

SYLACAUGA CITY BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

SYLACAUGA CITY BOARD OF EDUCATION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sylacauga City Board of Education (the "Board"), a component unit of the City of Sylacauga, Alabama, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sylacauga City Board of Education as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the Board adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 3 through 12 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sylacauga City Board of Education's basic financial statements. The schedule of expenditures of federal awards is 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016, on our consideration of the Sylacauga City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sylacauga City Board of Education's internal control over financial reporting and compliance.

Machen McChesney, LLP

Auburn, Alabama
March 11, 2016

SYLACAUGA CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
SEPTEMBER 30, 2015

Introduction

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The MD&A should be read in conjunction with the financial statements and notes which follow this analysis.

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

At the beginning of the school term (August 2015) the Board employed 160 teachers, counselors, and librarians, along with 122 support personnel and administrators, who serve a student population of 2,238.

Financial Highlights - Significant Items to Note

- The Board's General Fund balance remained stable during FY2015 despite state revenue remaining 12% less than FY2008 and yearly increases in benefit costs. The Code of Alabama requires school systems to maintain a one month fund balance in its General Fund (calculated on the budgetary basis; see page 39). The Board had a budgetary 1.27 month fund balance at the end of the fiscal year.
- The school system has done exceptionally well in applying for and receiving grants to supplement funds allocated by the Alabama Department of Education and the U.S. Department of Education. In fiscal years 2014 and 2015, the school system applied for and was awarded \$1.61 million in competitive grants. Those funds have allowed the school system to expand the offerings in career and technical education, preschool, advanced placement, arts, and at-risk programs including Saturday school, after school tutoring, summer tutoring and credit recovery.
- The Board continued major construction/renovation projects that began in FY2010. Each campus has had building additions, renovations or major maintenance. All athletic facilities are being updated and expanded to better suit the needs of our students. Projects will continue through FY2016 and FY2017.
- The Board implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was effective for fiscal years beginning after June 15, 2014. The implementation of GASB 68 resulted in the Board having a decrease in net position of \$11.66 million during the fiscal year ended September 30, 2015. The Board's proportionate share of the net pension liability was \$17.02 million.

Using the Financial Statements - An Overview for the User

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Basic Financial Statements - The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly present the Board's financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them.

After the presentation of the *basic financial statements*, additional supplemental information is presented following the notes to the basic financial statements. The required supplementary information provides a comparison of the original adopted budget to the final amended budget of the Board's General Fund, which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year. The required supplementary information also includes two additional pension schedules which provide more detailed information relating to the Board's net pension liability and pension contributions.

Analysis of the School Board's Overall Financial Position

Over time, net position may serve as a useful indicator of a government's financial position. Refer to *Table 1* when reading the following analysis of net position. The Board's assets exceeded liabilities by \$26.48 million at September 30, 2015.

At September 30, 2015, \$30.90 million of net position reflects the Board's investment in capital assets (e.g. land, buildings, improvements other than buildings, furniture and equipment, and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since the capital assets are used in governmental activities, this portion of net position is not available for future spending or funding of operations.

Table 1: Summary of Net Position

As of September 30, 2015 and 2014
(in millions)

	Governmental Activities		
	2015	2014	Increase (Decrease)
Current and other assets	\$ 16.32	\$ 15.34	\$ 0.98
Capital assets	<u>37.36</u>	<u>33.08</u>	<u>4.28</u>
Total assets	<u>53.68</u>	<u>48.42</u>	<u>5.26</u>
Deferred outflows of resources	<u>1.51</u>	<u>-</u>	<u>1.51</u>
Current and other liabilities	2.31	2.07	0.24
Long-term liability	<u>23.38</u>	<u>6.46</u>	<u>16.92</u>
Total liabilities	<u>25.69</u>	<u>8.53</u>	<u>17.16</u>
Deferred inflows of resources	<u>3.02</u>	<u>1.75</u>	<u>1.27</u>
Net Position:			
Net investment in capital assets	30.90	26.59	4.31
Restricted	10.11	8.88	1.23
Unrestricted	<u>(14.53)</u>	<u>2.67</u>	<u>(17.20)</u>
Total net position	<u>\$ 26.48</u>	<u>\$ 38.14</u>	<u>\$ (11.66)</u>

The Board's decrease in net position of \$11.66 million results primarily from the implementation of GASB Statement No. 68. The Board's proportionate share of the collective net pension liability at September 30, 2015, is \$17.02 million. When combined with related deferred outflows and inflows of resources, the total impact on unrestricted net position is \$16.78 million.

The remainder of the decrease of \$.42 million in unrestricted net position consists of changes in the committed, assigned, and unassigned fund balances of the Capital Projects Fund and the Other Governmental Fund. Specifically the Capital Projects Fund decreased by \$.43 million and Other Governmental Funds increased by \$.01 million.

Further, net investment in capital assets increased by \$4.31 million. This increase is due to asset additions of \$8.26 million offset by depreciation expense, asset disposals and repayment of related debt, which totaled \$3.95 million. Restricted net position increased by \$1.23 million.

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities*. *Table 2* condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the Board for the year. It also shows the impact the operations had on changes in net position as of September 30, 2015.

