</u>	<u>0.00</u>	<u>0.00</u>	<u>1,443,508.06</u>
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue - Property Taxes	<u>1,620,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,620,000.00</u>
<u>Fund Balances</u>					
Non-spendable	0.00	39,169.00	0.00	0.00	39,169.00
Restricted	0.00	90,261.86	2,006,860.56	219,865.69	2,316,988.11
Committed	0.00	0.00	0.00	0.00	0.00
Assigned	0.00	558,910.52	0.00	0.00	558,910.52
Unassigned	<u>915,547.74</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>915,547.74</u>
Total Fund Balances	<u>915,547.74</u>	<u>688,341.38</u>	<u>2,006,860.56</u>	<u>219,865.69</u>	<u>3,830,615.37</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$3,779,647.63</u>	<u>\$ 887,722.55</u>	<u>\$ 2,006,860.56</u>	<u>\$ 219,865.69</u>	<u>\$ 6,894,123.43</u>

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

SYLACAUGA CITY BOARD OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total Fund Balances - Governmental Funds	\$ 3,830,615.37
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.	
Cost of Capital Assets	\$ 62,338,234.92
Accumulated Depreciation	<u>(20,508,738.50)</u>
Total Capital Assets	41,829,496.42
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the governmental funds.	141,159.18
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods, and therefore, are not reported in the governmental funds.	(2,140,663.00)
Long-Term liabilities, including bonds payable, 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	145,910.72
Noncurrent Portion of Long-Term Debt	<u>39,632,661.47</u>
Total Long-Term Liabilities	<u>(39,778,572.19)</u>
Total Net Position - Governmental Activities	\$ <u>3,882,035.78</u>

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

SYLACAUGA CITY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2018

	<u>General</u>	<u>Special</u>	<u>Debt Service</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
<u>Revenues</u>					
State Sources	\$ 12,837,825.70	\$ 0.00	\$ 244,322.03	\$ 429,845.97	\$ 13,511,993.70
Federal Sources	12,112.73	2,580,047.22	0.00	0.00	2,592,159.95
Local Sources	4,595,322.67	1,565,356.94	58,024.93	523,061.84	6,741,766.38
Other Sources	<u>83,848.11</u>	<u>22,257.66</u>	<u>0.00</u>	<u>0.00</u>	<u>106,105.77</u>
Total Revenues	<u>17,529,109.21</u>	<u>4,167,661.82</u>	<u>302,346.96</u>	<u>952,907.81</u>	<u>22,952,025.80</u>
<u>Expenditures</u>					
Instructional Services	9,560,600.21	1,886,122.95	0.00	14,225.00	11,460,948.16
Instructional Support Services	3,663,771.01	295,380.22	0.00	0.00	3,959,151.23
Operation & Maintenance Services	1,661,557.71	66,392.77	0.00	449,540.03	2,177,490.51
Student Transportation Services	780,706.39	16,383.89	0.00	163,607.35	960,697.63
Food Services	0.00	1,546,893.38	0.00	0.00	1,546,893.38
General Administrative Services	1,093,191.94	75,024.80	0.00	52,190.61	1,220,407.35
Other Expenditures	605,800.75	345,379.13	0.00	0.00	951,179.88
Capital Outlay	0.00	0.00	0.00	550,503.20	550,503.20
Debit Service:					
Principal Retirement	0.00	0.00	0.00	219,524.63	219,524.63
Interest and Fiscal Charges	<u>0.00</u>	<u>0.00</u>	<u>21,500.00</u>	<u>73,304.51</u>	<u>94,804.51</u>
Total Expenditures	<u>17,365,628.01</u>	<u>4,231,577.14</u>	<u>21,500.00</u>	<u>1,522,895.33</u>	<u>23,141,600.48</u>
Excess (Deficiency) of Revenues over Expenditures	<u>163,481.20</u>	<u>(63,915.32)</u>	<u>280,846.96</u>	<u>(569,987.52)</u>	<u>(189,574.68)</u>

(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - (CONTINUED)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Other Financing Sources</u>					
<u>(Uses)</u>					
Indirect Cost	\$ 149,936.30	\$ 0.00	\$ 0.00	\$ 0.00	\$ 149,936.30
Transfers In	243,424.17	254,197.19	0.00	0.00	497,621.36
Transfers Out	<u>(213,790.00)</u>	<u>(113,623.47)</u>	<u>0.00</u>	<u>(170,207.89)</u>	<u>(497,621.36)</u>
Total Other Financing Sources (Uses)	<u>179,570.47</u>	<u>140,573.72</u>	<u>0.00</u>	<u>(170,207.89)</u>	<u>149,936.30</u>
Net Changes in Fund Balances	343,051.67	76,658.40	280,846.96	(740,195.41)	(39,638.38)
Fund Balances - Beginning of Year (as Restated)	<u>572,496.07</u>	<u>611,682.96</u>	<u>1,726,013.60</u>	<u>960,061.10</u>	<u>3,870,253.75</u>
Fund Balances - End of Year	<u>\$ 915,547.74</u>	<u>\$ 688,341.38</u>	<u>\$ 2,006,860.56</u>	<u>\$ 219,865.69</u>	<u>\$ 3,830,615.37</u>

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

SYLACAUGA CITY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

Net Changes in Fund Balances - Total Governmental Funds \$ (39,638.38)

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	\$ 733,210.55	
Depreciation Expense	<u>(2,322,090.00)</u>	
Net Adjustment		(1,588,879.45)

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. 219,524.63

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by this amount.

Loss on Disposition of Capital Assets		(350,820.63)
---------------------------------------	--	--------------

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.

Pension Expense, Current Year Increase/(Decrease)	(36,248.43)	
OPEB Expense, Current Year Increase/(Decrease)	<u>220,442.00</u>	
Total		<u>(184,193.57)</u>

Changes in Net Position of Governmental Activities \$ (1,944,007.40)

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

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

INDEX

<u>Note #</u>		<u>Page</u>
1	Summary of Significant Accounting Policies	22
2	Reconciliation of Financial Statements	31
3	Stewardship, Compliance and Accountability	32
4	Unearned Revenues	33
5	Deposits and Investments	33
6	Receivables and Payables	34
7	Capital Assets	35
8	Defined Benefit Pension Plan	36
9	Other Postemployment Benefits (OPEB)	40
10	Long-Term Obligations	48
11	Interfund Balances and Activity	51
12	Risk Management	52
13	Contingent Liabilities	52
14	Commissions, Map and Appraisal Costs	52
15	Change in Accounting Principles	53
16	Restatement of Net Position	53

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

Statement No. 61 of the Governmental Accounting Standards Board establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units that should be included as part of the financial reporting entity of the Board.

