

TRUSSVILLE CITY BOARD OF EDUCATION

**BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**



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TRUSSVILLE CITY BOARD OF EDUCATION

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Trussville City Board of Education (the "Board"), as of and for the year ended September 30, 2016, 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 financials statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Trussville City Board of Education, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the Board's Proportionate Share of Net Pension Liability and the Schedule of Board Contributions on 4.1 through 4.10 and 33-35 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 Trussville City Board of Education's basic financial statements. The accompanying schedule of state government appropriations is presented for purposes of additional analysis and is 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.

The accompanying schedules of expenditures of federal awards and state government appropriations are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules of expenditures of federal awards and state government appropriations are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board's internal control over financial reporting and compliance.

Carri Riggs & Ingram, L.L.C.

Birmingham, Alabama
June 26, 2017

Management Discussion and Analysis

(Required Supplementary Information)

Our discussion and analysis of the Trussville City Board of Education's financial performance provides an overview of the Board's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the Board's financial statements and notes, which follow this analysis.

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 Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

Effective September 30, 2011, the GASB passed Statement Number 54 for fund balance reporting. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer classifications and consistency among governmental agencies. Fund balances are reported in governmental funds under five categories using the definitions provided by GASB Statement Number 54: nonspendable, restricted, committed, assigned, and unassigned.

The GASB issued recent statements related to pensions. GASB Statement 68, "Accounting and Financial Reporting for Pensions" and GASB Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date" are effective for employers with fiscal years ending June 30, 2015, and after. These new standards affect reporting for all employers participating in the Teachers' Retirement System (TRS) cost-sharing pension plan. The September 30, 2016 employer's net pension liability calculation for the Board has been determined based upon the September 30, 2014 TRS actuarial valuation rolled forward to September 30, 2015 and is included in the Financial Highlights under Significant Items to Note.

Financial Highlights

- We experienced a small increase in ad valorem tax receipts for Fiscal Year 2016. However we maintained a conservative approach budgeting \$10.63 million dollars. Actual receipts came in at \$11.24 million dollars approximately \$611,000 dollars over budget and approximately \$398,000 over previous year's actual receipts.
- Each year the Trussville City Board receives an appropriation from the City of Trussville. This appropriation is made up mostly from a one penny sales tax collected by the City of Trussville and appropriated for education. During the Fiscal Year 2015, the Board received \$2.23 million dollars. Based on those receipts and the uncertainty related to the economy we budgeted \$1.83 million dollars for Fiscal Year 2016. Actual receipts came in at \$2.40 million dollars, approximately \$570,000 over budget and approximately \$165,000 over the previous year's receipts.
- We also were conservative with expenditures for fiscal year 2016. We budgeted \$11.37 million dollars in our local fund for salary and operating expenditures not covered by other state or federal funding sources. Our actual expenditures and

encumbrances were \$10.47 million dollars, approximately \$907,000 less than budgeted.

- During FY 2015, the City of Trussville issued G.O. School warrants in the amount of \$26,875,000. The projects were still ongoing at the end of FY 2016 and the expenditures are reflected in Construction in Progress.

Overview of the Financial Statements

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

Government-wide Statements

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

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

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

Fund Financial Statements

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

Governmental funds - Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements — the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* — are reported using an accounting method called modified accrual

accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

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

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of a budgetary comparison schedule for the general fund and each major special revenue fund that has a legally adopted annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting. Schedules related to the Board's net pension liability and contributions to the pension plan are also included.

Financial Analysis of the Board as a Whole

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

The Board's assets exceeded liabilities by \$113.94 million at the close of the fiscal year. The majority of the Board's net position is invested in capital assets (land, buildings, and equipment) owned by the Board. These assets are not available for future expenditures since they will not be sold. Unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements — are reported as a negative \$16 million at the end of the year due to including a Net Pension liability of \$36 million as required by GASB standards related to pensions.

Table 1 - Summary of Net Position
Fiscal Year Ended September 30, 2016
(in millions)

| | Current Year | | Prior Year | |
|---|----------------------------|---------------------|----------------------------|---------------------|
| | Governmental Activities | Percent of Total | Governmental Activities | Percent of Total |
| Current and other assets | \$22.13 | 12.25% | \$39.96 | 22.07% |
| Noncurrent Assets | 158.58 | 87.75% | 141.13 | 77.93% |
| Total assets | 180.71 | 100.00% | 181.09 | 100.00% |
| Deferred Outflows of Resources | 5.84 | 100.00% | 3.05 | 100.00% |
| Current and other liabilities | 6.27 | 8.66% | 6.32 | 9.20% |
| Long-term liabilities | 66.14 | 91.34% | 62.36 | 90.80% |
| Total liabilities | 72.41 | 100.00% | 68.68 | 100.00% |
| Deferred Inflows of Resources | 0.20 | 100.00% | 2.35 | 100.00% |
| Net Position: | | | | |
| Invested in capital assets, net of related debt | 128.02 | | 109.13 | |
| Restricted | 1.98 | | 2.27 | |
| Unrestricted | (16.06) | | 1.71 | |
| Total net position | \$113.94 | | \$113.11 | |

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

Table 2 - Summary of Changes in Net Position From Operating Results
Fiscal Year Ended September 30, 2016
(in millions)

| | Current Year | | Prior Year | |
|---|-------------------------|------------------|-------------------------|------------------|
| | Governmental Activities | Percent of Total | Governmental Activities | Percent of Total |
| Revenues | | | | |
| Program Revenues: | | | | |
| Charges for services | \$2.16 | 4.54% | \$2.23 | 4.56% |
| Operating grants and contributions | 23.19 | 48.84% | 22.39 | 45.72% |
| Capital Grants and Contributions | 0.98 | 2.05% | 0.95 | 1.94% |
| General Revenues: | | | | 0.00% |
| Property taxes for general purposes | 11.24 | 23.68% | 10.50 | 21.44% |
| Property and sales taxes for capital improvements | 5.78 | 12.18% | 9.18 | 18.75% |
| Interest | 0.03 | 0.06% | 0.02 | 0.04% |
| Other | 4.15 | 8.74% | 3.69 | 7.54% |
| Total Revenues | \$47.49 | 100.00% | \$48.97 | 100.00% |
| Expenses | | | | |
| Instructional services | \$25.48 | 54.61% | \$24.90 | 50.85% |
| Instructional support | 6.22 | 13.33% | 5.86 | 11.97% |
| Operation and maintenance services | 4.13 | 8.85% | 3.67 | 7.49% |
| Auxiliary services | 5.36 | 11.48% | 5.32 | 10.86% |
| General administration and central support | 3.00 | 6.43% | 2.97 | 6.06% |
| Interest and fiscal charges | 1.24 | 2.66% | 1.17 | 2.38% |
| Other | 1.23 | 2.64% | 0.54 | 1.11% |
| Total Expenses | \$46.66 | 100.00% | \$44.42 | 90.72% |
| Changes in Net Position | 0.83 | | 4.55 | |
| Net Position - Beginning of the year | 113.11 | | 108.57 | |
| Net Position Ending of the year | \$113.94 | | \$113.11 | |

Program revenues, specifically operating grants and contributions, are typically the largest component of total revenues.