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

Fiscal Years Ended September 30, 2015 and 2014
(in millions)

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 2.22	\$ 2.15
Operating grants and contributions	14.60	14.27
Capital grants and contributions	0.99	2.05
General Revenues:		
Local property taxes	1.75	1.84
Local sales tax	1.57	1.66
Alcohol beverage tax	0.08	0.08
Grants and contributions	0.66	0.67
Other taxes	0.04	0.04
Other	<u>7.25</u>	<u>0.46</u>
Total revenues	<u>29.16</u>	<u>23.22</u>
Expenses:		
Instructional services	13.87	14.00
Instructional support services	3.13	2.95
Operation and maintenance services	1.98	2.34
Auxiliary services	2.44	2.46
General administrative services	1.79	1.47
Other expenses	<u>0.74</u>	<u>0.60</u>
Total expenses	<u>23.95</u>	<u>23.82</u>
Increase (decrease) in net position	<u>5.21</u>	<u>(0.60)</u>
Net position, beginning of year	38.14	38.74
Prior period adjustment	<u>(16.87)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>21.27</u>	<u>38.74</u>
Net position, end of year	<u>\$ 26.48</u>	<u>\$ 38.14</u>

Governmental Activities - As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2015, was \$23.95 million. Revenue received to support Governmental Activities during the fiscal year was \$29.16 million.

- ✓ \$2.22 million was generated from user fees for services provided during the year, such as school lunches, summer school, local school fees, and after school programs.
- ✓ State and federal governments subsidized certain programs with grants and contributions totaling \$15.59 million.
- ✓ \$3.98 million was received from district taxpayers, as follows: \$1.75 million in property taxes, \$1.57 million in local sales tax, and \$0.66 million from city council appropriations.

Of the \$7.37 million received in other general revenues, \$6.60 million was received from a City bond refinance in August 2015. Those funds are reserved for capital improvements. The remaining other general revenues are from business privilege tax, helping school vehicle tags, alcohol beverage tax, manufactured home registration fees, and other tax miscellaneous revenue.

Chart 1: Revenues by Source - Governmental Activities
(in millions)

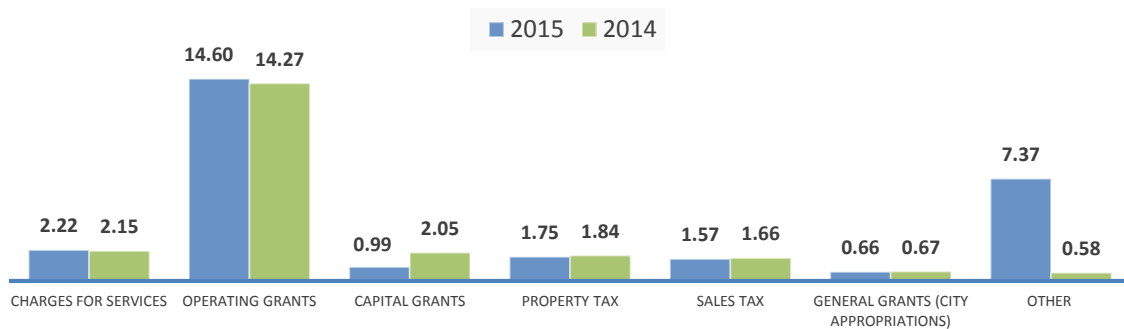


Chart 2: Expenses by Function/Program - Governmental Activities
(in millions)

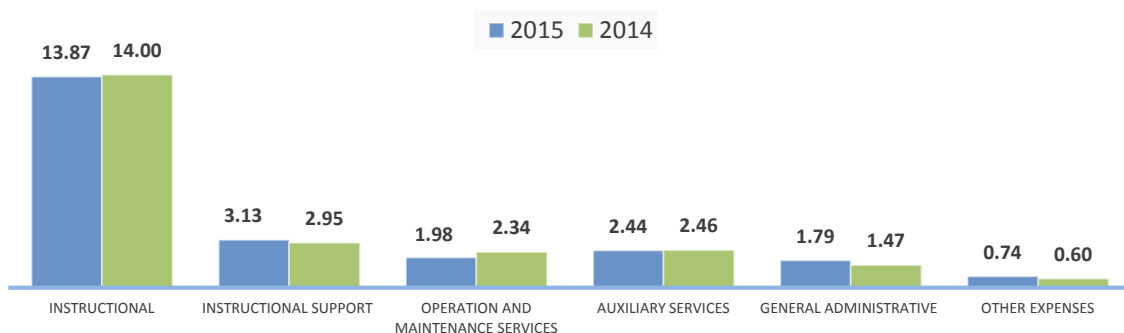


Table 3 is a condensed statement taken from the *Statement of Activities* showing the total cost for providing identified services for six major Board activities. The net cost of services is the remaining cost of services after subtracting grants and charges for services the Board used to offset the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

Table 3: Net Cost of Governmental Activities

Fiscal Year Ended September 30, 2015
(in millions)

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 13.87	\$ (2.38)
Instructional support services	3.13	(0.61)
Operation and maintenance services	1.98	(1.39)
Auxiliary services	2.44	(0.42)
General administrative services	1.79	(1.21)
Other expenses	0.74	(0.12)
Total	<u>\$ 23.95</u>	<u>\$ (6.13)</u>