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

1. The City appoints the five (5) members of the governing body of the Board.
2. The City issues bonds for the construction of facilities for the Board, and the City is obligated for the debt.
3. The City makes annual appropriations to the Board.

The financial statements of the Board include local school activity funds and other funds under the control of school principals.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

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, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

B. Basis of Presentation, Basis of Accounting - (Continued)

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities.

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

Fund Financial Statements: The fund financial statements provide information about the Board's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The Board reports the following major governmental funds:

General Fund - This is the Board's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund. The Board's General Fund primarily received revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.

Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds consist of the following: Federal Programs, Child Nutrition Funds, Local School Activity Funds, Community Education Funds, and Other State and Local Funds.

Debt Service Funds account for the accumulation of resources for, and the payment of, the Board's principal and interest payments on long-term debt.

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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

B. Basis of Presentation, Basis of Accounting - (Continued)

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Board's programs. Permanent Funds consist of a fund reserved for teachers' continuing education.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the Board's programs. The Board did not report any fiduciary funds.

Measurement Focus, Basis of Accounting

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

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

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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

B. Basis of Presentation, Basis of Accounting - (Continued)

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

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

Deposits and Investments

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

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

Receivables

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

Property Tax Calendar

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

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than capitalized as an asset.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - (Continued)

Inventories and Prepaid Items - (Continued)

GAAP require only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund. Prepaid items, such as insurance premiums and rent, are recorded as expenditures in governmental funds when paid.

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

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical costs in the statement of net assets. Donated assets are recorded at their estimated fair value at the date of donation. Estimated values on certain assets acquired prior to October 1, 2004, were provided by a professional property appraisal firm. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

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

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

(The capitalization threshold for Land, Construction in Progress, and Inexhaustible Land Improvements is \$1 or more. However, these capital assets are not depreciated.)

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - (Continued)

Long-Term Obligations

In the government-wide financial statements, the un-matured principal of long-term debt, capital leases, and compensated absences are reported in the Statement of Net Position. Interest expense for long-term debt, including accrued interest payable, is reported in the Statement of Activities. For warrants (bonds) and other long-term debt issued after October 1, 2003, the related debt issuance costs, premiums, and discounts are amortized under accrual accounting and the annual amortization of these accruals is included in the Statement of Activities. The unamortized portion is reported as a liability on the Statement of Net Position.

In the fund financial statements, bond premiums and the face amount of debt issued during the year are reported as other financing sources. Debt issuance costs are not deducted from the amount reported as an other financing source but are reported as debt service expenditures. Any discount resulting from a disparity between the market rate and the stated rate of interest is reported as another financing use. Expenditures for debt principal, interest, and related costs are reported in the fiscal year payment is made. At the inception of a capital lease, an amount equal to the present value of the net minimum lease payments is reported as another financing source and as an expenditure. The balance sheet does not reflect a liability for long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position or fund balances that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents a consumption of net position or fund balances that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until then.

Compensated Absences

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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - (Continued)

Compensated Absences - (Continued)

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

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

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

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

Certain employees are allowed up to 9 weeks of vacation per year with pay. (Twelve month employees are allowed vacation pay and can carry over up to 30 days.) Because unused vacation leave can be carried over to succeeding years, a liability for unpaid leave is accrued in the financial statement.

Pensions

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - (Continued)

Pensions - (Continued)

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.

Postemployment Benefits Other Than Pensions (OPEB)

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

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 asset categories:

- Invested in Capital Assets, Net of Related Debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- Unrestricted - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - (Continued)

Fund Balances

Fund balances are reported on the fund financial statements and are required to be classified for accounting and reporting purposes into the following fund balance categories:

Unassigned Fund Balance - Represents resources available to meet current and future years' expenditures.

Committed Fund Balance - Represents amounts constrained for a specific purpose by the Board. It requires action by the Board to remove or change the constraints placed on the resources. As of September 30, 2018, the Board had no committed fund balance.

Assigned Fund Balance - Represents amounts constrained by the Board's intent to be used for a specific purpose, but are not restricted or committed. Intent is expressed by the Board itself, or an official to whom the Board has delegated the authority to assign amounts to be used for specific purposes. The action to remove or modify assignments is not as strict as for committed fund balance. Assigned fund balances as of September 30, 2018 are as follows:

Local Schools	\$ <u>558,911</u>
---------------	-------------------

Non-Spendable Fund Balance - Represents amounts that cannot be spent due to form such as inventories and prepaid accounts. This also includes amounts that must be maintained intact legally or contractually. Non-spendable fund balance amounts at September 30, 2018 are as follows:

Child Nutrition	\$ <u>39,169</u>
-----------------	------------------

Restricted/Reserved Fund Balance - Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. The Board had no reserved fund balances as of September 30, 2018.

Restricted Fund Balance - Represents amount that can be spent only for specific purpose by construction, external resource providers, or through enabling legislation. Constraints are placed on the use of resources either by: externally imposed creditors, grantors, contributions, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation. Restrictions of fund balances at September 30, 2018 are as follows:

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - (Continued)

Fund Balances - (Continued)

Restricted Fund Balance - (Continued)

Child Nutrition	\$ 198,286
Debt Service	2,006,860
Capital Outlay	219,866
Other	<u>(108,024)</u>
Total Restricted Funds	<u>\$ 2,316,988</u>

The Board's policy is to first apply restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted balances are available. The Board's policy is to first apply assigned, committed and unassigned resources, respectively, when an expense is incurred for the purposes for which assigned, committed and/or unassigned balances are available.

NOTE 2 - RECONCILIATION OF FINANCIAL STATEMENTS

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements. GASB requires the following additional disclosures if aggregated information in the summary reconciliations obscures the nature of the individual elements of a particular reconciling item.

Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

The governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances is followed by a reconciliation between *Net change in fund balances—total governmental funds* and *Change in net assets of governmental activities* as reported in government-wide Statement of Activities. One element of that reconciliation explains, "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."