- Operating grants and contributions contribute \$23.19 million of program revenues and 48.84% of total revenues. The major sources of revenues in this category are State foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

General revenues, primarily property taxes and sales taxes, are used to provide for expenses not covered by program revenues.

Expenses - Governmental Activities –

- Instruction service expenses include teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.
- Instructional support services includes salaries and benefits for school principals, assistant principals librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Auxiliary services includes student transportation expenses, such as bus driver salaries and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance, and food service expenses such as lunchroom managers, cooks cashiers and servers' salaries and benefits as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment and depreciation of food service equipment and facilities.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Debt service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.

Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The strong financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$17.51 million (see Balance Sheet-Governmental Funds). Approximately \$4.4 million of this amount constitutes unassigned fund balance of the General fund, which is available as of the end of the fiscal year for spending on future operations.

General Fund - The general fund is the primary operating fund of the Board. The general fund balance increased approximately \$988,000, due to a slight increase in revenues and a decrease in expenditures.

Capital Projects-State Fund - The Capital Projects-State Fund is used to account for state financial resources paid on behalf of the Board for the acquisition or construction of major capital facilities. Specifically, this fund accounts for the proceeds of the Public School and College Authority (PSCA) Capital Improvement Pool Bonds, Series 1999D ("state leveraged

funds") which were recognized as revenue in the year 2000 by the Jefferson County Board of Education. The Board entered into an agreement with the Jefferson County Board of Education and the Public School and College Authority to assume the portion of outstanding balance of this debt allocated to the construction of the Paine Primary School. The Capital Projects-Local Fund is used to account for local financial resources paid for by the Board for the acquisition or construction of major capital facilities. Specifically, this fund accounts for the proceeds of the 2015 Capital Warrants which were recognized by the Board in FY 2015 and used for the construction of Magnolia Elementary School, renovation of the vacant Cahaba Elementary School, and the addition to the Paine Elementary School.

General Fund Budgetary Highlights

The Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget. The annual budget for FY2016 was due on or before September 15, 2015. The Board passed the FY 2016 Budget on August 17, 2015. Over the course of the year, the Board revised the annual operating budget on June 09, 2016. The final budget contains necessary accrual of salary expenditures required by the Governmental Accounting Standards Board using the Modified Accrual Basis of Accounting. Both amendments included necessary adjustments to salary lines as well as additional expenditures necessary to get the school system up and running for the succeeding school year.

Capital Assets and Debt Administration

Capital Assets - At September 30, 2016, the Board had approximately \$158.58 million invested in capital assets including land, construction in progress, buildings, vehicles and equipment. This amount is net of accumulated depreciation to date in the amount of \$31.02 million. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year.

**Table 3 - Capital Assets (net of depreciation)
(in millions)**

| | Current Year | Prior Year |
|----------------------------|-----------------|-----------------|
| Land and land improvements | \$4.75 | \$4.75 |
| Construction in progress | 29.70 | 9.42 |
| Buildings & Improvements | 121.04 | 123.72 |
| Vehicles | 1.76 | 1.84 |
| Equipment | 1.33 | 1.41 |
| | \$158.58 | \$141.14 |

The additions to capital assets were primarily for the following:

- Construction in Progress increased by approximately \$20 million due to the on-going construction projects at Magnolia, Cahaba, and Paine Elementary Schools.

Long-Term Debt - At year-end, the Board had \$30.56 million in warrants and other long-term debt outstanding.

**Table 4 - Outstanding Long-Term Debt
For the Year Ended September 30, 2016**

| Governmental Activities (in millions) | | | |
|--|----------------------|---------------|-------------------|
| | Beginning Balance | Net Change | Ending Balance |
| Bonds and warrants payable | \$29.39 | -1.21 | \$28.18 |
| Capital leases | 0.60 | -0.15 | 0.45 |
| Total | 30.00 | -1.36 | 28.63 |
| Unamortized Bond Premium | 2.01 | -0.08 | 1.92 |
| Total long-term debt | \$32.01 | -1.45 | \$30.56 |

Long-term debt activity for the year consisted of the following:

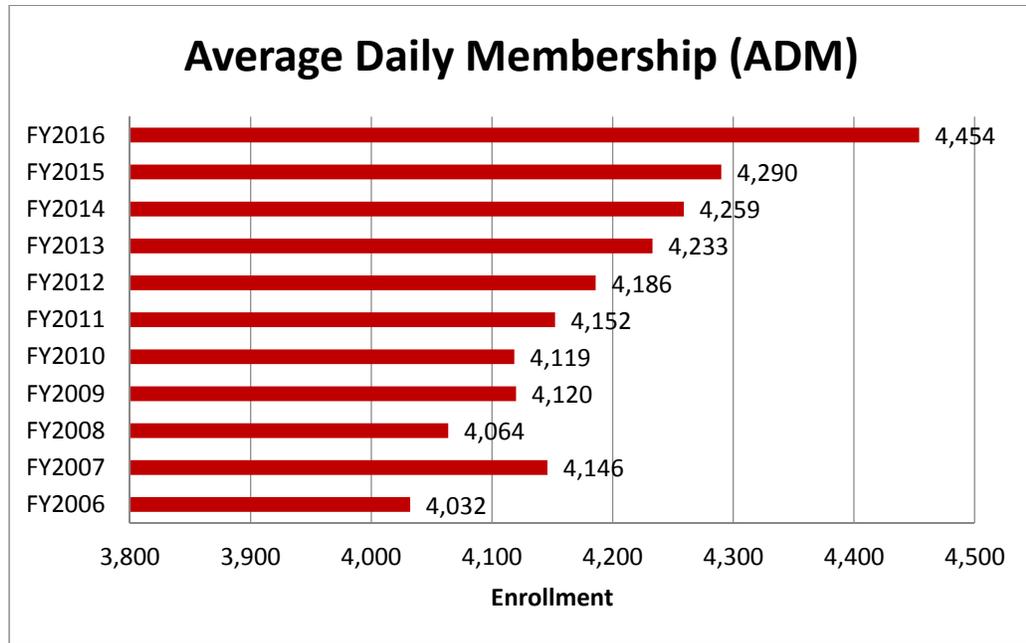
- The Board entered into an agreement with the Jefferson County Board of Education and the Public School and College Authority to assume the portion of outstanding balance of this debt allocated to the construction of the Paine Primary School. The balance as of September 30, 2016 was \$1.94 million.
- The Balance of the 2015 Construction Warrants as of September 30, 2016 was \$26.25 million.

Economic Factors and Next Year's Budget

The following are currently known Trussville City economic factors considered in going into the 2015-2016 fiscal years. Some statistics are shown for the Birmingham Metropolitan Statistical Area

- The unemployment rate in Birmingham-Hoover Metropolitan Statistical Area for February 2017 is 5.6 percent, which is a slight decrease from last year's rate of 5.9 percent in February 2016. Source is the Bureau of Labor Statistics at www.bls.gov.
- The population in Trussville City as of the 2014 was 20,702.

Student Enrollment - The student enrollment figures reported to the State Department of Education for the fiscal year 2015 school year was 4,290 which indicates a small increase in enrollment of approximately 31 students over the FY 2014 school year.