Performance of School Board Funds

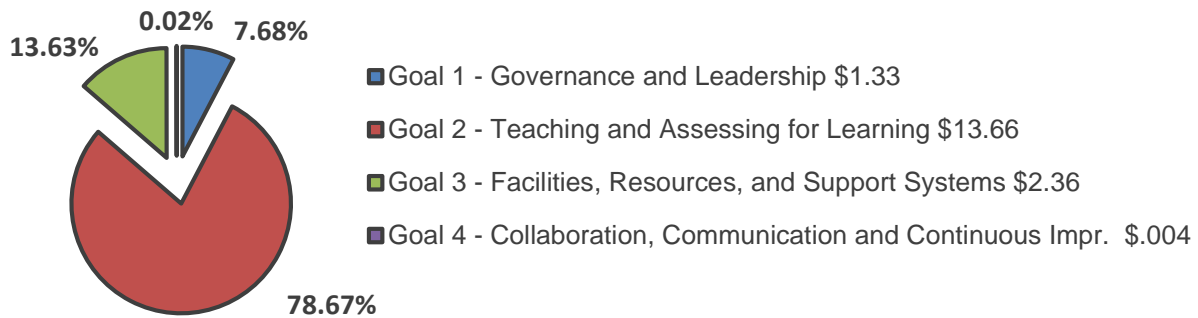
The Board utilizes fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes allows users to determine whether the Board is being accountable for the resources provided by taxpayers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

Governmental Funds - The focus on the Board’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board’s financial requirements. At the end of the fiscal year, the Board’s governmental funds reported combined ending fund balances of \$14.58 million.

General Fund - The General Fund is the primary operating fund of the Board. Generally accepted accounting principles (GAAP) requires fund financial statements to be presented using the modified accrual basis of accounting. Daily financial transactions are recorded using the modified cash or budgetary basis of accounting. In order for the Board’s financial transactions to be presented in accordance with GAAP, certain adjustments were necessary. The *Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund* shows the board’s general fund balance in the amount of \$1.86 million using the budgetary basis, but using the GAAP basis the general fund balance is \$.44 million. Differences between the GAAP and budgetary basis statements are primarily due to the accrual of salaries and fringe benefit expenditures to be paid in the subsequent fiscal year. This adjustment had a negative impact on the Board’s fund balance that would not have been present using the budgetary basis of accounting. However, the general fund balance remained stable.

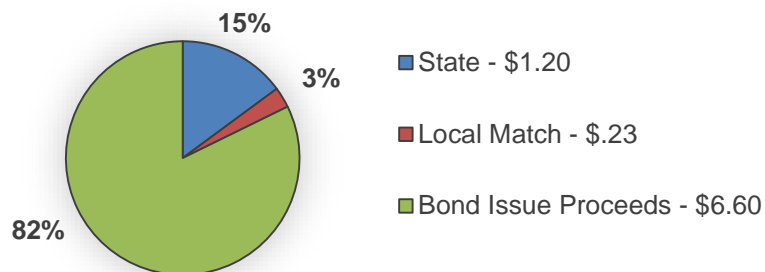
The General Fund’s total expenditures were \$17.35 million. The General Fund had an increase in fund balance of \$.002 million. The school system’s budget is created to support the mission of the Sylacauga City Schools. The focus is preparing graduates who are ready for college, career and community success. The school system’s Strategic Plan has four parts: Governance and Leadership; Teaching and Assessing for Learning; Facilities, Resources, and Support Systems; and Collaboration, Communication and Continuous Improvement. The central focus of the Strategic Plan is Teaching and Assessing for Learning. The following is a breakdown of general fund expenditures:

Chart 3: General Fund Expenditures by Strategic Plan Goal
(in millions)



Capital Projects Fund - The primary function of the Capital Projects Fund is to segregate funds being held for construction, major capital improvements or bus purchases. The fund balance of this fund was increased by \$2.12 million in FY2015. The Board received \$6.60 million from a City bond refinance in August 2015, \$1.20 million from State Public School Fund revenue and \$.23 million from local match revenue. Capital expenditures and debt payments totaled \$5.69 million and transfers to Other Governmental Funds totaled \$.22 million.

Chart 4: Funding for Capital Projects
(in millions)



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

In February 2015, the citizens of Sylacauga passed an extension of the 9.5 mill ad valorem tax. The vote extended the tax to October 1, 2049. After the vote in favor of the tax extension, the City of Sylacauga refinanced the Series 2005 bond issue and added \$6.60 million to do major renovations to athletic facilities. The City will use proceeds from the ad valorem tax to make payments on the bond issue. Taxes received in excess of debt payments will be used for renovations/upkeep of buildings throughout the school system and other school system needs.

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

Budgetary Highlights of Major Funds

The Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The FY2015 budget adopted on September 9, 2014 included only guaranteed revenues and matching expenditures. The Board revised the annual operating budget to include additional funds awarded by the State Superintendent of Education after the original budget deadline.

Budget Amendment - An amended budget was adopted on May 21, 2015. This amendment included mid-year grant awards and miscellaneous adjustments in the general fund such as utilities, substitutes, materials/supplies, safety supplies and purchased services.