The details of this \$(184,194) difference are as follows:

Pension Expense, Current Year Increase/Decrease	\$ 36,248
OPEB Expenses, Current Year Increase/Decrease	<u>(220,442)</u>
Total	<u>\$ (184,194)</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgets

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

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

Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2018, the following governmental funds had deficit fund balances:

Preschool	\$	727
Idea Part B.	\$	42,909
Title I	\$	54,044
Title II	\$	10,343

The deficit in the funds is a result of the salary accrual adjustment. Salaries and benefits payable at September 30, 2018, are funded with an appropriation from the State of Alabama that is not legally available to the Board until October 1st and therefore, is not reflected as revenue in the Board's financial statements as of September 30, 2018.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 4 - UNEARNED REVENUES:

Governmental funds report unearned revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At September 30, 2018, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Student Meals Prepaid	\$ <u>-0-</u>	\$ <u>25,457</u>	\$ <u>25,457</u>

NOTE 5 - DEPOSITS AND INVESTMENTS:

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 Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. A portion of the Board's investments (\$11,763) 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.

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 the issuer or other counter party to an investment will not fulfill its obligation. The Board does not have a formal investment policy that addresses its investment choices.

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 of 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.

Concentration 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 policy that places limits on the amount the Board may invest in any one issuer.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 6 - RECEIVABLES AND PAYABLES:

Receivables and payables (Accounts payable and accrued liabilities) balances reported on the Statement of Net Position and the Balance Sheet are aggregations of different components. Details of these balances are as follows:

STATEMENT OF NET POSITION

Receivables:	
Accounts Receivable	\$ 465,321
Ad Valorem Property Taxes Receivable	1,620,000
Due from Other Governments	<u>197,045</u>
Total Receivables	<u>\$ 2,282,366</u>
Accounts Payable and Accrued Liabilities:	
Salaries and Employee Benefits Payable	\$ 1,354,720
Accounts Payable	<u>63,331</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 1,418,051</u>

BALANCE SHEET

Receivables:	
Accounts Receivable	\$ 465,321
Ad Valorem Property Taxes Receivable	1,620,000
Due from Other Governments	<u>197,045</u>
Total Receivables	<u>\$ 2,282,366</u>
Accounts Payable and Accrued Liabilities:	
Salaries and Employee Benefits Payable	\$ 1,354,720
Accounts Payable	<u>63,331</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 1,418,051</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 7 - CAPITAL ASSETS:

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

	<u>Beginning Balance</u>	<u>Retirements/ Additions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 2,878,732	\$ -0-	\$ 238,548	\$ 2,640,184
Construction in Progress	<u>632,651</u>	<u>550,503</u>	<u>1,183,154</u>	<u>-0-</u>
Total Capital Assets Not Being Depreciated	<u>3,511,383</u>	<u>550,503</u>	<u>1,421,702</u>	<u>2,640,184</u>
Capital Assets Being Depreciated:				
Land Improvements - Exhaustible	-0-	-0-	-0-	-0-
Buildings and Improvements	55,008,238	1,183,155	255,522	55,935,871
Equipment	1,861,205	7,200	138,423	1,729,982
Vehicles	<u>1,856,691</u>	<u>175,507</u>	<u>-0-</u>	<u>2,032,198</u>
Total Capital Assets Being Depreciated	<u>58,726,134</u>	<u>1,365,862</u>	<u>393,945</u>	<u>59,698,051</u>
Less Accumulated Depreciation For:				
Land Improvements - Exhaustible	-0-	-0-	-0-	-0-
Buildings and Improvements	15,433,604	2,123,860	118,601	17,438,863
Equipment	1,553,706	103,702	163,071	1,494,337
Vehicles	<u>1,481,011</u>	<u>94,528</u>	<u>-0-</u>	<u>1,575,539</u>
Total Accumulated Depreciation	<u>18,468,321</u>	<u>2,322,090</u>	<u>281,672</u>	<u>20,508,739</u>
Total Capital Assets Being Depreciated, Net	<u>40,257,813</u>	<u>(956,228)</u>	<u>112,273</u>	<u>39,189,312</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 43,769,196</u>	<u>\$ (405,725)</u>	<u>\$ 1,533,975</u>	<u>\$ 41,829,496</u>

Depreciation Expense Was Charged to Governmental Functions as Follows:

Instructional Services	\$ 2,136,751
Operation and Maintenance Services	56,538
Student Transportation Services	79,078
Food Services	45,933
General Administrative Services	<u>3,790</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,322,090</u>

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN:

A. Plan Description

The Teachers' Retirement System of Alabama, a cost-sharing multi-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the Code of Alabama 1975, Title 16, Chapter 25 (Act 419 of the Legislature of 1939), for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions.

The responsibility for 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). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2014. Tier 2 TRS members are eligible for retirement after age 62 with 10 years 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 credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (CONTINUED):

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, 2017 was 12.01% of annual pay for Tier 1 members and 10.82% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$1,449,159 for the year ended September 30, 2018.

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

At September 30, 2018 the Board reported a liability of \$17,687,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2017 the Board's proportion was 0.179961% which was an increase (decrease) of (0.003271%) from its proportion measured as of September 30, 2016.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (CONTINUED):

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - (Continued)

For the year ended September 30, 2018, the Board recognized pension expense of \$1,413,000. At September 30, 2018 the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -0-	\$ 758,000
Changes of Assumptions	1,056,000	-0-
Net Difference between projected and actual earnings on pension plan investments	-0-	1,058,000
Changes in proportion and differences between Employers contributions and proportionate share of contributions	155,000	703,000
Employer contributions subsequent to the measurement date	<u>1,449,158</u>	<u>-0-</u>
Total	<u>\$ 2,660,158</u>	<u>\$ 2,519,000</u>

The amount of \$1,449,158 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended September 30:

2019	\$ (278,000)
2020	\$ 9,000
2021	\$ (560,000)
2022	\$ (449,000)
2023	\$ (30,000)
Thereafter	\$ -0-

E. Actuarial Assumptions

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

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

*Net of pension plan investment expense

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (CONTINUED):

E. Actuarial Assumptions - (Continued)

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

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:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Expected Rate of Return*</u>
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash Equivalents	<u>3.0%</u>	1.5%
Total	<u>100.0%</u>	

*Includes assumed rate of inflation of 2.50%

F. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions,

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (CONTINUED):

F. Discount Rate - (Continued)

components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Current Rate</u> <u>(7.75%)</u>	<u>1% Increases</u> <u>(8.75%)</u>
Board's Proportionate Share of Collective Net Pension Liability	\$ <u>24,397,000</u>	\$ <u>17,687,000</u>	\$ <u>12,012,000</u>

