

TRUSSVILLE CITY BOARD OF EDUCATION

**BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com | blog.cricpa.com

Trussville City Board Of Education
Table of Contents
September 30, 2015

	<u>Page</u>
TAB: Independent Auditors' Report	1
TAB: Basic Financial Statements:	
Management Discussion and Analysis	3.1
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Fund Balances of Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	9
Index - Notes to Financial Statements	10
Notes to Financial Statements	11
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	32
Schedule of the Board's Proportionate Share of the Net Pension Liability	33
Schedule of the Board's Contributions	34
Supplementary Information:	
Supplementary Schedule of Expenditures of Federal Awards	35
Supplementary Schedule of State Government Appropriations	36
Notes to Supplementary Schedules of Expenditures of Federal Awards and State Government Appropriations	37



**Trussville City Board Of Education
Table of Contents
September 30, 2015**

Other Reports:

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 <i>Government Auditing Standards</i>	38
Independent Auditors' Report on Compliance for each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	40
Schedule of Findings and Questioned Costs	42

Independent Auditors' 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, 2015, 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.

Auditors' 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.

Emphasis of matter

As discussed in Note 7 and Note 17 to the basic financial statements, during 2015 the Board adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions and Governmental Accounting Standards Board Statements No. 71, Pension Transactions for*

Contributions Subsequent to the Measurement Date. As a result of the adoption, the Board has restated its net position as of October 1, 2014 to comply with the pronouncements. Our opinion is not modified with respect to this matter.

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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 3.1 through 3.8 and 32-34 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 expenditures of federal awards and state government appropriations are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Carri Riggs & Ingram, L.L.C.

Birmingham, Alabama
June 21, 2016

**Management
Discussion
And
Analysis

(MD&A)**

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, 2015. Please read it in conjunction with the Board's financial statements and notes, which follow this analysis.

Financial Highlights

- We experienced a small increase in ad valorem tax receipts for Fiscal Year 2014. However we maintained a conservative approach budgeting \$10.45 million dollars. Actual receipts came in at \$10.84 million dollars approximately \$393,000 dollars over budget but approximately \$95,000.00 under 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 2014, the Board received \$1.87 million dollars. Based on those receipts and the uncertainty related to the economy we budgeted \$1.80 million dollars for Fiscal Year 2015. Actual receipts came in at \$2.23 million dollars, approximately \$430,000.00 over budget and approximately \$353,000 over the previous year's receipts.
- We also were conservative with expenditures for fiscal year 2015. We budgeted \$12.32 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 \$10.83 million dollars, approximately \$1.5 million less than budgeted.
- During FY 2015, the City of Trussville issued G.O. School warrants in the amount of \$26,875,000.00. These funds were transferred to the School Board and shown as Proceeds from debt issuance. The funds will be used to build two new elementary schools.

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 less liabilities, which results in net position. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net position help determine whether the Board's financial position is improving or deteriorating.

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

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.

Financial Analysis of the Board as a Whole

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

The Board's assets exceeded liabilities by \$113 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 position — the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements — is \$1.7 million at the end of the year.

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

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2014</u>	<u>2015</u>	
Current and other assets	\$ 15.43	\$ 39.96	158.97%
Capital assets	133.95	141.14	5.36%
Total assets	149.38	181.10	21.23%
Deferred Outflow of Resources	0.00	3.06	0.00%
Current and other liabilities	6.55	6.33	-3.43%
Long-term liabilities	3.39	62.36	1736.77%
Total liabilities	9.94	68.69	591.05%
Deferred Inflows of Resources	0.00	2.36	0.00%
Net position:			
Invested in capital assets, net of related debt	130.14	109.13	-16.14%
Restricted	2.48	2.27	-8.47%
Unrestricted	6.83	1.71	-74.96%
Total net position	\$ 139.45	\$ 113.11	-18.88%

Change in Net Position. After restating the beginning net position due to the implementation of GASB 68, the Board experienced an increase in net position of \$4.56 million dollars during the current fiscal year.

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 30th
(in millions)

	Governmental Activities	
	2014	2015
Revenues		
Program Revenues:		
Charges for services	\$2.58	\$2.23
Operating grants and contributions	22.00	22.39
Capital Grants and Contributions	0.93	0.95
General Revenues:		
Property taxes for general purposes	10.58	10.50
Property and sales taxes for capital improvements	14.34	9.18
Local sales taxes	0.00	0.00
Other taxes	0.00	0.00
Other	3.43	3.72
Total Revenues	53.87	48.97
Expenses		
Instructional services	25.24	24.90
Instructional support	5.69	5.86
Operation and maintenance services	3.35	3.67
Auxiliary services	5.28	5.32
General administration and central support	2.98	2.97
Interest and fiscal charges	0.19	0.54
Other	1.04	1.17
Total Expenses	43.77	44.43
 Change in Net Position	 0.02	 4.54
Net Position Beginning of the Year	129.35	139.44
Restatement	0.00	-30.87
Net Position Beginning of the Year (Restated)	129.35	108.57
 Net Position Ending of Year	 \$139.44	 \$113.11

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

- Operating grants and contributions contribute \$22.39 million of program revenues and 45.72% 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 \$35.22 million (see Balance Sheet-Governmental Funds). Approximately \$3.4 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. Approximately \$26 million if this amount constitutes proceeds from debt issuance.