Capital Assets - The Board's investment in capital assets for its governmental activities for the year ended September 30, 2015, amounted to \$37.36 million.

Table 4: Capital Assets (net of accumulated depreciation)

Fiscal Years Ended September 30, 2015 and 2014
(in millions)

	Governmental Activities		
	2015	2014	Increase (Decrease)
Land and improvements	\$ 2.12	\$ 2.12	\$ -
Construction in progress	4.39	2.67	1.72
Buildings and improvements	42.87	38.74	4.13
Equipment and vehicles	3.20	3.20	-
Less: accumulated depreciation	(15.22)	(13.65)	(1.57)
Total	<u>\$ 37.36</u>	<u>\$ 33.08</u>	<u>\$ 4.28</u>

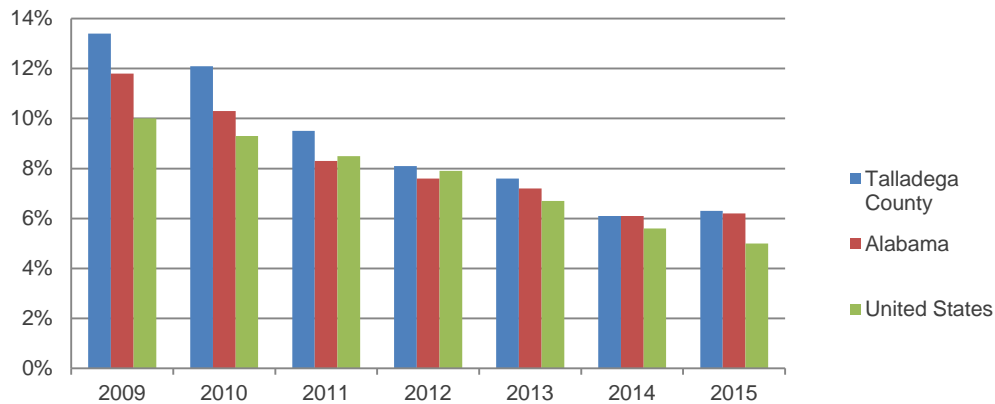
Economic Factors and Next Year's Budget

The following are currently known economic factors for Sylacauga City Board of Education going into the 2015-2016 fiscal year:

- ✓ **Economic Conditions** - According to the Alabama Department of Labor, seasonally adjusted unemployment rates in the state of Alabama have shown a very positive trend since 2009, but show a slight increase from 2014 to 2015. The unemployment rate in Talladega County remains higher than the state and national rates.

Chart 5: December Unemployment - Seasonally Adjusted
(in millions)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Talladega County	13.40%	12.10%	9.50%	8.10%	7.60%	6.10%	6.30%
Alabama	11.80%	10.30%	8.30%	7.60%	7.20%	6.10%	6.20%
United States	10.00%	9.30%	8.50%	7.90%	6.70%	5.60%	5.00%



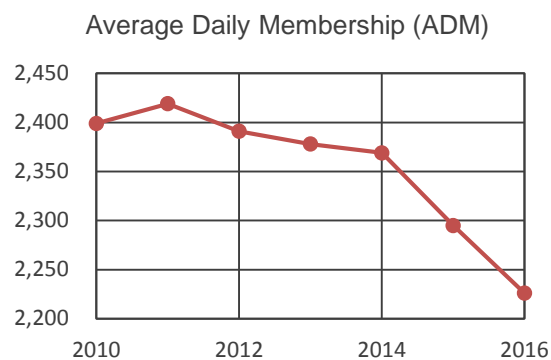
- ✓ **City Profile** - Sylacauga has been called “Alabama’s Best Kept Secret.” A small, but progressive city, Sylacauga makes it easy for its citizens to experience quality living. The city has a variety of recreational and cultural opportunities. With a pleasant year round climate, citizens enjoy many outdoor activities including recreational sports, hiking/biking trails, tennis and several city parks.
- ✓ **Employment Opportunities** - Talladega County offers several tax incentives for existing industries, expanding industries, and new industries locating in Alabama. Many of the county’s largest employers are related to manufacturing or healthcare. According to the Talladega County Economic Development Authority, Honda of Alabama currently employs 4,400 individuals and is the county’s largest employer.

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

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

Table 5 and Chart 6: Comparative Last Seven Fiscal Year ADM

School Year	Fiscal Year	ADM	ADM Increase (Decrease)
2015-2016	2016	2,226	(69)
2014-2015	2015	2,295	(74)
2013-2014	2014	2,369	(9)
2012-2013	2013	2,378	(13)
2011-2012	2012	2,391	(28)
2010-2011	2011	2,419	20
2009-2010	2010	2,399	42



The 20 day count for the 2015-2016 school year was 2,226, for a decrease of 69 students. This count will be used to calculate the state funding for FY2017. The reduction in ADM will cause a loss of approximately \$6.5 state funded units.