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2017. The auditor's report dated August 20, 2018 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2017 along with supporting schedules is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

A. Plan Description

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees'

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

A. Plan Description - (Continued)

Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

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

B. Benefits Provided

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

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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

B. Benefits Provided - (Continued)

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

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

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

C. Contributions

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the PEEHIP Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

C. Contributions - (Continued)

required class, respectively. Additionally, the PEEHIP Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

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

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

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

At September 30, 2018, the Board reported a liability of \$15,760,261 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2017, the Board's proportion was 0.212190%, which was an increase (decrease) of (0.014342%) from its proportion measured as of September 30, 2016.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (Continued)

For the year ended September 30, 2018, the Board recognized OPEB expense of \$767,118 with no special funding situations. At September 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -0-	\$ -0-
Changes of Assumptions	-0-	1,636,386
Net Difference between projected and actual earnings on pension plan investments	-0-	83,909
Changes in proportion and differences between Employers contributions and proportionate share of contributions	-0-	967,044
Employer contributions subsequent to the measurement date	<u>546,676</u>	<u>-0-</u>
Total	<u>\$ 546,676</u>	<u>\$ 2,687,339</u>

\$546,676 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:

2019	\$ (518,765)
2020	\$ (518,765)
2021	\$ (518,765)
2022	\$ (518,765)
2023	\$ (497,788)
Thereafter	\$ (114,491)

E. Actuarial Assumptions

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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

E. Actuarial Assumptions - (Continued)

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

¹Includes 3.00% wage inflation.

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

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

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

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

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

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

E. Actuarial Assumptions - (Continued)

long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	

*Geometric mean, includes 2.5% inflation

F. Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2017 was 4.63%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.01%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

F. Discount Rate - (Continued)

participating school systems must contribute for each active employee. Approximately, 27.08% of the employer contributions were used to assist in funding retiree benefit payments in 2016 and it is assumed that the amount will increase by 3.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2115. The long term rate of return is used until the assets are expected to be depleted in 2042, after which the municipal bond rate is used.

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

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

	1% Decrease (6.75% decreasing to 4% for pre- Medicare, 4% for Medicare Eligible, and 1% for Optional Plans)	Current Healthcare Trend Rate (7.75% decreasing to 5% for pre- Medicare, 5% for Medicare Eligible, and 2% for Optional Plans)	1% Increase (8.75% decreasing to 6% for pre- Medicare, 6% for Medicare Eligible, and 3% for Optional Plans)
Net OPEB Liability	\$ 12,724,541	\$ 15,760,261	\$ 19,677,172

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

	1% Decrease (3.63%)	Current Discount Rate (4.63%)	1% Increase (5.63%)
Net OPEB Liability	\$ 19,050,877	\$ 15,760,261	\$ 13,137,229

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (CONTINUED):

H. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2017. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 10 - LONG TERM OBLIGATIONS:

On September 8, 2010, the Alabama Public School and College Authority (PSCA) issued a \$154,727,000 Series 2010 QSCB Capital Outlay Pool Warrant with an interest rate of 5.15%, \$5,000,000 of which is an obligation to the Board. The net proceeds of \$4,983,000 (after a \$17,000 payment for issuance costs) are being used by the Board to fund various capital projects. A sinking fund payment of \$222,822 is made annually beginning September 1, 2011, into an account held by the PSCA which will earn interest until the bond matures in 2027. On the maturity date, the account held by the PSCA will be used to fulfill the \$5,000,000 debt. A fixed interest payment of \$10,750 is payable semiannually beginning March 2011 and continuing through September 2027. Additionally, under the terms of the loan agreement with the PSCA, the Board agreed to pay any interest amounts not subsidized by the federal government. For the year ending September 30, 2018, the Board paid \$7,788 in unsubsidized interest.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS:

A. Long-Term Obligation Activity

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments & Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
PSCA -QSCB 2010	\$ <u>5,000,000</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>5,000,000</u>	\$ <u>1,123,688</u>
Other Liabilities:					
Capital Lease - Chromebooks	292,433	-0-	119,834	172,599	41,736
Capital Lease - HVAC Improvements	1,258,403	-0-	99,691	1,158,712	104,175
Net Pension Liabilities	19,837,000	-0-	2,150,000	17,687,000	-0-
Net OPEB Liabilities	<u>18,195,588</u>	<u>-0-</u>	<u>2,435,327</u>	<u>15,760,261</u>	<u>-0-</u>
Total Other Liabilities	<u>39,583,424</u>	<u>-0-</u>	<u>4,804,852</u>	<u>34,778,572</u>	<u>145,911</u>
Governmental Activities Long-Term Liabilities	<u>\$ 44,583,424</u>	<u>\$ -0-</u>	<u>\$ 4,804,852</u>	<u>\$ 39,778,572</u>	<u>\$ 1,269,599</u>

B. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2018, are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -0-	\$ 21,500	\$ 21,500
2020	-0-	21,500	21,500
2021	-0-	21,500	21,500
2022	-0-	21,500	21,500
2023	-0-	21,500	21,500
2024-2027	<u>5,000,000</u>	<u>86,000</u>	<u>5,086,000</u>
Totals	<u>\$ 5,000,000</u>	<u>\$ 193,500</u>	<u>\$ 5,193,500</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS - (CONTINUED):

C. Lease Obligations

Operating Leases

The Board is committed under various leases for office equipment. These leases are considered for accounting purposes to be operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected as part of the Board's capital assets. The Board has no non-cancellable operating leases.

Capital Leases

The Board has entered into lease agreements as lessee for financing the acquisition of chromebooks and HVAC improvements. The leased equipment qualified as a capital lease for accounting purposes (title transfers at the end of the lease terms) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The chromebooks are classified as non-capitalized equipment, and as such, are not included in the general fixed assets.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at September 30, 2018:

<u>Fiscal Year Ended</u> <u>September 30</u>	<u>Total</u>
2019	\$ 190,877
2020	190,877
2021	190,877
2022	190,877
2023	145,299
Thereafter	<u>653,847</u>
	1,562,654
Less: Amount Representing Interest	<u>231,342</u>
Present Value of Future Minimum Lease Payments	<u>\$ 1,331,312</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 11 - INTERFUND BALANCES AND ACTIVITY:

Interfund transfers for the fiscal year ended September 30, 2018 consist of the following:

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	
General Fund	\$ -0-	\$ 213,790	\$ -0-	\$ 213,790
Special Revenue Fund	73,216	40,407	-0-	113,623
Other Governmental Funds	<u>170,208</u>	<u>-0-</u>	<u>-0-</u>	<u>170,208</u>
Totals	<u>\$ 243,424</u>	<u>\$ 254,197</u>	<u>\$ -0-</u>	<u>\$ 497,621</u>

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 funds to service current-year debt requirements.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 12 - 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. Errors and omissions insurance is purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS 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. The Board purchases commercial insurance for fidelity bonds, fleet insurance, buildings and contents. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board. PEEHIF was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining.