General Fund - The general fund is the primary operating fund of the Board. The general fund balance decreased approximately \$47,000, due to a slight increase 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.

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 FY2015 was due on or before September 15, 2014. The Board passed the FY 2015 Budget on September 15, 2014. Over the course of the year, the Board revised the annual operating budget on June 11, 2015. 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, 2015, the Board had approximately \$168.33 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 \$27,187,871. 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)**

GOVERNMENTAL ACTIVITIES			Net Increase (Decrease)
	9/30/2014	9/30/2015	
Land and land improvements	\$4.75	\$4.75	\$0.00
Construction in progress	15.43	9.42	-6.01
Buildings & Improvements	129.90	146.11	16.21
Equipment	3.47	3.62	0.15
Vehicles	3.96	4.43	0.47
	<u>\$157.50</u>	<u>\$168.33</u>	<u>\$10.82</u>

The additions to capital assets were primarily for the following:

- Land and building improvements at various facilities totaling \$16,206,414. This was primarily the completion of the new HTHS football stadium.
- Equipment purchases totaling \$153,066.
- Purchase of school buses totaling \$472,660.

Long-Term Debt - At year-end, the Board had \$29.99 million in warrants and other long-term debt outstanding.

**Table 4 - Outstanding Long-Term Debt
For the Year Ended September 30, 2015**

	Governmental Activities (in millions)		
	Beginning Balance	Net Change	Ending Balance
Bonds and warrants payable	\$3.07	\$26.32	\$29.39
Other liabilities			
Capital leases	0.74	-0.14	0.60
Total other liabilities	0.74	-0.14	0.60
Total long-term debt	\$3.81	\$26.18	\$29.99

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

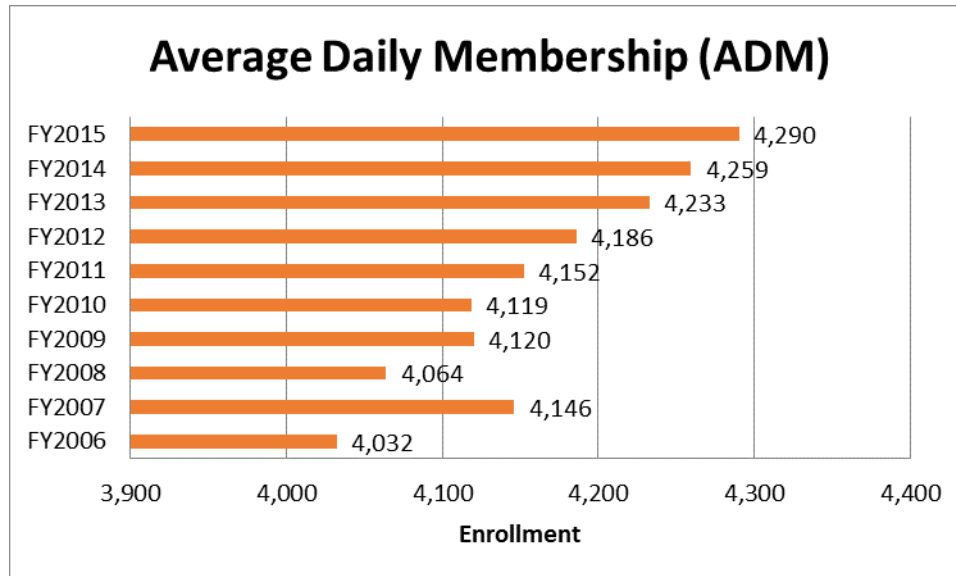
- The Board entered into an agreement with the Jefferson County Board of Education and the Public School and College Authority to assume the portion of outstanding balance of this debt allocated to the construction of the Paine Primary School. The balance as of September 30, 2015 was \$2.84 million.
- The Balance of the 2015 Construction Warrants as of September 30, 2015 was \$26.55 million.

Economic Factors and Next Year's Budget

The following are currently known Trussville City economic factors considered in going into the 2014-2015 fiscal years. Some statistics are shown for the Birmingham Metropolitan Statistical Area

- The unemployment rate in Birmingham-Hoover Metropolitan Statistical Area for February 2016 is 5.9 percent, which is a slight increase from last year's rate of 5.1 percent in February 2015. Source is the Bureau of Labor Statistics at www.bls.gov.
- The population in Trussville City as of the 2015 was 20,368

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.