Medical and Retirement Costs - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs were \$8,568 per employee in FY2014 and \$9,360 per employee in FY2015. PEEHIP employer costs will remain the same in FY2016. In FY2015 employer contributions to the Teacher's Retirement System (TRS) remained 11.71% for Tier I employees and increased from 11.05% in FY2014 to 11.08% for Tier II employees. Rates for FY2016 will be 11.94% for Tier I and 10.84% for Tier II. The board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

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

Table 6: Benefit Cost Increases and Reduction in ADM

Fiscal Year	Total Benefits	FTE's	Per FTE	% Increase	ADM	Change
2012-2013	\$ 4,535,925	\$ 293	\$ 15,481		2,378	(13)
2013-2014	\$ 4,728,900	\$ 290	\$ 16,307	5.34%	2,369	(9)
2014-2015	\$ 4,921,577	\$ 283	\$ 17,391	6.65%	2,295	(74)
2015-2016	\$ 4,878,863	\$ 282	\$ 17,301	-0.52%	2,226	(69)

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the resources it receives. If you have any questions about this report or need additional financial information, please contact:

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

Sylacauga City Schools



College Career Community

BASIC FINANCIAL STATEMENTS

SYLACAUGA CITY BOARD OF EDUCATION

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 13,728,847
Accounts receivable, net	22,407
Property tax receivable	1,750,000
Due from other governments	776,670
Inventories	<u>45,065</u>
Total current assets	<u>16,322,989</u>
Capital assets not being depreciated	
Land and improvements	2,123,395
Construction in progress	<u>4,394,651</u>
Total capital assets not being depreciated	<u>6,518,046</u>
Capital assets	
Buildings and improvements	42,870,349
Equipment and vehicles	3,198,346
Less accumulated depreciation	<u>(15,227,572)</u>
Total depreciable capital assets, net of depreciation	<u>30,841,123</u>
Total assets	<u>53,682,158</u>
DEFERRED OUTFLOWS OF RESOURCES	
Employer pension contributions subsequent to the measurement date	1,404,486
Proportionate share of collective deferred outflows related to net pension liability	<u>106,000</u>
Total deferred outflows of resources	<u>1,510,486</u>

The notes to the financial statements are an integral part of this statement.

SYLACAUGA CITY BOARD OF EDUCATION

STATEMENT OF NET POSITION - continued

SEPTEMBER 30, 2015

	<u>Governmental Activities</u>
LIABILITIES	
Accounts payable	542,763
Unearned revenues	25,296
Salaries and benefits payable	1,642,090
Note payable due within one year	97,707
Note payable due after one year	6,359,052
Proportionate share of net pension liability	<u>17,019,000</u>
Total liabilities	<u>25,685,908</u>
DEFERRED INFLOWS OF RESOURCES	
Future property tax revenue	1,750,000
Net difference between projected and actual earnings on pension plan investments	<u>1,276,000</u>
Total deferred inflows of resources	<u>3,026,000</u>
NET POSITION	
Net investment in capital assets	30,902,410
Restricted for	
Capital projects	8,582,341
Debt service	1,191,426
Other projects	337,130
Unrestricted	<u>(14,532,571)</u>
Total net position	<u>\$ 26,480,736</u>

The notes to the financial statements are an integral part of this statement.

SYLACAUGA CITY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES

SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Total Governmental Activities
Governmental activities:					
Instruction	\$ 13,872,140	\$ 465,995	\$ 10,252,296	\$ 774,485	\$ (2,379,364)
Instructional support	3,129,060	162,928	2,354,754	-	(611,378)
Operation and maintenance	1,978,831	111,023	386,959	85,287	(1,395,562)
Auxiliary services	2,440,276	1,262,603	682,399	72,000	(423,274)
General administrative services	1,787,421	60,426	458,103	60,671	(1,208,221)
Interest and fiscal charges	83,486	-	-	-	(83,486)
Other	654,389	157,387	465,413	-	(31,589)
Total governmental activities	<u>\$ 23,945,603</u>	<u>\$ 2,220,362</u>	<u>\$ 14,599,924</u>	<u>\$ 992,443</u>	<u>(6,132,874)</u>

General revenues

Taxes

Property taxes for general purposes	1,626,356
Property taxes for specific purposes	125,471
Local sales taxes	1,566,651
Alcohol beverage tax	82,871
Other taxes	37,417
Grants and contributions not restricted	655,330
Investment earnings	33,658
Miscellaneous	<u>7,216,907</u>
Total general revenues	<u>11,344,661</u>

Change in net position 5,211,787

Net position, beginning of year 38,144,949

Adjustment to record proportionate share
of collective net pension liability (16,876,000)

Net position, beginning of year, as restated 21,268,949

Net position, end of year \$ 26,480,736

The notes to the financial statements are an integral part of this statement.