Monthly premiums for employee and dependent coverage are set 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 the specified amount monthly to the PEEHIF for each employee. The Board contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

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

NOTE 13 - CONTINGENT LIABILITIES:

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

NOTE 14 - COMMISSIONS, MAP AND APPRAISAL COSTS:

Commissions, county commission expense, current use interest (per count order), homestead exemptions, and various other costs of the Board were deducted from current years' taxes by the taxing authorities before they were remitted to the Board. The costs are excluded from the revenues in the financial statements as prescribed by the State Department of Education.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLES:

For the year ending September 30, 2018, the Board implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the Statements requires the Board to report as an asset and/or liability, its portion of the collective net pension asset and liability in the Alabama Public Education Employee's Health Care Trust (Trust). The implementation of the statements also requires the Board to report a deferred outflow and/or inflow for the effect of the net change in the Board's proportion of the collective net OPEB asset and/or liability and difference during the measurement period between the Board's contributions and its proportion share of total contributions to the Trust not included in health insurance expense. Also included, as a deferred outflow, is the Board contributions to the Trust subsequent to the measurement date. See Note 16 for the financial statement impact implementation of the statements.

NOTE 16 - RESTATEMENT OF NET POSITION:

For the fiscal year ended September 30, 2018, the Board implemented GASB Statement No. 75. The implementation of Statement No. 75 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the Board's participation in the Alabama Public Education Employee's Health Care Trust. The Board also made adjustments to recognize certain local school activity accounts and reclassification of capital assets. The Board's net position has been restated as follows:

Net Position at Beginning of Year, as Previously Stated	\$ 23,023,051
GASB Statement No. 75 Implementation:	
Beginning Board Liability	(18,195,588)
Beginning Deferred Outflow of Resources for Contributions Subsequent to the Measurement Date	515,106
Recognition of Local Schools Activity Accounts	179,035
Reclassification of Capital Assets	<u>304,439</u>
Net Position at Beginning of Year, as Restated	\$ <u>5,826,043</u>

For the fiscal year ended September 30, 2018, the Board made adjustments to recognize certain local school activity accounts. The Board's beginning fund balance has been restated as follows:

Fund Balance at Beginning of Year, as Previously Stated	\$ 3,691,219
Recognition of Local School Activity Accounts	<u>179,035</u>
Fund Balance at Beginning of Year, as Restated	\$ <u>3,870,254</u>

REQUIRED SUPPLEMENTARY INFORMATION

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF ALABAMA
FOR THE YEARS ENDED SEPTEMBER 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Board's Proportion of the Net Pension Liability	0.179961%	0.183232%	0.190331%	0.187335%	Not Available					
Board's Proportionate Share of the Net Pension Liability	\$17,687,000	\$19,837,000	\$19,919,000	\$17,019,000						
Board's Covered-Employee Payroll during the Measurement Period (*)	\$11,927,628	\$11,680,598	\$12,037,579	\$11,882,571						
Board's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered - Employee Payroll	148.285979%	169.828634%	165.473473%	143.226580%						
Plan Fiduciary Net Pension as a Percentage of the Total Collective Pension Liability	71.500000%	67.930000%	67.510000%	71.010000%						

(*) Employers covered-employee payroll during the measurement period in the total payroll paid to covered employees (not just pensionable payroll). For the fiscal year 2018, the measurement period is October 1, 2016 through September 30, 2017.

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

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF BOARD'S CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF ALABAMA
FOR THE YEARS ENDED SEPTEMBER 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually Required Contributions	\$ 1,449,158	\$ 1,408,911	\$ 1,377,500	\$ 1,403,277	Not Available					
Contributions in Relation to the Contractually Required Contributions	1,449,158	1,408,911	1,377,500	1,403,277						
Contribution Deficiency (Excess)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>						
Board's Covered-Employee Payroll	\$12,123,117	\$11,927,628	\$11,680,598	\$12,037,579						
Contributions as a Percentage Of Covered-Employee Payroll	11.953675%	11.812164%	11.793061%	11.657469%						

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

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
FOR THE YEARS ENDED SEPTEMBER 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Board's Proportion of the Net OPEB Liability	0.212190%	Not Available								
Board's Proportionate Share of the Net OPEB Liability	\$ 15,760,261									
Board's Covered-Employee Payroll during the Measurement Period (*)	\$ 11,969,112									
Board's Proportionate Share of the Collective Net OPEB Liability as a Percentage of its Covered - Employee Payroll	131.674438%									
Plan Fiduciary Net Pension as a Percentage of the Total Collective OPEB Liability	15.370000%									

(*) Employers covered-employee payroll during the measurement period in the total payroll paid to covered employees (not just pensionable payroll). For the fiscal year 2018, the measurement period is October 1, 2016 through September 30, 2017.

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

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF BOARD'S CONTRIBUTIONS
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
FOR THE YEARS ENDED SEPTEMBER 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually Required Contributions	\$ 546,676	Not Available								
Contributions in Relation to the Contractually Required Contributions	<u>546,676</u>									
Contribution Deficiency (Excess)	\$ <u>-0-</u>									
Board's Covered-Employee Payroll	\$12,119,032									
Contributions as a Percentage of Covered-Employee Payroll	4.510888%									

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

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Changes in Actuarial Assumptions

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

Recent Plan Changes

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan was changed in 2017 to reflect the ACA Maximum annual out-of-pocket amounts.