*Prior to July 01, 2005, the four schools that comprise the Trussville City Schools were part of and over-seen by the Jefferson County School District.

Medical and Retirement Costs - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). Costs are expected to remain flat for the 2014 fiscal year.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact James A. Kirkland, Director of Finance by email at jim.kirkland@trussvillecityschools.com.

TRUSSVILLE CITY BOARD OF EDUCATION

STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

| | Governmental Activities |
|--|------------------------------------|
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 21,208,147 |
| Due from other governments | 708,471 |
| Accounts receivable | 18,594 |
| Inventories | 190,672 |
| Total current assets | 22,125,884 |
| Noncurrent assets | |
| Capital assets: | |
| Assets not being depreciated | 34,455,218 |
| Assets being depreciated | 155,146,218 |
| Accumulated depreciation | (31,018,854) |
| Total capital assets, net of depreciation | 158,582,582 |
| Total noncurrent assets | 158,582,582 |
| Deferred outflows of resources | 5,838,223 |
| Total assets and deferred outflows of resources | \$ 186,546,689 |

See Notes to Financial Statements.

| | Governmental Activities |
|--------------------------------------|------------------------------------|
| Liabilities and net position | |
| Current liabilities | |
| Accounts payable | \$ 2,135,530 |
| Accrued liabilities | 126,985 |
| Salaries and benefits payable | 2,247,584 |
| Accrued interest payable | 151,791 |
| Unearned revenue | 102,521 |
| Current portion of long term debt | 1,503,435 |
| Total current liabilities | 6,267,846 |
| Noncurrent liabilities | |
| Compensated absences | 366,323 |
| Noncurrent portion of long term debt | 29,034,137 |
| Net pension liability | 36,734,000 |
| Total noncurrent liabilities | 66,134,460 |
| Total liabilities | 72,402,306 |
| Deferred inflows of resources | 199,000 |
| Net position | |
| Net investment in capital assets | 128,024,088 |
| Restricted | 1,985,172 |
| Unrestricted | (16,063,877) |
| Total net position | \$ 113,945,383 |

TRUSSVILLE CITY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2016

| Functions/Programs | | Expenses |
|--|----|-------------------|
| Governmental activities | | |
| Instructional services | \$ | 25,478,903 |
| Instructional support | | 6,216,902 |
| Operation and maintenance | | 4,125,225 |
| Auxiliary services | | 5,364,653 |
| General administration and central support | | 2,999,260 |
| Other | | 1,242,412 |
| Interest and fiscal charges | | 1,233,403 |
| Total governmental activities | \$ | 46,660,758 |

See Notes to Financial Statements.

| Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position |
|----------------------------|--|--|--|
| Charges For Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Governmental Activities |
| \$ 519,242 | \$ 13,960,676 | \$ - | \$ (10,998,985) |
| - | 3,711,523 | - | (2,505,379) |
| - | 2,337,153 | - | (1,788,072) |
| 1,636,571 | 3,181,949 | - | (546,133) |
| - | - | - | (2,999,260) |
| - | - | 975,477 | (266,935) |
| - | - | - | (1,233,403) |
| <u>\$ 2,155,813</u> | <u>\$ 23,191,301</u> | <u>\$ 975,477</u> | <u>(20,338,167)</u> |

General revenues

Taxes:

| | |
|---|-------------------|
| Property taxes for general purposes | 11,242,901 |
| Property and sales taxes for capital improvements | 5,783,206 |
| Miscellaneous taxes | 1,252 |
| Interest | 27,622 |
| Grants and contributions not restricted for specific programs | 382,550 |
| Other | 3,730,822 |
| Total general revenues | <u>21,168,353</u> |

Change in net position 830,186

Net position - beginning of year 113,115,197

Net position - end of year \$ 113,945,383

TRUSSVILLE CITY BOARD OF EDUCATION

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

| | General Fund | Capital Projects Fund | Child Nutrition Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------------|----------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 6,480,273 | \$ 12,607,201 | \$ 561,405 | \$ 1,559,268 | \$ 21,208,147 |
| Due from other governments | 572,366 | 3,828 | 38,447 | 93,830 | 708,471 |
| Accounts receivable | 3,796 | - | - | 14,798 | 18,594 |
| Inventories | - | - | 190,672 | - | 190,672 |
| Total assets | \$ 7,056,435 | \$ 12,611,029 | \$ 790,524 | \$ 1,667,896 | \$ 22,125,884 |
| Liabilities | | | | | |
| Accounts payable | \$ 379,247 | \$ 1,683,491 | \$ 57,868 | \$ 14,651 | \$ 2,135,257 |
| Due to other governments | 273 | - | - | - | 273 |
| Unearned revenues | - | - | 102,521 | - | 102,521 |
| Accrued liabilities | 126,985 | - | - | - | 126,985 |
| Salaries and benefits payable | 2,140,048 | - | 81,356 | 26,180 | 2,247,584 |
| Total liabilities | 2,646,553 | 1,683,491 | 241,745 | 40,831 | 4,612,620 |
| Fund balances | | | | | |
| Nonspendable: | | | | | |
| Inventories | - | - | 190,672 | - | 190,672 |
| Restricted for: | | | | | |
| Special revenue | - | - | 358,107 | 1,627,065 | 1,985,172 |
| Committed to: | | | | | |
| Capital projects | - | 10,927,538 | - | - | 10,927,538 |
| Unassigned: | 4,409,882 | - | - | - | 4,409,882 |
| Total fund balances | 4,409,882 | 10,927,538 | 548,779 | 1,627,065 | 17,513,264 |
| Total liabilities and fund balances | \$ 7,056,435 | \$ 12,611,029 | \$ 790,524 | \$ 1,667,896 | \$ 22,125,884 |

See Notes to Financial Statements.

TRUSSVILLE CITY BOARD OF EDUCATION

**RECONCILIATION OF THE FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total fund balances - governmental funds \$ 17,513,264

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore, are not reported as assets in governmental funds. 158,582,582

Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 5,838,223

Certain liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These liabilities at year-end consist of:

| | | Current Liabilities | | Noncurrent Liabilities | |
|--------------------------|----|--------------------------------|----|-----------------------------------|--------------|
| Compensated absences | \$ | - | \$ | 366,323 | |
| Long term debt | | 1,503,435 | | 29,034,137 | |
| Accrued interest payable | | 151,791 | | - | |
| Net pension liability | | - | | 36,734,000 | |
| Total liabilities | \$ | 1,655,226 | \$ | 66,134,460 | (67,789,686) |

Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. (199,000)