SYLACAUGA CITY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,643,835	\$ 10,488,851	\$ 1,596,161	\$ 13,728,847
Receivables, net				
Accounts receivable	19,509	-	2,898	22,407
Due from other governments	290,631	32,934	453,105	776,670
Interfund receivable	5,245	-	-	5,245
Inventories	-	-	45,065	45,065
Total assets	<u>\$ 1,959,220</u>	<u>\$ 10,521,785</u>	<u>\$ 2,097,229</u>	<u>\$ 14,578,234</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 63,529	\$ 403,546	\$ 75,688	\$ 542,763
Interfund payable	-	-	5,245	5,245
Unearned revenue	-	-	25,296	25,296
Salaries and benefits payable	1,451,963	-	190,127	1,642,090
Total liabilities	<u>1,515,492</u>	<u>403,546</u>	<u>296,356</u>	<u>2,215,394</u>
Fund balances				
Nonspendable	-	-	45,065	45,065
Restricted	537	8,582,341	1,482,954	10,065,832
Committed	14,138	-	396,027	410,165
Assigned	26,529	1,432,732	-	1,459,261
Unassigned	402,524	103,166	(123,173)	382,517
Total fund balances	<u>443,728</u>	<u>10,118,239</u>	<u>1,800,873</u>	<u>12,362,840</u>
Total liabilities and fund balances	<u>\$ 1,959,220</u>	<u>\$ 10,521,785</u>	<u>\$ 2,097,229</u>	<u>\$ 14,578,234</u>

The notes to the financial statements are an integral part of this statement.

SYLACAUGA CITY BOARD OF EDUCATION

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Total fund balances - governmental funds		\$ 12,362,840
Amounts reported for governmental activities in the Statement of Net Position are different because:		
• Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:		
Land and improvements	2,123,395	
Construction in progress	4,394,651	
Buildings and improvements	42,870,349	
Equipment and vehicles	3,198,346	
Less: accumulated depreciation	<u>(15,227,572)</u>	
Total capital assets, net of depreciation		37,359,169
• Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
		234,486
• Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as a liability in the funds but are listed in the governmental activities. The liabilities at year-end consist of:		
Current portion of long-term debt	(97,707)	
Noncurrent portion of long-term debt	(6,359,052)	
Proportionate share of collective net pension liability	<u>(17,019,000)</u>	
Total long-term liabilities		<u>(23,475,759)</u>
Total net position - governmental activities		<u>\$ 26,480,736</u>

The notes to the financial statements are an integral part of this statement.

SYLACAUGA CITY BOARD OF EDUCATION

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
State	\$ 12,660,222	\$ 1,196,609	\$ 21,500	\$ 13,878,331
Federal	11,570	-	2,571,025	2,582,595
Local	4,599,424	229,157	1,333,138	6,161,719
Other	137,510	6,608,139	14,763	6,760,412
Total revenues	<u>17,408,726</u>	<u>8,033,905</u>	<u>3,940,426</u>	<u>29,383,057</u>
EXPENDITURES				
Current:				
Instruction	10,536,643	329,261	1,714,933	12,580,837
Instructional support	2,725,977	-	418,244	3,144,221
Operation and maintenance	1,586,021	270,574	79,339	1,935,934
Auxiliary services	777,761	-	1,641,201	2,418,962
General administrative services	1,336,949	405,275	73,852	1,816,076
Other	382,911	-	273,426	656,337
Capital outlay	-	4,594,549	1,261,208	5,855,757
Debt service:				
Principal retirement	-	25,502	-	25,502
Interest	-	61,986	21,500	83,486
Total expenditures	<u>17,346,262</u>	<u>5,687,147</u>	<u>5,483,703</u>	<u>28,517,112</u>
Excess (deficiency) of expenditures over revenues	<u>62,464</u>	<u>2,346,758</u>	<u>(1,543,277)</u>	<u>865,945</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,150	-	467,822	481,972
Indirect costs	170,523	-	-	170,523
Transfers out	(245,000)	(222,822)	(14,150)	(481,972)
Total other financing sources (uses)	<u>(60,327)</u>	<u>(222,822)</u>	<u>453,672</u>	<u>170,523</u>
Net change in fund balances	<u>2,137</u>	<u>2,123,936</u>	<u>(1,089,605)</u>	<u>1,036,468</u>
Fund balances, beginning of year	441,591	8,054,303	2,830,478	11,326,372
Prior period adjustment	-	(60,000)	60,000	-
Fund balances, beginning of year, restated	<u>441,591</u>	<u>7,994,303</u>	<u>2,890,478</u>	<u>11,326,372</u>
Fund balances, end of year	<u>\$ 443,728</u>	<u>\$ 10,118,239</u>	<u>\$ 1,800,873</u>	<u>\$ 12,362,840</u>

The notes to the financial statements are an integral part of this statement.

SYLACAUGA CITY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances - total governmental funds \$ 1,036,468

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 capital outlays exceeded depreciation in the current period.

Capital Outlay	5,855,757	
Depreciation	<u>(1,571,759)</u>	4,283,998

• Repayment of debt principal is an expenditure in the governmental funds,
but it reduces long-term liabilities in the Statement of Net Position and
does not affect the Statement of Activities. 25,502

• The increase or decrease in pension expense reported in the Statement
of Activities does not require the use of current financial resources and,
therefore, is not reported as expenditures in the governmental funds.
This is the amount by which current year pension payments exceeded
current year pension expense. 91,486

Grant proceeds related to the prior fiscal year that were not available to pay
for the previous period's expenditures, were reported as deferred inflows
of resources in the governmental funds in the prior fiscal year and
revenue in the governmental funds in the current fiscal year. (225,667)

Change in net position of governmental activities \$ 5,211,787

The notes to the financial statements are an integral part of this statement.