Method and Assumptions Used I Calculations of Actuarially Determined Contributions

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

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

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Budget to GAAP</u>	<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u>	<u>GAAP Basis</u>
<u>Revenues</u>					
State Sources	\$ 12,761,479.00	\$ 12,839,979.00	\$ 12,837,825.70	\$ 0.00	\$ 12,837,825.70
Federal Sources	11,400.00	11,400.00	12,112.73	0.00	12,112.73
Local Sources	4,869,019.00	4,850,642.00	4,595,322.67	0.00	4,595,322.67
Other Sources	<u>76,300.00</u>	<u>76,300.00</u>	<u>83,848.11</u>	<u>0.00</u>	<u>83,848.11</u>
Total Revenues	<u>17,718,198.00</u>	<u>17,778,321.00</u>	<u>17,529,109.21</u>	<u>0.00</u>	<u>17,529,109.21</u>
 <u>Expenditures</u>					
Instructional Services	9,973,162.00	9,872,409.56	9,741,808.21	(181,208.00)	9,560,600.21
Instructional Support Services	3,751,726.00	3,751,550.00	3,666,049.84	(2,278.83)	3,663,771.01
Operation and Maintenance	1,678,769.00	1,761,469.00	1,659,708.59	1,849.12	1,661,557.71
Student Transportation	714,063.00	721,063.00	782,289.57	(1,583.18)	780,706.39
Food Service	0.00	0.00	0.00	0.00	0.00
General Administrative Services	1,080,311.00	1,121,627.00	1,094,032.81	(840.87)	1,093,191.94
Other Expenditures	536,353.00	564,671.00	601,279.27	4,521.48	605,800.75
Capital Outlay	0.00	0.00	0.00	0.00	0.00
Debt Service	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>17,734,384.00</u>	<u>17,792,789.56</u>	<u>17,545,168.29</u>	<u>(179,540.28)</u>	<u>17,365,628.01</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(16,186.00)</u>	<u>(14,468.56)</u>	<u>(16,059.08)</u>	<u>179,540.28</u>	<u>163,481.20</u>

(Continued)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL - GENERAL FUND - (CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Budget to GAAP</u> <u>Differences</u>	<u>Actual Amounts</u> <u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>			
<u>Other Financing Sources</u>					
<u>(Uses)</u>					
Transfers In	\$ 147,483.00	\$ 149,891.00	\$ 149,936.30	\$ 0.00	\$ 149,936.30
Other Financing Sources	132,010.00	210,973.00	243,424.17	0.00	243,424.17
Transfers Out	<u>(213,375.00)</u>	<u>(331,407.00)</u>	<u>(213,790.00)</u>	<u>0.00</u>	<u>(213,790.00)</u>
Total Other Financing Sources (Uses)	<u>66,118.00</u>	<u>29,457.00</u>	<u>179,570.47</u>	<u>0.00</u>	<u>179,570.47</u>
Net Changes in Fund Balances	49,932.00	14,988.44	163,511.39	179,540.28	343,051.67
Fund Balances - Beginning of Year	<u>1,940,000.00</u>	<u>1,944,674.56</u>	<u>1,934,832.96</u>	<u>(1,362,336.89)</u>	<u>572,496.07</u>
Fund Balances - End of Year	<u>\$ 1,989,932.00</u>	<u>\$ 1,959,663.00</u>	<u>\$ 2,098,344.35</u>	<u>\$ (1,182,796.61)</u>	<u>\$ 915,547.74</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.

\$ 179,540.28

(Continued)

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - SPECIAL REVENUE FUND

YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Budget to GAAP</u>	<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u>	<u>GAAP Basis</u>
<u>Revenues</u>					
State Sources	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Federal Sources	2,545,865.88	2,545,261.13	2,580,047.22	0.00	2,580,047.22
Local Sources	1,742,024.00	1,742,024.00	1,565,356.94	0.00	1,565,356.94
Other Sources	<u>41,750.00</u>	<u>41,750.00</u>	<u>22,257.66</u>	<u>0.00</u>	<u>22,257.66</u>
Total Revenues	<u>4,329,639.88</u>	<u>4,329,035.13</u>	<u>4,167,661.82</u>	<u>0.00</u>	<u>4,167,661.82</u>
 <u>Expenditures</u>					
Instructional Services	2,008,758.47	2,005,702.47	1,921,290.59	(35,167.64)	1,886,122.95
Instructional Support Services	332,781.41	324,587.66	297,854.48	(2,474.26)	295,380.22
Operation and Maintenance	76,599.00	76,599.00	66,392.77	0.00	66,392.77
Student Transportation	16,580.00	16,580.00	16,291.35	92.54	16,383.89
Food Service	1,670,469.00	1,670,469.00	1,549,000.93	(2,107.55)	1,546,893.38
General Administrative Services	75,506.00	75,506.00	75,024.15	0.65	75,024.80
Other Expenditures	310,250.00	320,895.00	345,339.38	39.75	345,379.13
Capital Outlay	0.00	0.00	0.00	0.00	0.00
Debt Service	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>4,490,943.88</u>	<u>4,490,339.13</u>	<u>4,271,193.65</u>	<u>(39,616.51)</u>	<u>4,231,577.14</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(161,304.00)</u>	<u>(161,304.00)</u>	<u>(103,531.83)</u>	<u>39,616.51</u>	<u>(63,915.32)</u>

(Continued)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL - SPECIAL REVENUE FUND - (CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Budget to GAAP</u> <u>Differences</u>	<u>Actual Amounts</u> <u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>			
<u>Other Financing Sources</u>					
<u>(Uses)</u>					
Transfers In	\$ 213,500.00	\$ 330,559.00	\$ 254,197.19	\$ 0.00	\$ 254,197.19
Transfers Out	(56,125.00)	(56,125.00)	(113,623.47)	0.00	(113,623.47)
Total Other Financing Sources (Uses)	<u>157,375.00</u>	<u>274,434.00</u>	<u>140,573.72</u>	<u>0.00</u>	<u>140,573.72</u>
Net Changes in Fund Balances	(3,929.00)	113,130.00	37,041.89	39,616.51	76,658.40
Fund Balances - Beginning of Year	<u>885,774.00</u>	<u>821,053.08</u>	<u>823,223.26</u>	<u>(211,540.28)</u>	<u>611,682.98</u>
Fund Balances - End of Year	<u>\$ 881,845.00</u>	<u>\$ 934,183.08</u>	<u>\$ 860,265.15</u>	<u>\$ (171,923.77)</u>	<u>\$ 688,341.38</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.