Total net position - governmental activities **\$ 113,945,383**

TRUSSVILLE CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | General Fund | Capital Projects Fund | Child Nutrition Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------------|----------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| State | \$ 21,974,266 | \$ 550,938 | \$ 72,007 | \$ 273 | \$ 22,597,484 |
| Federal | 7,007 | - | 448,468 | 628,776 | 1,084,251 |
| Local | 13,936,855 | 5,054,073 | 1,323,284 | 2,991,041 | 23,305,253 |
| Other | 120,767 | - | 3,538 | 710,195 | 834,500 |
| Total revenues | 36,038,895 | 5,605,011 | 1,847,297 | 4,330,285 | 47,821,488 |
| Expenditures | | | | | |
| Instructional services | 20,204,649 | 145,565 | - | 1,830,586 | 22,180,800 |
| Instructional support | 5,232,381 | - | - | 907,957 | 6,140,338 |
| Operation and maintenance | 3,315,798 | 610,167 | - | 144,298 | 4,070,263 |
| Auxiliary services | 2,361,500 | - | 2,708,878 | 160,056 | 5,230,434 |
| General administration and central support | 2,657,458 | - | - | 28,908 | 2,686,366 |
| Other | 518,482 | - | - | 719,492 | 1,237,974 |
| Capital outlay | 25,164 | 21,216,479 | 21,592 | 14,000 | 21,277,235 |
| Debt service: | | | | | |
| Principal retirement | - | 236,056 | - | 1,212,680 | 1,448,736 |
| Interest and fiscal charges | 12,538 | 17,079 | - | 1,308,398 | 1,338,015 |
| Total expenditures | 34,327,970 | 22,225,346 | 2,730,470 | 6,326,375 | 65,610,161 |
| Excess (deficiency) of revenues over expenditures | 1,710,925 | (16,620,335) | (883,173) | (1,996,090) | (17,788,673) |
| Other financing sources (uses) | | | | | |
| Transfers in | 332,572 | - | 765,009 | 2,830,224 | 3,927,805 |
| Transfers out | (1,054,807) | (1,961,550) | - | (911,448) | (3,927,805) |
| Proceeds of capital leases | - | 84,447 | - | - | 84,447 |
| Total other financing sources (uses) | (722,235) | (1,877,103) | 765,009 | 1,918,776 | 84,447 |
| Net changes in fund balance | 988,690 | (18,497,438) | (118,164) | (77,314) | (17,704,226) |
| Fund balances at beginning of year | 3,421,192 | 29,424,976 | 666,943 | 1,704,379 | 35,217,490 |
| Fund balances at end of year | \$ 4,409,882 | \$ 10,927,538 | \$ 548,779 | \$ 1,627,065 | \$ 17,513,264 |

See Notes to Financial Statements.

TRUSSVILLE CITY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net changes in fund balances - total governmental funds \$ (17,704,226)

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

Governmental funds report capital outlays 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 net capital outlay (\$21,296,523) exceeded depreciation (\$3,849,467) in the current period. 17,447,056

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.

| | | |
|----------------------------|------------------|-----------|
| Proceeds of capital leases | \$ (84,447) | |
| Principal repayments | <u>1,448,735</u> | 1,364,288 |

Some expenses reported in the statement of activities do not require the use of the current financial resources and are not reported as expenditures in the funds. Furthermore, the amortization of debt premium reduces interest expense in the statement of activities.

| | |
|---|----------------|
| Current year increase in pension expense | (334,004) |
| Current year increase in compensated absences | (47,541) |
| Amortization of debt premium | <u>104,613</u> |

Change in net position of governmental activities \$ 830,186

TRUSSVILLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS

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TRUSSVILLE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. Summary of significant accounting policies

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

A. Reporting entity

GASB Statements No. 14, 39 and 61 establish standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no material component units which 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.

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

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

TRUSSVILLE CITY BOARD OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

1. Summary of significant accounting policies (continued)

B. Basis of Presentation, Basis of Accounting (continued)

Basis of Presentation (continued)

Fund financial statements

The fund financial statements provide information about the Board's funds, including 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 currently has no fiduciary funds.

The Board reports the following major governmental funds:

- (1) General Fund -- The general fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board's General Fund primarily received revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.
- (2) Child Nutrition Fund -- This fund is used to account for activities concerned with providing meals to students and staff. The Board elects to always report this as a major fund to enhance consistency from year to year.
- (3) Capital Projects Fund -- This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

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

Special Revenue Funds -- Special Revenue Funds account for the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Examples of special revenue fund sources are: Federal Vocational, Title I, IDEA Part B (Special Education), Title III, Title IV, Title II, Federal Preschool, Local School Activity Funds and Local School Extended Day Programs.

TRUSSVILLE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. Summary of significant accounting policies (continued)

B. Basis of Presentation, Basis of Accounting (continued)

Measurement focus, basis of accounting

Government-wide financial statements

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

Fund financial statements

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within thirty (30) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

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

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

TRUSSVILLE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. Summary of significant accounting policies (continued)

C. Assets, liabilities, and net position/fund balances

(1) Deposits and investments

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

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.

The Board currently has no investments other than certificates of deposit which are presented as cash and cash equivalents as described above. In accordance with GASB Statement Number 72, these are stated at amortized cost, which approximates market value.

(2) Receivables

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

(3) Property tax calendar

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

(4) Inventories and prepaid items

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

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

TRUSSVILLE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. Summary of significant accounting policies (continued)

C. Assets, liabilities, and net position/fund balances (continued)

(5) Capital assets

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

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

| | Capitalization Threshold | Estimated Useful Life |
|---------------------------------|-----------------------------|--------------------------|
| Land improvements - exhaustible | \$ 50,000 | 20 years |
| Buildings | 50,000 | 50 years |
| Building improvements | 50,000 | 7 - 30 years |
| Equipment and furniture | 5,000 | 5 - 20 years |
| 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.

(6) Long-term obligations

In the government-wide financial statements, the unmatured principal of long-term debt 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. Debt issuance costs include all costs incurred to issue the debt including insurance, financing and other related costs. Debt issuance costs (except for prepaid insurance costs) are recognized as an expense in the period incurred. Premiums and discounts on debt are capitalized and amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported in 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 an other financing source. Debt issuance costs are not deducted from the amount reported as an other financing source but are reported as debt service expenditures. Any discount is reported as an other financing use. Expenditures for debt principal, interest and related costs are reported in the fiscal year payment is made. The balance sheet does not reflect a liability for long-term debt.

TRUSSVILLE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. Summary of significant accounting policies (continued)

C. Assets, liabilities, and net position/fund balances (continued)

(7) Compensated absences

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

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

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

Professional and support employees earn nonvesting sick leave at the rate of one day per month worked. Employees may accumulate sick leave and may use it 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 two days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to two days of personal leave per employee per year. Professional and support employees may elect to be paid, at the Board's substitute rate, for up to two days of unused personal leave or the unused days may be converted to sick leave. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

All twelve-month employees are allowed two weeks of vacation per year with pay. Up to 30 days of unused vacation leave can be carried over to succeeding years.

(8) Net position/fund equity

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

- ◆ **Net investment in capital assets** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.
- ◆ **Restricted** - Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

TRUSSVILLE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. Summary of significant accounting policies (continued)

C. Assets, liabilities, and net position/fund balances (continued)

(8) Net position/fund equity

- ◆ **Unrestricted** - Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board.

Fund equity is reported in the fund financial statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Fund statements

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. A total of \$1,985,172 is restricted because of Federal, state or local regulations. The amounts are \$1,627,065 in the Local School Student Activity Fund and \$358,107 in the Child Nutrition Program Special Revenue Fund.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. A total of \$10,927,538 is committed to construction contracts in the Capital Projects Fund.

Assigned fund balance. The classification reflects the amounts constrained by the Board’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Board of Education and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

TRUSSVILLE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. Summary of significant accounting policies (continued)

C. Assets, liabilities, and net position/fund balances (continued)

(8) Fund statements (continued)

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed.