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 2015 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**

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 39,237,672
Due from other governments	608,232
Accounts receivable	19,352
Inventories	97,712
Total current assets	39,962,968
Noncurrent assets	
Capital assets:	
Assets not being depreciated	14,170,514
Assets being depreciated	154,152,883
Accumulated depreciation	(27,187,871)
Total capital assets, net of depreciation	141,135,526
Total noncurrent assets	141,135,526
Deferred outflows of resources	3,058,227
Total assets	\$ 184,156,721

See notes to financial statements

	Governmental Activities
Liabilities and net position	
Current liabilities	
Accounts payable	\$ 1,763,021
Accrued liabilities	122,629
Salaries and benefits payable	2,759,462
Accrued interest payable	151,791
Unearned revenue	100,366
Current portion of long term debt	1,427,994
Total current liabilities	6,325,263
Noncurrent liabilities	
Compensated absences	318,782
Noncurrent portion of long term debt	30,578,479
Net pension liability	31,460,000
Total noncurrent liabilities	62,357,261
Total liabilities	68,682,524
Deferred inflows of resources	2,359,000
Net position	
Net investment in capital assets	109,129,052
Restricted	2,273,610
Unrestricted	1,712,535
Total net position	\$ 113,115,197



Trussville City Board of Education
Statement of Activities

Functions/Programs	Expenses
Governmental activities	
Instruction	\$ 24,901,186
Instructional support	5,863,645
Operation and maintenance	3,666,386
Auxiliary services	5,317,021
General administration and central support	2,966,618
Other	1,165,011
Interest and fiscal charges	541,817
<hr/>	
Total governmental activities	\$ 44,421,684

See notes to financial statements.

Charges for Services	Program Revenues		Capital Grants and Contributions	Total Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets
	Operating Grants and Contributions				
\$ 581,757	\$ 13,606,133	\$ -	\$ -		(10,713,296)
-	3,459,738	-	-		(2,403,907)
-	2,265,721	-	-		(1,400,665)
1,652,080	3,055,240	-	-		(609,701)
-	-	-	-		(2,966,618)
-	-	-	950,843		(214,168)
-	-	-	-		(541,817)
<u>\$ 2,233,837</u>	<u>\$ 22,386,832</u>	<u>\$ 950,843</u>			<u>(18,850,172)</u>

General revenues

Taxes:

Property taxes for general purposes	10,499,767
Property and sales taxes for capital improvements	9,179,586
Miscellaneous taxes	871
Interest	21,295
Grants and contributions not restricted for specific programs	432,058
Other	3,262,733
Total general revenue	<u>23,396,310</u>

Change in net position

Net position, beginning of year as originally stated	139,441,059
Restatement	(30,872,000)
Net position, beginning of year restated	<u>108,569,059</u>
Net position - end of year	<u>\$ 113,115,197</u>

**Trussville City Board of Education
Reconciliation of the Fund Balances of Governmental
Funds to the Statement of Net Position September 30, 2015**

	General Fund	Capital Projects Fund	Child Nutrition Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,879,726	\$ 31,086,189	\$ 711,851	\$ 1,559,906	\$ 39,237,672
Due from other governments	320,632	33,929	73,093	180,578	608,232
Accounts receivable	3,344	-	-	16,008	19,352
Due from other funds	4,257	-	-	395	4,652
Inventories	-	-	97,712	-	97,712
Total assets	\$ 6,207,959	\$ 31,120,118	\$ 882,656	\$ 1,756,887	\$ 39,967,620
Liabilities					
Accounts payable	\$ 58,656	\$ 1,695,142	\$ 2,807	\$ 6,416	\$ 1,763,021
Due to other funds	395	-	-	4,257	4,652
Unearned revenues	-	-	100,366	-	100,366
Accrued liabilities	122,629	-	-	-	122,629
Salaries and benefits payable	2,605,087	-	112,540	41,835	2,759,462
Total liabilities	2,786,767	1,695,142	215,713	52,508	4,750,130
Fund balances					
Nonspendable:					
Inventories	-	-	97,712	-	97,712
Restricted for:					
Special revenue	-	-	569,231	1,704,379	2,273,610
Committed to:					
Capital projects	-	29,424,976	-	-	29,424,976
Unassigned:	3,421,192	-	-	-	3,421,192
Total fund balances	3,421,192	29,424,976	666,943	1,704,379	35,217,490
Total liabilities and fund balances	\$ 6,207,959	\$ 31,120,118	\$ 882,656	\$ 1,756,887	\$ 39,967,620

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, 2015**

Total fund balances - Governmental funds \$ 35,217,490

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. 141,135,526

Deferred outflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. 3,058,227

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	\$ -	\$ 318,782	
Long term debt	1,427,994	30,578,479	
Accrued interest payable	151,791	-	
Net Pension liability	-	31,460,000	
Total liabilities	\$ 1,579,785	\$ 62,357,261	(63,937,046)

Deferred inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. (2,359,000)

Total net position - governmental activities **\$ 113,115,197**

See notes to financial statements.