SYLACAUGA CITY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 145,673
Investments	<u>11,589</u>
Total assets	<u>\$ 157,262</u>
LIABILITIES	
Accounts payable	\$ 30
Due to student groups	<u>157,232</u>
Total liabilities	<u>\$ 157,262</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

The financial statements of the Board include the local school public and nonpublic funds under the control of school principals. The public funds are included as local special revenue funds. Nonpublic club activity funds are included as agency funds.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-Wide Financial Statements - The *statement of net position* and the *statement of activities* display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities.

The *statement of activities* presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) 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.

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 1 - Summary of Significant Accounting Policies - continued

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

The Board reports the following major governmental funds:

- General Fund - This 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.
- Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

- Special Revenue Funds - These funds account for the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.
- Debt Service Funds - These funds account for the payment of principal and interest on the Board's outstanding debt issues.

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

- Agency Fund - These funds are used to report assets held by the Board in a purely custodial capacity. The Board collects local school nonpublic funds and expends them at the request of the various school clubs and organizations.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 1 - Summary of Significant Accounting Policies - continued

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

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

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, which consist of certificates of deposit, are reported at cost, which approximates market value.

2. Receivables

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

Millage rates for property taxes are levied by 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. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is a deferred inflow of resources that will be recognized in the subsequent fiscal year when the taxes are both due and collectible, and available to fund operations.

3. Inventories

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

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 1 - Summary of Significant Accounting Policies - continued

4. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 50,000	20-50 years
Buildings and improvements	\$ 50,000	20-50 years
Furniture and equipment	\$ 5,000	5-10 years
Vehicles	\$ 5,000	8 years

5. 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:

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

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

All personnel are provided two state days and three local personal leave days per year. All personnel may choose to convert personal leave days to sick leave days at the end of the school year.

Only certified employees may choose to be paid, at the Board's substitute rate, for up to two state days of unused personal leave. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 1 - Summary of Significant Accounting Policies - continued

Professional, clerical, and office personnel with twelve month positions earn ten days of vacation per year after one year of employment, fifteen days after four years and twenty days after fourteen years of employment. Personnel with eleven month positions who were hired before July 1, 2007 earn ten days of vacation per year after one year of employment and fifteen days after four years of employment. Eleven month employees hired on or after July 1, 2007, do not earn vacation. Because no extra compensation in lieu of vacation is allowed without Board approval and terminal leave cannot exceed the employee's contract, no liability is recorded on the financial statements.

Certified and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may convert their accrued sick leave as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

6. Pensions

As discussed in Note 6, the Board participates in a defined benefit pension plan through the Teachers' Retirement System of Alabama (the "Plan"). The Plan's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

7. Net Position/Fund Balances

Net position is reported on the *government-wide financial statements* and is required to be classified for accounting and reporting purposes into the following 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 related debt proceeds at year-end related to capital assets are not included in this calculation.
- Restricted - Constraints imposed by external creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.
- Unrestricted - Resources that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board.

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 1 - Summary of Significant Accounting Policies - continued

Fund balance is reported in the *fund financial statements*. Beginning with fiscal year 2011, the Board implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable - Amounts that are not in spendable form (such as inventories, long-term loans and notes receivable, and property held for resale) or are required to be maintained intact.
- Restricted - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed - Amounts constrained to specific purposes determined by a formal action by the Board itself (its highest level of decision-making authority). Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the Board.
- Assigned - Amounts the Board intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
- Unassigned - Amounts that are available for any purpose and are not contained in the other classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Board considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed unless the Board has provided otherwise in its commitment or assignment actions.

8. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Recently Implemented Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the fiscal year ended September 30, 2015. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 2 - Stewardship, Compliance and Accountability

Budgets

Annual budgets are adopted for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

On or before October 1 of each year, the Board prepares and submits an annual budget to the State Superintendent of Education. The Superintendent or Board may not 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 3 - Deposits and Investments

Deposits

The Board's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balances. The Board's investments consist entirely of certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

Investments

Investments of the Board consist of nonnegotiable, interest bearing demand deposits. They are carried at cost, which approximates market value. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Restricted Cash and Investments

At September 30, 2015, the Board's restricted cash and investments were comprised of cash restricted for the acquisition of capital assets and cash held with a fiscal agent for the repayment of debt, all of which are insured through the SAFE program.

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash - Capital Projects Funds	\$ 10,488,851	\$ 10,488,851
Cash - Other Governmental Funds		
Child Nutrition Program	206,382	206,382
Local Schools	396,102	396,102
QSCB	<u>1,266,825</u>	<u>1,266,825</u>
	<u>\$ 12,358,160</u>	<u>\$ 12,358,160</u>