(9) Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(10) Subsequent events

The Board has evaluated subsequent events through the date of issuance of these financial statements.

(11) 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. 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.

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 reconciliation obscures the nature of the individual elements of a particular reconciling item.

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

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

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

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



TRUSSVILLE CITY BOARD OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

3. Stewardship, compliance, and accountability

Budgets

Annual budgets are adopted for all governmental funds. All annual appropriations lapse at fiscal year end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. The Board approved its original 2015-2016 annual budget on August 17, 2015; the budget was amended on June 9, 2016, to adjust prior year fund balances and federal carryover.

The city superintendent of education or Board cannot approve any budget for operations of the school system for any fiscal year that shows expenditures in excess of income estimated to be available plus any balances on hand. The superintendent with the approval of the board has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes. The superintendent may approve amendments to program budgets without board approval.

4. Deposits and investments

A. Deposits

As of September 30, 2016, the carrying amount of the Board's bank deposits (including deposits of the individual schools) was \$21,208,147 and the bank balance was \$23,242,353. The Board's deposits are covered by the Security for Alabama Funds Enhancement Program (SAFE Program). Under the SAFE program all public deposits are protected through a collateral pool administered by the Alabama State Treasurer's office.

Public deposits include the funds of any covered public entity or covered public official placed on deposit in a qualified depository, including time and demand deposit accounts and certificates of deposit but excluding bonds, notes, money market mutual funds, repurchase agreements and similar investment instruments. Covered public entities include the state and its political subdivisions, including school boards. Under SAFE, which is mandatory, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer, who would use the SAFE pool collateral or other means to reimburse the loss. The SAFE program is classified as a category 1 credit risk.

TRUSSVILLE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

5. Amounts receivable from governmental entities

The amounts receivable from governmental entities reported on the statement of net position are aggregations of different components. Details of this balance are as follows:

| | Governmental Fund Types | | | | Total Governmental Funds |
|--|-------------------------|---------------------|--------------------|--------------------------------|--------------------------------|
| | General | Capital Projects | Child Nutrition | Other Governmental Funds | |
| <u>Amounts receivable from Governmental Entities</u> | | | | | |
| U.S. Department of Education: | | | | | |
| Title VI-B | \$ - | \$ - | \$ - | \$ 83,828 | \$ 83,828 |
| Career Tech/Program Improvement | - | - | - | 1,902 | 1,902 |
| Dependent Care LEA | - | - | - | 8,100 | 8,100 |
| U. S. Department of Agriculture: | | | | | |
| Child Nutrition | - | - | 38,447 | - | 38,447 |
| Local governments and other | 572,366 | 3,828 | - | - | 576,194 |
| Total | \$ 572,366 | \$ 3,828 | \$ 38,447 | \$ 93,830 | \$ 708,471 |

6. Capital assets

Capital asset activity for the year ended September 30, 2016, was as follows:

| | Balance Sept. 30, 2015 | Additions | Transfers and Retirements | Balance Sept. 30, 2016 |
|--|---------------------------|----------------------|------------------------------|---------------------------|
| Capital assets, not being depreciated: | | | | |
| Land and improvements | \$ 4,750,509 | \$ - | \$ - | \$ 4,750,509 |
| Construction in progress | 9,420,005 | 20,721,056 | (436,352) | 29,704,709 |
| Total capital assets, not being depreciated | 14,170,514 | 20,721,056 | (436,352) | 34,455,218 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 146,105,422 | 473,532 | - | 146,578,954 |
| Equipment and furniture | 3,618,142 | 287,770 | (20,061) | 3,885,851 |
| Vehicles | 4,429,319 | 258,000 | (5,906) | 4,681,413 |
| Total capital assets being depreciated | 154,152,883 | 1,019,302 | (25,967) | 155,146,218 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 22,388,323 | 3,152,944 | - | 25,541,267 |
| Equipment and furniture | 2,213,080 | 356,868 | (12,578) | 2,557,370 |
| Vehicles | 2,586,468 | 339,655 | (5,906) | 2,920,217 |
| Total accumulated depreciation | 27,187,871 | 3,849,467 | (18,484) | 31,018,854 |
| Total capital assets being depreciated, net | 126,965,012 | (2,830,165) | (7,483) | 124,127,364 |
| Total governmental activities capital assets, net | \$ 141,135,526 | \$ 17,890,891 | (443,835) | \$ 158,582,582 |

TRUSSVILLE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

6. **Capital assets (continued)**

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

Governmental activities:

| | | |
|---|-----------|------------------|
| Instructional services | \$ | 3,112,918 |
| Instructional support | | 20,724 |
| Operation and maintenance | | 43,827 |
| Auxiliary services | | 435,485 |
| General administration and central support | | 236,513 |
| Total depreciation expense - governmental activities | \$ | 3,849,467 |

7. **Defined benefit pension plan**

A. Plan description

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

TRUSSVILLE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

7. Defined benefit pension plan (continued)

B. Benefits provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service 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, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of 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 are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered 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, 2016 was 11.94% of annual pay for Tier 1 members and 10.84% 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 System were \$2,709,223 for the year ended September 30, 2016.

TRUSSVILLE CITY BOARD OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

7. Defined benefit pension plan (continued)

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

At September 30, 2016 the System reported a liability of \$36,734,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014. The System’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, 2015 the System’s proportion was 0.350992%, which was an increase of 0.004688% from its proportion measured as of September 30, 2014.

For the year ended September 30, 2016, the System recognized pension expense of \$2,992,832. At September 30, 2016 the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 199,000 |
| Net difference between projected and actual earnings on plan investments | 2,405,000 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 724,000 | - |
| Employer contributions subsequent to the measurement date | 2,709,223 | - |
| Total | \$ 5,838,223 | \$ 199,000 |

Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date in the amount of \$2,709,223 will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:

| | |
|------------|------------|
| 2017 | \$ 599,000 |
| 2018 | 599,000 |
| 2019 | 599,000 |
| 2020 | 1,122,000 |
| 2021 | 11,000 |
| Thereafter | - |

TRUSSVILLE CITY BOARD OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

7. Defined benefit pension plan (continued)

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|------------|
| Inflation | 3.00% |
| Investment rate of return* | 8.00% |
| Projected salary increases | 3.5%-8.25% |

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2014 were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

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

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

*Includes assumed rate of inflation of 2.50%

TRUSSVILLE CITY BOARD OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

7. Defined benefit pension plan (continued)

F. Discount rate

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

Sensitivity of the System's proportionate share of the net pension liability to changes in the

G. discount rate

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

| | 1% Decrease (7.0%) | Current Discount Rate (8.0%) | 1% Increase (9.0%) |
|------------------------------|--------------------------|------------------------------------|--------------------------|
| Plan's Net Pension Liability | \$ 48,596,000 | \$ 36,734,000 | \$ 26,673,000 |

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, 2015. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 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, 2015 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

TRUSSVILLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

8. Other post employment benefits

A. Plan Description

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

B. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255 to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

| | Fiscal Year Ending 9/30/16 |
|---|---|
| Individual Coverage - Non-Medicare Eligible | \$ 151.00 |
| Individual Coverage - Medicare Eligible Retired Member | 10.00 |
| Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Non-spousal Dependent(s) | 391.00 |
| Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse | 416.00 |
| Family Coverage - Non-Medicare Eligible Retired Member and Non-spousal Dependent Medicare Eligible | 250.00 |
| Family Coverage - Non-Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible | 260.00 |
| Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) No Spouse | 250.00 |
| Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse | 275.00 |
| Family Coverage - Medicare Eligible Retired Member and Non-spousal Dependent Medicare Eligible | 109.00 |
| Family Coverage - Medicare Eligible Retired Member and Spousal Dependent Medicare Eligible | 119.00 |
| Tobacco Surcharge | \$50 per month |
| Optional Plans (Hospital Indemnity, Cancer, Dental, Vision) | * |
| Surviving Spouse - Non-Medicare Eligible | 740.00 |
| Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible | 987.00 |
| Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible | 1,033.00 |
| Surviving Spouse - Medicare Eligible | 425.00 |
| Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible | 679.00 |
| Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible | 725.00 |

*Up to two optional plans can be taken by retirees at no cost if the retirees are not also enrolled in one of the Hospital Medical Plans. Otherwise, retirees can purchase the Optional Plans at the normal monthly rate of \$38 or \$50 for family dental.

TRUSSVILLE CITY BOARD OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

8. Other post employment benefits (continued)

Members who retired on or after October 1, 2005, and before January 1, 2012, pay two percent of the employer premium for each year under 25 years of service, and for each year over 25 years of service, the retiree premium is reduced by two percent. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. Additionally, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than age 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium will no longer apply. However, the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a five year period.

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

| Fiscal Year Ended September 30, | Active Health Insurance Premiums Paid By Board | Amount of Premium Attributable to Retirees | Percentage of Active Employee Premiums Attributable to Retirees | Total Amount Paid Attributable to Retirees | Percentage of Required Amount Contributed |
|---------------------------------------|---|---|--|---|--|
| 2016 | \$ 780 | \$ 211 | 27.08% | \$ 1,254,613 | 100% |

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

The Board has accounted for payments made by the federal government for retiree drug subsidy (RDS) payments in accordance with GASB Technical Bulletin 2006-1. This bulletin requires the RDS to be recorded as an "on-behalf payment", resulting in offsetting revenues and expenditures. The amount recognized in the 2016 financial statements for RDS is \$277,979.

9. Long-term debt

As a part of the Board's separation from the Jefferson County Board of Education, the Trussville City Board of Education agreed to assume a portion of the Alabama Public School and College Authority (PSCA) Bond Pool Loan that was related to Trussville school properties.

During the year the Board entered into certain leases accounted for as capital leases. These leases were obtained to purchase various equipment.

As of September 30, 2016, the Board's long-term debt consisted of the following:

| | | |
|---|-----------|-------------------|
| PSCA Capital Improvement Bonds, due annually through 2019, interest payable semi-annually at rates ranging from 5.0% to 6.0%. | \$ | 1,935,536 |
| Note payable-City, due annually through 2039, interest payable semi-annually at rates ranging from 3.0% to 5.0%. | | 26,245,000 |
| Capital leases | | 453,074 |
| Total | \$ | 28,633,610 |

The following changes occurred in the Board's liabilities for long-term debt for the year ended September 30, 2016:

| | Balance 09-30-15 | Additions | Reductions | Adjustments | Balance 09-30-16 |
|-----------------------------|----------------------|------------------|---------------------|-------------|----------------------|
| Capital Improvement Debt | \$ 29,393,215 | \$ - | \$ 1,212,679 | \$ - | \$ 28,180,536 |
| Capital Leases | 604,683 | 84,447 | 236,056 | - | 453,074 |
| Total | 29,997,898 | 84,447 | 1,448,735 | - | 28,633,610 |
| Unamortized bond premium | 2,008,575 | - | 104,613 | - | 1,903,962 |
| Total long-term debt | \$ 32,006,473 | \$ 84,447 | \$ 1,553,348 | \$ - | \$ 30,537,572 |

TRUSSVILLE CITY BOARD OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

9. Long-term debt (continued)

Following is a schedule of the total debt service on the Board's long-term debt:

| | Capital Improvement Debt | | | Capital Leases | |
|--------------|-------------------------------------|-------------------|--------------|-----------------------|-----------------|
| | Principal | Interest | | Principal | Interest |
| 2017 | 1,262,011 | 1,260,065 | 2017 | 241,424 | 11,506 |
| 2018 | 1,317,833 | 1,206,214 | 2018 | 187,008 | 3,607 |
| 2019 | 1,385,692 | 1,142,948 | 2019 | 20,622 | 121 |
| 2020 | 740,000 | 1,072,788 | 2020 | 4,020 | - |
| 2021 | 780,000 | 1,034,788 | 2021 | - | - |
| 2022-2026 | 4,535,000 | 4,532,065 | 2022-2026 | - | - |
| 2027-2031 | 5,755,000 | 3,317,132 | 2027-2031 | - | - |
| 2032-2036 | 7,275,000 | 1,794,937 | 2032-2036 | - | - |
| 2037-2041 | 5,130,000 | 313,400 | 2037-2041 | - | - |
| Total | 28,180,536 | 15,674,337 | Total | 453,074 | 15,234 |

Interest paid as of September 30, 2016 was \$1,324,965.

In June 2015, the Board entered into a funding agreement with the City whereby the City issued G.O. School Warrants for the purpose of providing funds to pay the costs of constructing new school facilities. The City provided the Board with the proceeds of the issuance plus an issuance premium. The Board will pay the City, out of proceeds of a new 7 mill Education Ad Valorem tax, monies sufficient to pay the principal and interest on the G.O. School Warrants when due.

10. Interfund transactions

Interfund transfers for the fiscal year ended September 30, 2016 consist of the following:

| | |
|---|---------------------|
| General Fund to Other Governmental Funds | \$ 289,798 |
| General Fund to Child Nutrition Fund | 765,009 |
| Capital Projects Fund to General Fund | 149,062 |
| Special Revenue funds to General Fund | 183,510 |
| Transfers between Special Revenue Funds | 727,938 |
| Capital Projects Fund to Other Governmental Funds | 1,812,488 |
| Total transfers | \$ 3,927,805 |



TRUSSVILLE CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

11. Risk management

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

Errors and omissions insurance is purchased from Alabama Trust Management for Boards of Education (ATMB), a public entity risk pool. The ATMB collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for vehicle liability and fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage.

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



TRUSSVILLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

12. Contingent liabilities

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

The Board is involved in certain litigation in the ordinary course of business. Management does not anticipate these claims to have a significant adverse impact on the financial position of the Board.

13. Donated food program

The commodities received from the Federal government in connection with the donated food program are reflected in the accompanying financial statements. The total assigned value of commodities donated was \$106,616 for 2016. Commodities consumed were approximately \$85,726 for 2016.

14. Payments or services furnished by other agencies

Certain payments or services are furnished by the State and the City of Trussville on behalf of the Board. These include payments on City bond issues for school purposes, use of City property for Board purposes, etc. Payments by the City on City bond issues for school purposes are reflected on the City's books and records.