Trussville City Board of Education
Statement of Revenues, Expenditures and Changes in Fund
Balances-Governmental Funds for the Year Ended September 30, 2015

	General Fund	Capital Projects Fund	Child Nutrition Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
State	\$ 21,136,104	\$ 516,388	\$ 57,158	\$ 53,896	\$ 21,763,546
Federal	680	-	413,720	612,533	1,026,933
Local	13,309,477	7,709,290	1,325,356	3,275,339	25,619,462
Other	170,497	18,600	5,730	707,977	902,804
Total revenues	34,616,758	8,244,278	1,801,964	4,649,745	49,312,745
Expenditures					
Current:					
Instructional services	19,868,726	152,781	-	2,049,187	22,070,694
Instructional support	4,961,008	-	-	882,867	5,843,875
Operation and maintenance	3,371,294	102,538	-	167,894	3,641,726
Auxiliary services	2,377,629	-	2,717,478	106,705	5,201,812
General administration and central support	2,707,367	-	-	31,349	2,738,716
Other	417,306	-	-	747,705	1,165,011
Capital outlay	82,325	10,646,295	90,523	41,062	10,860,205
Debt service:					
Principal retirement	-	209,537	-	556,676	766,213
Interest and fiscal charges	-	22,597	-	392,575	415,172
Total expenditures	33,785,655	11,133,748	2,808,001	4,976,020	52,703,424
Excess (deficiency) of revenues over expenditures	831,103	(2,889,470)	(1,006,037)	(326,275)	(3,390,679)
Other financing sources (uses)					
Transfers in	162,312	149,260	758,284	1,108,041	2,177,897
Transfers out	(1,040,571)	(390,958)	-	(746,368)	(2,177,897)
Capital leases	-	69,914	-	-	69,914
Proceeds of city debt	-	26,875,000	-	-	26,875,000
Premium on debt	-	2,008,575	-	-	2,008,575
Total other financing sources (uses)	(878,259)	28,711,791	758,284	361,673	28,953,489
Net changes in fund balance	(47,156)	25,822,321	(247,753)	35,398	25,562,810
Fund balances at beginning of year	3,468,348	3,602,655	914,696	1,668,981	9,654,680
Fund balances at end of year	\$ 3,421,192	\$ 29,424,976	\$ 666,943	\$ 1,704,379	\$ 35,217,490

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

Net changes in fund balances - total governmental funds \$ 25,562,810

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 (\$10,859,909) exceeded depreciation (\$3,679,223) in the current period. 7,180,686

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.

Capital leases	\$	(139,622)	
Principal repayments		(556,676)	
Proceeds of debt		28,883,575	(28,187,277)

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:

Pension Expense, Current Year Increase/(Decrease)	111,228
Compensated absences	5,336
Accrued interest payable	(126,645)

Change in net position of governmental activities \$ 4,546,138



Trussville City Board of Education Notes to Financial Statements Index

<u>Note #</u>		<u>Page #</u>
1.	Summary of significant accounting policies	11
2.	Reconciliation of financial statements	18
3.	Stewardship, compliance, and accountability	19
4.	Deposits and investments	19
5.	Amounts receivable from governmental entities	20
6.	Capital assets	20
7.	Defined benefit pension plan	21
8.	Other post employment benefits	26
9.	Long-term debt	27
10.	Interfund transactions	29
11.	Risk management	29
12.	Contingent liabilities	29
13.	Donated food program	30
14.	Payments or services furnished by other agencies	30
15.	Related party transactions	30
16.	Future accounting pronouncements	30
17.	Restatement	31

Trussville City Board of Education

Notes to Financial Statements

NOTE 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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements

The fund financial statements provide information about the Board's funds, 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.

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

**Trussville City Board of Education
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-wide financial statements (continued)

is recognized in the fiscal year in which all eligibility requirements have been satisfied. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements 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.

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. Investments are stated at fair value.

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

Investments are stated at cost or 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

Trussville City Board of Education
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(2) Receivables (continued)

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.

(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

**Trussville City Board of Education
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(5) Capital assets (continued)

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.

(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.

Trussville City Board of Education
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(7) Compensated absences (continued)

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.
- **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.

Trussville City Board of Education
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(8) Net position/fund equity (continued)

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.