\$ 39,616.51

SYLACAUGA CITY BOARD OF EDUCATION

NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2018

**Note A - Explanation of Differences between Budgetary Inflows and Outflows
and GAAP Revenues and Expenditures**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) available for appropriation shown as total revenues on the Budgetary Comparison Schedule	\$ 17,529,109.21	\$ 4,167,661.82
<i>Differences - Budget to GAAP:</i>		
Local taxes are not budgeted as revenues unless receivable in time to pay budgeted expenditures	<u>0.00</u>	<u>0.00</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 17,529,109.21</u>	<u>\$ 4,167,661.82</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) available for expenditures shown as total expenditures on the Budgetary Comparison Schedule	\$ 17,545,168.29	\$ 4,271,193.65
<i>Differences - Budget to GAAP:</i>		
Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements.	<u>(179,540.28)</u>	<u>(39,616.51)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 17,365,628.01</u>	<u>\$ 4,231,577.14</u>

SUPPLEMENTARY INFORMATION

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2018

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>				
Passed Through State Department of Education:				
Special Education Cluster:				
Special Education Grants to States - FY 18	84.027	CLB193	\$ 507,718.41	\$ 507,718.41
Special Education Safe & Civil Schools - FY 18	84.027	CLB193	25,605.29	25,605.29
Special Education - Preschool Grants - FY 18	84.173	CLB193	<u>7,843.00</u>	<u>7,843.00</u>
Subtotal Special Education Cluster			<u>541,166.70</u>	<u>541,166.70</u>
Title I, Part A:				
Title I Grants to Local Education Agencies - FY 17	84.010	CLB193	9,942.47	9,942.47
Title I Grants to Local Education Agencies - FY 18	84.010	CLB193	792,975.00	792,975.00
Title I Grants to Local Education Agencies - School Improvement - FY 18	84.010	CLB193	<u>95,482.00</u>	<u>95,482.00</u>
Subtotal Title I, Part A			<u>898,399.47</u>	<u>898,399.47</u>
Vocational Education Basic Grants to States - FY 18	84.048	CLB193	32,293.00	32,293.00
Vocational Program Improvement Grants to States - FY 18	84.048	CLB193	8,310.00	8,310.00
Student Support & Academic Enrichment Program - FY 18	84.424	CLB193	18,914.22	18,914.22
Improving Teacher Quality - FY 18	84.367	CLB193	98,810.00	98,810.00
Rural & Low Income School Program - FY 18	84.358	CLB193	39,749.00	39,749.00
Passed Through the Curators of the University of Missouri:				
Investing in Innovation (i3) Fund	84.411	C0051949-13	<u>16,215.57</u>	<u>16,215.57</u>
Federal Funds Received Direct:				
Impact Aid	84.041	N/A	<u>10,272.73</u>	<u>10,272.73</u>
Total U.S. Department of Education			<u>1,664,130.69</u>	<u>1,664,130.69</u>

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - (CONTINUED)

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	CLB193	\$ 234,423.69	\$ 234,423.69
National School Lunch Program	10.555	CLB193	542,068.10	542,068.10
National School Lunch Program (N)	10.555	CLB193	<u>70,885.83</u>	<u>70,885.83</u>
Subtotal Child Nutrition Cluster (M)			<u>847,377.62</u>	<u>847,377.62</u>
School Breakfast Program	10.558	CLB193	\$ 7,888.84	\$ 7,888.84
National School Lunch Program (N)	10.582	CLB193	<u>70,922.80</u>	<u>70,922.80</u>
Total U.S. Department of Agriculture			<u>926,189.26</u>	<u>926,189.26</u>
<u>Social Security Administration</u>				
Passed Through State Department of Education:				
Social Security - Disability Insurance	96.001	CLB193	<u>1,840.00</u>	<u>1,840.00</u>
Total Social Security Administration			<u>1,840.00</u>	<u>1,840.00</u>
Total Federal Awards			<u>\$ 2,592,159.95</u>	<u>\$ 2,592,159.95</u>

(M) - Major Program
(N) - Non-cash Assistance
N/A - Not Available

The accompanying notes are an integral part of this schedule.

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation

The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Office of Management and Budget (OMB) Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Federal Awards - according to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Uniform Guidance, Federal awards consist of Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities.

Federal Financial Assistance - pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-154) and OMB Uniform Guidance, Federal financial assistance is defined as assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. Accordingly, noncash Federal assistance, including food stamps, food commodities and donated amounts of Federal surplus property, is included in Federal financial assistance.

Major Programs - a risk-based approach to determine which Federal programs are major programs is required. Federal programs are classified as either Type A or Type B programs. Type A programs are defined as Federal awards expended during the audit period of \$750,000 or more. Type B programs consist of any remaining Federal awards with expenditures between \$187,500 and \$750,000. Type A programs and Type B programs are then classified as either high risk or low risk programs. Major programs for the audit period are all Type A high risk programs and one half of Type B high risk programs (limited by the number of Type A low risk programs) plus any of the remaining programs necessary to reach the percentage of coverage rule (e.g. aggregate Federal awards expended of at least 40% (20% for a low-risk auditee) of total Federal awards expended).

B. Basis of Accounting

The information presented in the Schedule of Expenditures of Federal Awards has been prepared using the modified accrual basis of accounting. Under this basis, expenditures are recognized when incurred, and revenues are recognized when they become susceptible to accrual, that is when they become both "measurable and available." "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

STEVEN D. MOORE, C.P.A.
GEOFFREY R. BRYANT, C.P.A.

234 AQUARIUS DRIVE, SUITE 109
BIRMINGHAM, ALABAMA 35209
TELEPHONE 205/323-5206
FAX 205/323-5021
EMAIL: INFO@PBMCPA.NET

J. ROYCE BRYANT, JR., C.P.A.
(1935 - 2004)

RAYMOND E. POTTER, C.P.A.
(1920 - 2001)

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

To the Members of the Sylacauga City Board of Education
Sylacauga, Alabama

We have audited, in accordance with the 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sylacauga City Board of Education, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Sylacauga City Board of Education's basic financial statements, and have issued our report thereon dated February 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sylacauga 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 Sylacauga City Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Sylacauga City Board of Education's internal control.

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sylacauga 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2018-1.

Sylacauga City Board of Education's Response to Findings

Sylacauga City Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

POTTER, BRYANT, & MOORE, P.C.
Certified Public Accountants

Potter, Bryant & Moore, P.C.

Birmingham, Alabama
February 20, 2019

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

To the Members of the Sylacauga City Board of Education
Sylacauga, Alabama

Report on Compliance for Each Major Federal Program

We have audited Sylacauga City Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sylacauga City Board of Education's major federal programs for the year ended September 30, 2018. Sylacauga City Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

(Continued)

Opinion on Each Major Federal Program

In our opinion, Sylacauga 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, 2018.