15. Related party transactions

The members of the Trussville City Board of Education are appointed by the Trussville City Council. Revenues received by the Board from the City for the year ended September 30, 2016 amounted to approximately \$2,401,882.

16. Future accounting pronouncements

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

- Amendments to accounting and financial reporting for pensions;
- GAAP hierarchy;
- Tax abatement disclosures; and
- Financial reporting and accounting related to other post-employment benefits.
- Certain retirement obligations

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

REQUIRED SUPPLEMENTARY INFORMATION

TRUSSVILLE CITY BOARD OF EDUCATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budgeted Amounts | |
|--|---------------------|---------------------|
| | Original | Final |
| Revenues | | |
| State | \$ 21,464,650 | \$ 21,905,379 |
| Federal | - | - |
| Local | 12,486,423 | 12,486,423 |
| Other | 145,000 | 193,697 |
| Total revenues | 34,096,073 | 34,585,499 |
| Expenditures | | |
| Current: | | |
| Instructional services | 20,701,302 | 20,901,303 |
| Instructional support | 5,434,499 | 5,421,431 |
| Operation and maintenance | 3,268,926 | 3,258,926 |
| Auxiliary services | 2,527,277 | 2,576,560 |
| General administration and central support | 3,313,417 | 3,344,380 |
| Other | 639,741 | 639,741 |
| Capital outlay | - | - |
| Debt service | - | 12,543 |
| Total expenditures | 35,885,162 | 36,154,884 |
| Excess (deficiency) of revenues over expenditures | (1,789,089) | (1,569,385) |
| Other financing sources (uses) | | |
| Transfers in | 499,572 | 494,233 |
| Transfers out | (1,141,486) | (1,131,775) |
| Total other financing sources (uses) | (641,914) | (637,542) |
| Net change in fund balance | (2,431,003) | (2,206,927) |
| Fund balance at beginning of year | 3,444,498 | 6,026,044 |
| Fund balance at end of year | \$ 1,013,495 | \$ 3,819,117 |

| <u>Actual</u> | <u>Variance</u> |
|---------------|-----------------|
| \$ 21,974,266 | \$ 68,887 |
| 7,007 | 7,007 |
| 13,936,855 | 1,450,432 |
| 120,767 | (72,930) |
| 36,038,895 | 1,453,396 |
| 20,204,649 | 696,654 |
| 5,232,381 | 189,050 |
| 3,315,798 | (56,872) |
| 2,361,500 | 215,060 |
| 2,657,458 | 686,922 |
| 518,482 | 121,259 |
| 25,164 | (25,164) |
| - | 12,543 |
| 12,538 | (12,538) |
| 34,327,970 | 1,826,914 |
| 1,710,925 | 3,280,310 |
| 332,572 | (161,661) |
| (1,054,807) | 76,968 |
| (722,235) | (84,693) |
| 988,690 | 3,195,617 |
| 3,421,192 | (2,604,852) |
| \$ 4,409,882 | \$ 590,765 |

See notes to financial statements.

Trussville City Board of Education
Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' Retirement Plan of Alabama
As of Measurement Date
(Dollar amounts in thousands)

| | 2016 | 2015 |
|---|-----------|-----------|
| Board's proportion of the collective net pension liability | 0.350992% | 0.346304% |
| Board's proportionate share of the collective net pension liability | \$ 36,734 | \$ 31,460 |
| Board's covered-employee payroll during measurement period* | \$ 21,976 | \$ 22,298 |
| Board's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll | 167.16% | 141.09% |
| Plan fiduciary net position as a percentage of the total pension liability | 67.51% | 71.01% |

*Board's covered-employee payroll during the measurement period is the total of those employees who are participating in the pension plan. For FY 2016, the measurement period is October 1, 2014 through September 30, 2015.

See notes to financial statements.

Trussville City Board of Education
Schedule of Board Contributions
Teachers' Retirement System of Alabama
As of Fiscal Year End
(Dollar amounts in thousands)

| | 2016 | 2015 |
|--|-----------|-----------|
| Contractually Required Contribution | \$ 2,590 | \$ 2,488 |
| Contributions in relation to the contractually required contribution | 2,590 | 2,488 |
| Contribution deficiency (excess) | \$ - | \$ - |
| Board's covered-employee payroll* | \$ 22,928 | \$ 21,976 |
| Contributions as a percentage of covered-employee payroll | 11.30% | 11.71% |

*Board's covered-employee payroll is the total payroll of those employees who are participating in the pension plan.

See notes to financial statements.

SUPPLEMENTARY INFORMATION

TRUSSVILLE CITY BOARD OF EDUCATION
SUPPLEMENTARY SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

Year ended September 30, 2016

| Description | Federal CFDA Number | Pass through Entity Identifying Number | Project Period | | Total Grant Award | Accrued (Deferred) Grant Revenue | | Cash Received | Revenue Recognized | Expenditures | Accrued (Deferred) Grant Revenue | |
|---|---------------------|--|----------------|----------|-------------------|----------------------------------|--------------------|---------------|--------------------|--------------|----------------------------------|--|
| | | | From | To | | September 30, 2015 | September 30, 2016 | | | | | |
| U.S. Department of Education | | | | | | | | | | | | |
| Passed through State Department of Education | | | | | | | | | | | | |
| <i>Special Education (IDEA) Cluster</i> | | | | | | | | | | | | |
| ED-IDEA Part B - Special Ed | 84.027 | 39068416 | 10/01/15 | 09/30/16 | \$ 583,852 | \$ - | \$ 500,024 | \$ 583,852 | \$ 583,852 | \$ 583,852 | \$ 83,828 | |
| ED-IDEA Part B - Special Ed | 84.027 | 39068415 | 10/01/14 | 09/30/15 | 123,371 | 123,371 | - | - | - | - | | |
| ED-Preschool Grants - Special Ed | 84.173 | 29030016 | 10/01/15 | 09/30/16 | 7,007 | - | 7,007 | 7,007 | 7,007 | - | | |
| <i>Total Special Education (IDEA) Cluster</i> | | | | | 714,230 | 123,371 | 507,031 | 590,859 | 590,859 | 83,828 | | |
| ED-Vocational | 84.048 | 39308416 | 10/01/15 | 09/30/16 | 34,605 | - | 32,702 | 34,605 | 34,605 | 1,903 | | |
| ED-Vocational | 84.048 | 39308415 | 10/01/14 | 09/30/15 | 3,277 | 3,277 | - | - | - | - | | |
| Total U.S. Department of Education | | | | | 752,112 | 126,648 | 539,733 | 625,464 | 625,464 | 85,731 | | |
| U.S. Department of Agriculture | | | | | | | | | | | | |
| <i>Child Nutrition Cluster</i> | | | | | | | | | | | | |
| USDA-Commodities Received | 10.555 | UNKNOWN | 10/01/15 | 09/30/16 | 106,616 | - | * | 106,616 | 106,616 | - | | |
| Passed Through State Department of Education | | | | | | | | | | | | |
| <i>Child Nutrition Cluster</i> | | | | | | | | | | | | |
| USDA-Breakfast Program | 10.553 | 34428416 | 10/01/15 | 09/30/16 | 43,357 | - | 39,006 | 43,357 | 43,357 | 4,351 | | |
| USDA-Breakfast Program | 10.553 | 34428415 | 10/01/14 | 09/30/15 | 7,778 | 7,778 | - | - | - | - | | |
| USDA-National School Lunch Program | 10.555 | 34668416 | 10/01/15 | 09/30/16 | 293,665 | - | 259,569 | 293,665 | 293,665 | 34,096 | | |
| USDA-National School Lunch Program | 10.555 | 34668415 | 10/01/14 | 09/30/15 | 65,315 | 65,315 | - | - | - | - | | |
| <i>Total Child Nutrition Cluster</i> | | | | | 410,115 | 73,093 | 298,575 | 443,638 | 443,638 | 38,447 | | |
| USDA-State Administrative Expenses | 10.560 | 34488415 | 10/01/14 | 09/30/15 | 4,349 | - | 4,349 | 4,349 | 4,349 | - | | |
| Total U.S. Department of Agriculture | | | | | 521,080 | 73,093 | 302,924 | 447,987 | 447,987 | 38,447 | | |
| U.S. Department of Health and Human Services | | | | | | | | | | | | |
| Passed Through State Department of Education | | | | | | | | | | | | |
| Child Care and Development Block Grant | 93.575 | 39058416 | 10/01/15 | 09/30/16 | 10,800 | - | 2,700 | 10,800 | 10,800 | 8,100 | | |
| Total Federal Funds Passed Through State Department of Education | | | | | 1,177,376 | 199,741 | 845,357 | 977,635 | 977,635 | 132,278 | | |
| Total Federal Awards | | | | | \$ 1,283,992 | \$ 199,741 | \$ 845,357 | \$ 1,084,251 | \$ 1,084,251 | \$ 132,278 | | |