(9) 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 \$2,273,610 is restricted because of Federal, state or local regulations. The amounts are \$1,704,379 in the Local School Student Activity Fund and \$569,231 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 \$29,424,976 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**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(9) 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.

(10) 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.

(11) Subsequent events

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

NOTE 2 – RECONCILIATION OF FINANCIAL STATEMENTS

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements. GASB requires the following additional disclosures if aggregated information in the summary 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 assets.

**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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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 2014-2015 annual budget on September 15, 2014; the budget was amended on June 11, 2015, 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.

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits

As of September 30, 2015, the carrying amount of the Board's bank deposits (including deposits of the individual schools) was \$39,237,672 and the bank balance was \$40,982,032. 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

NOTE 5 – ACCOUNTS 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				
	General	Capital Projects	Child Nutrition	Other Governmental Funds	Total Governmental Funds
<u>Amounts receivable from</u>					
<u>Governmental Entities</u>					
U.S. Department of Education:					
Title VI-B	\$ -	\$ -	\$ -	\$ 123,371	\$ 123,371
Career Tech/Program Improvement	-	-	-	5,095	5,095
Preschool LEA	-	-	-	34	34
U. S. Department of Agriculture:					
Child Nutrition	-	-	73,093	-	73,093
State of Alabama Department of Education	-	-	-	52,078	52,078
Local governments and other	320,632	33,929	-	-	354,561
Total	\$ 320,632	\$ 33,929	\$ 73,093	\$ 180,578	\$ 608,232

NOTE 6 – CAPITAL ASSETS

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

	Balance Oct. 1, 2014	Additions	Transfers and Retirements	Balance Sept. 30, 2015
Capital assets, not being depreciated:				
Land and improvements	\$ 4,750,509	\$ -	\$ -	\$ 4,750,509
Construction in progress	15,430,204	10,005,050	(16,015,249)	9,420,005
Total capital assets, not being depreciated	20,180,713	10,005,050	(16,015,249)	14,170,514
Capital assets being depreciated:				
Buildings and improvements	129,899,008	16,206,414	-	146,105,422
Equipment and furniture	3,465,076	164,821	(11,755)	3,618,142
Vehicles	3,956,659	498,873	(26,213)	4,429,319
Total capital assets being depreciated	137,320,743	16,870,108	(37,968)	154,152,883
Less accumulated depreciation for:				
Buildings and improvements	19,410,837	2,977,486	-	22,388,323
Equipment and furniture	1,891,146	333,689	(11,755)	2,213,080
Vehicles	2,244,633	368,048	(26,213)	2,586,468
Total accumulated depreciation	23,546,616	3,679,223	(37,968)	27,187,871
Total capital assets being depreciated, net	113,774,127	13,190,885	-	126,965,012
Total governmental activities capital assets, net	\$ 133,954,840	\$ 23,195,935	\$ (16,015,249)	\$ 141,135,526

**Trussville City Board of Education
Notes to Financial Statements**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

Instruction	\$	655,390
Instructional support		19,770
Operation and maintenance		24,660
Auxiliary services		460,133
General administration and central support		233,239
Capital outlay		2,286,031
Total depreciation expense - governmental activities	\$	3,679,223

NOTE 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.

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.

**Trussville City Board of Education
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

C. Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2014 was 11.71% of annual pay for Tier 1 members and 11.08% 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 \$2,598,227 for the year ended September 30, 2015.

**Trussville City Board of Education
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended September 30, 2015, the System recognized pension expense of \$2,487,000. At September 30, 2015 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
Net difference between projected and actual earnings on plan investments	\$ -	\$ 2,359,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	460,000	-
Employer contributions subsequent to the Measure Date	2,598,227	-
Total	\$ 3,058,227	\$ 2,359,000

Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date in the amount of \$2,598,227 will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2016	\$ (483,000)
2017	(483,000)
2018	(483,000)
2019	(483,000)
2020	33,000
Thereafter	-

**Trussville City Board of Education
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

E. Actuarial Assumptions

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

Inflation	3.00%
Investment rate of return*	8.00%
Projected salary increases	3.5%-8.25%
*Net of pension plan investment expense	

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

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International 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**

NOTE 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.

G. Sensitivity of the System's proportionate share of the net pension liability to changes in the 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	\$ 42,859,000	\$ 31,460,000	\$ 21,799,000

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, 2014. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2014. The auditor’s report dated May 1, 2015 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

**Trussville City Board of Education
Notes to Financial Statements**

NOTE 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 Education 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 9/30/15
Individual Coverage - Non-Medicare Eligible	\$ 151.00
Individual Coverage - Medicare Eligible	10.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	391.00
Family Coverage - Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	250.00
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	250.00
Family Coverage - Medicare Eligible Retired Member and Dependent Medicare Eligible	109.00
Tobacco Surcharge	28.00
Surviving Spouse - Non-Medicare Eligible	700.00
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible	934.00
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible	907.00
Surviving Spouse - Medicare Eligible	354.00
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible	596.00
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible	568.00

**Trussville City Board of Education
Notes to Financial Statements**

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

(8) Funding policy (continued)

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2015	\$ 780	\$ 181	23.21%	\$ 1,073,463	100%
2014	\$ 714	\$ 220	30.83%	\$ 1,286,850	100%
2013	\$ 714	\$ 217	30.38%	\$ 1,239,032	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 2015 financial statements for RDS is \$240,452.