Report on Internal Control Over Compliance

Management of Sylacauga 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 Sylacauga City Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sylacauga 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.

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

POTTER, BRYANT, & MOORE, P.C.
Certified Public Accountants

Potter, Bryant & Moore, P.C.

Birmingham, Alabama
February 20, 2019

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2018

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? yes x no
Reportable condition(s) identified not
considered to be material weaknesses? yes x none reported

Noncompliance material to financial
statements noted? yes x no

FEDERAL AWARDS

Internal control over major programs:
Material weakness(es) identified? yes x no
Reportable condition(s) identified not
considered to be material weakness(es)? 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 2 CFR 200.516(a)? yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553; 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? x yes no

(Continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

Section II - Financial Statement Findings

Finding Number

2018-1

Type of Finding:

COMPLIANCE WITH LAWS AND REGULATIONS

Finding:

Alabama State Public Works Law requires competitive bidding for all construction and construction services involving \$50,000 or more. The Board made improvements to the soccer fields and due to change orders, the total cost exceeded \$50,000. The project was not bid.

Recommendation:

Competitive bidding should be allowed on all transactions meeting the requirements of the Alabama State Bid Law.

Questioned Costs:

\$51,090

Management Response:

The Board agrees with this finding.

Section III - Federal Award Findings and Questioned Costs

There were no matters to be reported.

ADDITIONAL INFORMATION

POTTER, BRYANT, & MOORE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. MOORE, C.P.A.
GEOFFREY R. BRYANT, C.P.A.

234 AQUARIUS DRIVE, SUITE 109
BIRMINGHAM, ALABAMA 35209
TELEPHONE 205/323-5206
FAX 205/323-5021
EMAIL: INFO@PBMCPA.NET
J. ROYCE BRYANT, JR., C.P.A.
(1935 - 2004)
RAYMOND E. POTTER, C.P.A.
(1920 - 2001)

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Members of the Sylacauga City Board of Education
Sylacauga, Alabama

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Sylacauga City Board of Education's basic financial statements. The additional information contained on pages 74 through 77 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on them.

POTTER, BRYANT, & MOORE, P.C.
Certified Public Accountants

Potter, Bryant & Moore, P.C.

Birmingham, Alabama
February 20, 2019

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF DEBT SERVICE
CAPITAL OUTLAY SCHOOL WARRANTS, SERIES 2010 - QSCB
SEPTEMBER 30, 2018

<u>Year</u>	<u>Sinking Fund Deposit</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 222,822.03	\$ 21,500.00	\$ 244,322.03
2020	222,822.03	21,500.00	244,322.03
2021	222,822.03	21,500.00	244,322.03
2022	222,822.03	21,500.00	244,322.03
2023	222,822.03	21,500.00	244,322.03
2024	222,822.03	21,500.00	244,322.03
2025	222,822.03	21,500.00	244,322.03
2026	222,822.03	21,500.00	244,322.03
2027	<u>222,822.03</u>	<u>21,500.00</u>	<u>244,322.03</u>
	<u>\$ 2,005,398.27</u>	<u>\$ 193,500.00</u>	<u>\$ 2,198,898.27</u>

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF INSURANCE COVERAGE

SEPTEMBER 30, 2018

State of Alabama, Department of Finance

Policy #SYL-0738

Coverage - Property

Period - 10/01/17 to 10/01/18

Amount of Coverage - Buildings - \$85,419,856

- Contents - \$29,110,084

Annual Premium - \$127,029

Alabama Trust for Boards of Education

Coverage - General Liability/Errors and Omissions

Period - 09/01/18 to 09/01/19

Limits of Liability - Errors and Omissions - \$1,000,000/Per Claim

- \$2,000,000/Annual Aggregate

- General Liability - \$ 300,000/Per Claim

- \$ 600,000/Annual Aggregate

- Sexual Misconduct
and Harassment - \$ 100,000/Per Claim

- \$ 300,000/Per Aggregate

- Deductible - \$ 15,000/Per Claim

Annual Premium - \$556

Alabama Trust for Boards of Education

Coverage - Automobile Liability (AL) & Physical Damage (APD)

Commercial Auto - 26 Buses, 13 Vehicles, 2 Trailers

Period - 09/01/18 to 09/01/19

Limits of Liability - \$100,000/\$300,000/\$100,000

- Deductible - \$ 1,000

Annual Premium - \$9,708

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF FIDELITY BONDS

SEPTEMBER 30, 2018

Western Surety Company

Policy #72053336

Position - Superintendent of Sylacauga City Schools

- Jon Keith Segars

Period - 07/24/18 to 07/01/21

Amount of Coverage - \$100,000

Annual Premium - \$893

Travelers Insurance Company

Policy #105311435

Position - Chief Finance Officer

- Lisa A. Dickerson

Period - 06/02/18 to 06/21/19

Amount of Coverage - \$100,000

Annual Premium - \$350

Travelers Insurance Company

Policy #0105669562 - Employee Dishonesty

Coverage - Commercial Crime

Period - 09/01/18 to 09/01/19

Amount of Coverage - \$100,000

Annual Premium - \$1,133

SYLACAUGA CITY BOARD OF EDUCATION

ANALYSIS OF EXPENDITURES
GENERAL FUND AND SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2018

	<u>Amount</u>	<u>Total</u>	<u>Percentage</u>
<u>Personal Services</u>			
Instructional Services	\$ 7,477,862.72		34.71%
Instructional Support Services	2,562,475.49		11.89%
Operation & Maintenance Services	550,226.30		2.56%
Auxiliary Services	888,890.41		4.13%
General Administrative Services	412,316.03		1.91%
Other Expenditures	<u>461,830.67</u>		<u>2.14%</u>
Total Personal Services		\$ 12,353,601.62	<u>57.34%</u>
<u>Employee Benefits</u>			
Employee Benefits		5,030,293.76	<u>23.35%</u>
<u>Other Expenditures</u>			
Instructional Services	\$ 1,122,622.09		5.21%
Instructional Support Services	418,481.20		1.94%
Operation & Maintenance Services	913,147.99		4.24%
Auxiliary Services	917,112.86		4.26%
General Administrative Services	623,671.10		2.89%
Other Expenditures	<u>165,583.90</u>		<u>0.77%</u>
Total Other Expenditures		<u>4,160,619.14</u>	<u>19.31%</u>
Total Expenditures		<u>\$ 21,544,514.52</u>	<u>100.00%</u>