* Commodities only were received.

See notes to supplementary schedule.

TRUSSVILLE CITY BOARD OF EDUCATION

SUPPLEMENTARY SCHEDULE OF STATE
GOVERNMENT APPROPRIATIONS

| Description | Appropriation Period | |
|---|----------------------|----------|
| | From | To |
| Foundation Program Fund | 10/01/15 | 09/30/16 |
| At Risk | 10/01/15 | 09/30/16 |
| Nat'l Board - Professional Teaching Standards | 10/01/15 | 09/30/16 |
| School Nurses | 10/01/15 | 09/30/16 |
| Alabama Reading Initiative Program | 10/01/15 | 09/30/16 |
| Technology Coordinators | 10/01/15 | 09/30/16 |
| English Second Language-LEA | 10/01/15 | 09/30/16 |
| Community Education-LEA | 10/01/15 | 09/30/16 |
| Public School Fund | 10/01/14 | 09/30/15 |
| Public School Fund | 10/01/15 | 09/30/16 |
| State-wide Purchasing | 10/01/14 | 09/30/15 |
| State-wide Purchasing | 10/01/15 | 09/30/16 |
| CNP Commodity Rebates | 10/01/14 | 09/30/15 |
| Education Trust Fund Advance | 10/01/15 | 09/30/16 |
| Gifted Education | 10/01/15 | 09/30/16 |
| Career Tech O&M | 10/01/15 | 09/30/16 |
| Special Education Catastrophic | 10/01/15 | 09/30/16 |
| Total State Assistance | | |

See notes to supplementary schedule.



| <u>Total</u> <u>Appropriation</u> | <u>Cash Received</u> <u>October 1, 2015 -</u> <u>September 30,</u> <u>2016</u> | <u>Revenue</u> <u>Recognized</u> | <u>Expenditures</u> | <u>Accounts receivable</u> <u>(Encumbrances)</u> |
|--------------------------------------|---|-------------------------------------|----------------------|---|
| \$ 21,602,531 | \$ 21,602,531 | \$ 21,602,531 | \$ 21,602,531 | \$ - |
| 23,528 | 23,528 | 23,528 | 23,528 | - |
| 105,000 | 105,000 | 105,000 | 105,000 | - |
| 185,729 | 185,729 | 185,729 | 185,729 | - |
| 182,635 | 182,635 | 182,635 | 182,635 | - |
| 34,300 | 34,300 | 34,300 | 34,300 | - |
| 2,620 | 2,620 | 2,620 | 2,620 | - |
| 7,500 | 7,500 | 7,500 | 7,500 | - |
| 3,228 | - | 3,228 | 3,228 | 3,228 |
| 266,886 | 266,886 | 266,886 | 266,886 | - |
| 38,096 | 38,096 | 38,096 | 38,096 | - |
| 17,713 | 17,713 | 17,713 | 17,713 | - |
| 16,198 | 16,198 | 16,198 | 16,198 | - |
| 68,672 | 68,672 | 68,672 | 68,672 | - |
| 7,298 | 7,298 | 7,298 | 7,298 | - |
| 23,012 | 23,012 | 23,012 | 23,012 | - |
| 12,538 | | 12,538 | 12,538 | 12,538 |
| <u>\$ 22,597,484</u> | <u>\$ 22,581,718</u> | <u>\$ 22,597,484</u> | <u>\$ 22,597,484</u> | <u>\$ 15,766</u> |



TRUSSVILLE CITY BOARD OF EDUCATION

NOTES TO SUPPLEMENTARY SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE GOVERNMENT APPROPRIATIONS

1. Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Trussville City Board of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the

2. Fiscal period audited

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2016.

3. Summary of significant accounting policies

a. General information

Federal grant revenues are recorded for financial reporting purposes when the Board has met the qualifications for the respective grants. Several programs are funded jointly by State or local appropriations and Federal funds. Encumbrances for purchase orders and contracts are not recorded as expenditures because the liability has not been incurred for goods received or services rendered; however, these encumbrances are reserved in the fund balances of the governmental funds. The encumbrances are shown as deductions from the 2016 appropriations of state funds on the schedule because subsequent expenditures against the encumbrances are made under the authority of the 2016 appropriations. Costs incurred in programs partially funded by Federal grants are applied against grant funds to the extent of revenue available when they properly apply to the grant, except as described below.

b. Accrued and deferred reimbursement

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

c. Indirect cost

The Board has elected not to use the 10% de minimis cost rate.

TRUSSVILLE CITY BOARD OF EDUCATION

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



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**Independent Auditor's Report 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
Trussville City Board of Education
Trussville, 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, each major fund, and the aggregate remaining fund information of the Trussville City Board of Education (the Board), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated June 26, 2017.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

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

Carly Riggs & Ingram, L.L.C.

Birmingham, Alabama
June 26, 2017

TRUSSVILLE CITY BOARD OF EDUCATION

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



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**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
Trussville City Board of Education
Trussville, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Trussville City Board of Education's (the Board's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2016. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Board, 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, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Carri Riggs & Ingram, L.L.C.

Birmingham, Alabama

June 26, 2017

TRUSSVILLE CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TRUSSVILLE CITY BOARD OF EDUCATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016**

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

Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal awards

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 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 | Child Nutrition Cluster |
| 10.555 | USDA-School Breakfast Program |
| | USDA-National School Lunch Program and Commodities |

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

Auditee qualified as low-risk auditee? yes x no



TRUSSVILLE CITY BOARD OF EDUCATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

**Section II – Financial statement findings
NONE**

**Section III - Federal Award Findings and Questioned Costs
NONE**