NOTE 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.

**Trussville City Board of Education
Notes to Financial Statements**

NOTE 9 – LONG-TERM DEBT (CONTINUED)

As of September 30, 2015, 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%.	\$	2,518,215
Note payable-City, due annually through 2039, interest payable semi-annually at rates ranging from 3.0% to 5.0%.		26,875,000
Capital leases		604,683
Total	\$	29,997,898

The following changes occurred in the Board's liabilities for long-term debt for the year ended September 30, 2015:

	<u>Balance 09-30-14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance 09-30-15</u>
Capital Improvement Debt	\$ 3,074,892	\$ 26,875,000	\$ 556,677	\$ -	\$ 29,393,215
Capital Leases	744,305	69,914	209,536	-	604,683
Total	3,819,197	26,944,914	766,213	-	29,997,898
Unamortized bond premium	-	2,008,575	-	-	2,008,575
Total long-term debt	\$ 3,819,197	\$ 28,953,489	\$ 766,213	\$ -	\$ 32,006,473

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

	Capital Improvement Debt			Capital Leases	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
2016	1,212,680	1,308,398	2016	215,314	16,819
2017	1,262,011	1,260,065	2017	222,247	9,887
2018	1,317,833	1,206,214	2018	167,122	2,724
2019	1,385,692	1,142,948			
2020	740,000	1,072,788			
2021-2025	4,315,000	4,753,315			
2026-2030	5,490,000	3,579,095			
2031-2035	6,965,000	2,109,812			
2036-2039	6,705,000	550,100			
Total	29,393,216	16,982,735	Total	604,683	29,430

Interest accrued was \$151,791 as of September 30, 2015.

In June 2015, the Board entered into a funding agreement with the City whereby the City will issue G.O. School Warrants in the amount of \$26,875,000 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

**Trussville City Board of Education
Notes to Financial Statements**

NOTE 9 – LONG-TERM DEBT (CONTINUED)

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. The Board has correspondingly recorded a note payable due to the City in the amount of \$26,875,000. The terms of the Board's note payable to the City mirrors the City's debt service related to the G.O School Warrants. A premium related to the City's debt issuance in the amount of \$2,008,575 was also received by the Board and is being amortized over the life of the loan.

10. INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended September 30, 2015 consist of the following:

General Fund to Special Revenue Funds	\$ 282,287
General Fund to Child Nutrition Fund	758,284
Special Revenue Funds to General Fund	162,312
Special Revenue Funds to Capital Projects Fund	149,260
Transfers between Special Revenue Funds	434,796
Capital Projects Fund to Special Revenue Funds	390,958
Total transfers	\$ 2,177,897

11. RISK MANAGEMENT

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

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.

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 \$82,838 for 2015. Commodities consumed were approximately \$88,949 for 2015.

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, 2015 amounted to approximately \$2,230,000.

16. FUTURE ACCOUNTING PRONOUNCEMENTS

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

- Items previously reported as assets and liabilities;
- Accounting and financial reporting for pensions;
- Mergers, acquisitions and transfers of operations; and
- Financial guarantees



Trussville City Board of Education Notes to Financial Statements

16. FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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

17. RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ended September 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effect on net position of contributions made by the Board during the measurement period (fiscal year ended September 30, 2014). As a result, beginning net position for the year ended September 30, 2015 was restated which decreased by \$30,872,000.

REQUIRED SUPPLEMENTARY INFORMATION

**Trussville City Board of Education
Budgetary Comparison Schedule-General Fund for the
Year Ended September 30, 2015**

	Budgeted Amounts	
	Original	Final
Revenues		
State	\$ 20,986,217	\$ 21,028,523
Federal	-	-
Local	12,295,114	12,315,114
Other	188,000	188,000
Total revenues	33,469,331	33,531,637
Expenditures		
Current:		
Instructional services	21,107,006	21,098,610
Instructional support	5,230,744	5,264,660
Operation and maintenance	3,333,898	3,338,905
Auxiliary services	2,385,407	2,385,032
General administration and central support	2,819,784	3,113,120
Other	540,814	533,792
Capital outlay	-	-
Debt service	-	-
Total expenditures	35,417,653	35,734,119
Excess (deficiency) of revenues over expenditures	(1,948,322)	(2,202,482)
Other financing sources (uses)		
Transfers in	545,847	549,293
Transfers out	(1,028,140)	(1,120,421)
Total other financing sources (uses)	(482,293)	(571,128)
Net change in fund balance	(2,430,615)	(2,773,610)
Fund balance at beginning of year	4,347,061	6,223,476
Fund balance at end of year	\$ 1,916,446	\$ 3,449,866

	<u>Actual</u>		<u>Variance</u>
\$	21,136,104	\$	107,581
	680		680
	13,309,477		994,363
	170,497		(17,503)
	<u>34,616,758</u>		<u>1,085,121</u>
	19,868,726		1,229,884
	4,961,008		303,652
	3,371,294		(32,389)
	2,377,629		7,403
	2,707,367		405,753
	417,306		116,486
	82,325		(82,325)
	-		-
	-		-
	<u>33,785,655</u>		<u>1,948,464</u>
	831,103		3,033,585
	162,312		(386,981)
	<u>(1,040,571)</u>		<u>79,850</u>
	(878,259)		(307,131)
	(47,156)		2,726,454
	<u>3,468,348</u>		<u>(2,755,128)</u>
\$	<u>3,421,192</u>	\$	<u>(28,674)</u>

Trussville City Board of Education
Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' Retirement Plan of Alabama
Last Fiscal Year*
(Dollar amounts in thousands)

	2015
Board's proportion of the net pension liability	0.346304%
Board's proportionate share of the net pension	\$ 31,460
Board's covered-employee payroll	\$ 22,298
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.09%
Plan fiduciary net position as a percentage of the total pension liability	71.01%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending September 30.

**Trussville City Board of Education
 Schedule of the Board's Contributions
 Teachers' Retirement System of Alabama
 Last Fiscal Year (Dollar amounts in thousands)**

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

SUPPLEMENTARY INFORMATION

**Trussville City Board of Education
Supplementary Schedule of Expenditures of Federal Awards for the Year
Ended September 30, 2015**

Description	Federal CFDA Number	Project Period	
		From	To
U.S. Department of Education Passed Through State Dept. of Ed:			
ED-Education of the Handicapped (IDEA-B)	84.027	10/01/13	09/30/14
ED-Education of the Handicapped (IDEA-B)	84.027	10/01/14	09/30/15
ED-Vocational Education Basic Grant	84.048	10/01/13	09/30/14
ED-Vocational Education Basic Grant	84.048	10/01/14	09/30/15
ED-Handicapped Preschool Grants	84.173	10/01/14	09/30/15
ED- Advanced Placement Fee Pay Program	84.330	10/01/14	09/30/15
Total U.S. Department of Education			
U.S. Department of Agriculture Passed Through State Dept. of Ed:			
USDA-Commodities	10.550	10/01/14	09/30/15
USDA-School Breakfast	10.553	10/01/13	09/30/14
USDA-School Breakfast	10.553	10/01/14	09/30/15
USDA-National School Lunch Program	10.555	10/01/13	09/30/14
USDA-National School Lunch Program	10.555	10/01/14	09/30/15
Total U.S. Department of Agriculture			
U.S. Department of Health and Human Services Passed Through State Dept. of Ed:			
HHS-Disability Determination	96.001	10/01/13	09/30/14
HHS-Disability Determination	96.001	10/01/14	09/30/15
HHS-Dependent Care-LEA	93.575	10/01/14	09/30/15
Total U.S. Department of Health and Human Services			
Total Federal Awards			

* Commodities only were received.

<u>Total Grant Award</u>	<u>Accrued (Deferred) Grant Revenue September 30, 2014</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Grant Revenue September 30, 2015</u>
\$ 101,390	\$ 101,390	\$ 101,390	\$ -	\$ -	\$ -
585,016	-	461,645	585,016	585,016	123,371
4,309	4,309	4,309	-	-	-
27,294	-	22,199	27,294	27,294	5,095
34	-	-	34	34	34
188	-	188	188	188	-
<u>718,231</u>	<u>105,699</u>	<u>589,731</u>	<u>612,532</u>	<u>612,532</u>	<u>128,500</u>
82,838	-	*	82,838	82,838	-
7,076	7,076	7,076	-	-	-
38,907	-	38,907	38,907	38,907	-
65,688	65,688	65,688	-	-	-
291,976	-	218,883	291,976	291,976	73,093
<u>486,485</u>	<u>72,764</u>	<u>330,554</u>	<u>413,721</u>	<u>413,721</u>	<u>73,093</u>
120	-	120	120	120	-
560	-	560	560	560	-
3,500	3,500	3,500	-	-	-
4,180	3,500	4,180	680	680	-
<u>\$ 1,208,896</u>	<u>\$ 181,963</u>	<u>\$ 924,465</u>	<u>\$ 1,026,933</u>	<u>\$ 1,026,933</u>	<u>\$ 201,593</u>

**Trussville City Board of Education
Supplementary Schedule of State Government Appropriations for the
Year Ended September 30, 2015**

<u>Description</u>	<u>Appropriation Period</u>	
	<u>From</u>	<u>To</u>
Foundation Program Fund	10/01/14	09/30/15
Financial Assistance-Preschool-LEA	10/01/14	09/30/15
At Risk	10/01/14	09/30/15
Nat'l Board - Professional Teaching Standards	10/01/14	09/30/15
School Nurses	10/01/14	09/30/15
Alabama Reading Initiative Program	10/01/14	09/30/15
Technology Coordinators	10/01/14	09/30/15
English Second Language-LEA	10/01/13	09/30/14
English Second Language-LEA	10/01/14	09/30/15
Public School Fund	10/01/13	09/30/14
Public School Fund	10/01/14	09/30/15
State-wide Purchasing	10/01/13	09/30/14
State-wide Purchasing	10/01/14	09/30/15
CNP Commodity Rebates	10/01/14	09/30/15
Operations and Maintenance	10/01/14	09/30/15
Gifted Education	10/01/14	09/30/15
Career Tech O&M	10/01/14	09/30/15
Career Tech Initiative	10/01/13	09/30/14
Career Tech Bond Issue	10/01/14	09/30/15
Formative Assessments	10/01/13	09/30/14
Penny Trust Fund	10/01/14	09/30/15
Donated Food Loss	10/01/14	09/30/15
Total State Assistance		

<u>Total</u> <u>Appropriation</u>	<u>Cash Received</u> <u>October 1, 2014 -</u> <u>September 30,</u> <u>2015</u>	<u>Revenue</u> <u>Recognized</u>	<u>Expenditures</u>	<u>Accounts receivable</u> <u>(Encumbrances)</u>
\$ 20,825,087	\$ 20,825,087	\$ 20,825,087	\$ 20,825,087	\$ -
7,348	7,348	7,348	7,348	-
19,384	19,384	19,384	19,384	-
120,000	120,000	120,000	120,000	-
184,664	184,664	184,664	184,664	-
189,085	189,085	189,085	189,085	-
27,147	27,147	27,147	27,147	-
217	217	-	-	(217)
3,479	3,479	3,479	3,479	-
2,905	2,905	-	-	(2,905)
246,388	246,388	246,388	246,388	-
29,353	29,353	29,353	29,353	-
370	370	370	370	-
27,244	27,244	27,244	27,244	-
1,344	1,344	1,344	1,344	-
6,460	6,460	6,460	6,460	-
21,389	21,389	21,389	21,389	-
597	597	-	-	(597)
52,078	-	52,078	52,078	52,078
717	717	717	717	-
1,819	1,819	1,819	1,819	-
190	190	190	190	-
<u>\$ 21,767,265</u>	<u>\$ 21,715,187</u>	<u>\$ 21,763,546</u>	<u>\$ 21,763,546</u>	<u>\$ 48,359</u>

Trussville City Board of Education
Notes to Supplementary Schedules of Expenditures of Federal Awards
And State Government Appropriations

1. BASIC 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. FISCAL PERIOD AUDITED

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2015.

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 2015 appropriations of state funds on the schedule because subsequent expenditures against the encumbrances are made under the authority of the 2015 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.

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***



Carr, Riggs & Ingram, LLC
3700 Colonnade Parkway
Suite 300
Birmingham, AL 35243

(205) 933-7822
(205) 933-7944 (fax)
www.cricpa.com

**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***

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, 2015, 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 21, 2016.

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.

Car, Riggs & Ingram, L.L.C.

Birmingham, Alabama
June 21, 2016

TRUSSVILLE CITY BOARD OF EDUCATION

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**



Carr, Riggs & Ingram, LLC
3700 Colonnade Parkway
Suite 300
Birmingham, AL 35243

(205) 933-7822
(205) 933-7944 (fax)
www.cricpa.com

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

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 Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2015. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and 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, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Carr, Riggs & Ingram, L.L.C.

Birmingham, Alabama
June 21, 2016

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, 2015

Section I - Summary of Auditors' Results

Financial statements

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


Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education-(IDEA-B)
84.173	Special Education-Preschool Grants

Dollar threshold used to distinguish between Type A and Type B program: \$ 300,000

Auditee qualified as low-risk auditee? yes x no



**Trussville City Board of Education
Schedule of Findings and Questioned Costs Year
Ended September 30, 2015 (Continued)**

Section II – Financial statement findings

NONE

Section III - Federal Award Findings and Questioned Costs

NONE