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 4 - Capital Assets

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

	Balance 10/1/2014	Additions/ Reclassifications	Retirements/ Reclassifications	Balance 9/30/2015
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land and improvements	\$ 2,123,395	\$ -	\$ -	\$ 2,123,395
Construction in progress	2,665,578	4,135,475	(2,406,402)	4,394,651
Total capital assets not being depreciated	<u>4,788,973</u>	<u>4,135,475</u>	<u>(2,406,402)</u>	<u>6,518,046</u>
Capital assets being depreciated:				
Buildings and improvements	38,743,666	4,126,683	-	42,870,349
Equipment and vehicles	3,198,346	-	-	3,198,346
Total capital assets being depreciated	<u>41,942,012</u>	<u>4,126,683</u>	<u>-</u>	<u>46,068,695</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,052,368)	(1,389,724)	-	(12,442,092)
Equipment and vehicles	(2,603,445)	(182,035)	-	(2,785,480)
Total accumulated depreciation	<u>(13,655,813)</u>	<u>(1,571,759)</u>	<u>-</u>	<u>(15,227,572)</u>
Total capital assets being depreciated, net	<u>28,286,199</u>	<u>2,554,924</u>	<u>-</u>	<u>30,841,123</u>
Total governmental activities capital assets, net	<u>\$ 33,075,172</u>	<u>\$ 6,690,399</u>	<u>\$ (2,406,402)</u>	<u>\$ 37,359,169</u>

Depreciation expense was charged to governmental functions/programs as follows:

<u>Governmental activities:</u>	
Instruction	\$ 1,350,153
Operation and maintenance	46,349
Auxiliary services	172,657
General administrative services	2,600
Total depreciation expense - governmental activities	<u>\$ 1,571,759</u>

Note 5 - Unearned Revenues

Governmental funds report unearned revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also delay revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2015, the components of unearned revenue reported in the governmental funds were as follows:

	<u>Unearned Revenue</u>
Child Nutrition Fund	<u>\$ 25,296</u>

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 6 - Defined Benefit Pension Plan

A. Plan Description

The Board's employees are members of the Teachers' Retirement System of Alabama (TRS). The TRS, 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.

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

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute.

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 6 - Defined Benefit Pension Plan - continued

Participating employers' contractually required contribution rate for the year ended September 30, 2015, was 11.71% of annual pay for Tier 1 members and 11.05% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$1,404,486 for the year ended September 30, 2015.

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

At September 30, 2015, the Board reported a liability of \$17,019,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the Board's proportion was 0.187335%, which was an increase of 0.001306% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the Board recognized pension expense of \$1,313,000. At September 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,276,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	106,000	-
Employer contributions subsequent to the measurement date	<u>1,404,486</u>	-
Total	<u>\$ 1,510,486</u>	<u>\$ 1,276,000</u>

\$1,404,486 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016.

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

Year ended September 30:

2016	\$ (294,000)
2017	(294,000)
2018	(294,000)
2019	(294,000)
Thereafter	<u>6,000</u>
	<u>\$ (1,170,000)</u>

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 6 - 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	3.50% - 8.25%

*Net of pension plan investment expense

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

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Margket 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%

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 6 - 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Board's proportionate share of collective net pension liability	<u>\$ 23,185,000</u>	<u>\$ 17,019,000</u>	<u>\$ 11,792,000</u>

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 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, and 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.

Note 7 - Other Postemployment Benefits (OPEB)

The Board contributes to the Alabama Retired Education Employee's Health Care Trust (Trust), a multiple employer cost sharing defined benefit health care plan established in 2007 under the provisions of Act 2007-16 as an irrevocable trust fund. The Trust is administered by members of the Public Education Employees' Health Insurance Board (PEEHIB). The Trust provides health care benefits to state and local school system retirees. *Code of Alabama 1975*, Section 16-25A-4 provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan.

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 7 - Other Postemployment Benefits (OPEB) - continued

The Alabama Retired Education Employees' plan issues a stand-alone financial report that includes financial statements and required supplementary information for the Trust. That report may be obtained at the Public Education Employees' Health Insurance Plan website <http://www.rsa-al.gov/index.php/members/peehip/> under the Financial Reports tab.

Code of Alabama 1975, Section 16-25A-8 provides the PEEHIB explicit authority to set the contribution requirements for plan members and employers. Retirees eligible for Medicare benefits must pay \$10 per month per coverage, while those not eligible for Medicare must pay \$151 per month for coverage. The employer's share of premiums for retired Board employee's health insurance is included as part of the premium for active employees and is funded on a pay-as-you-go basis.

The Board is required to contribute at a rate specified by the State Legislature for each active employee and has no responsibility for the payment of health care benefits, beyond the payment of the premium, for retired employees. The following shows the estimated portion of health insurance premiums paid by the Board for retired employees:

Fiscal Year Ended September 30,	Active Employee Health Insurance Premiums Paid by Board	Premium Attributable to Retirees	Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Total Amount Paid for Retiree Drug Subsidy	Percentage of Required Amount Contributed
2015	\$ 780	181	23.17%	\$ 603,444	\$ 135,967	100.00%
2014	\$ 714	220	30.83%	\$ 746,946	\$ 91,376	100.00%
2013	\$ 714	217	30.38%	\$ 742,227	\$ 71,273	100.00%

Note 8 - Construction and Other Significant Commitments

The Board has remaining commitments on uncompleted contracts for the renovation of various facilities to be funded with Alabama Public School and College Authority (PSCA) funds and/or proceeds from a bond issued by the City of Sylacauga as follows:

	Project Authorization	Expended To Date	Remaining Commitment
Sylacauga High School Renovations - Phase II	\$ 2,540,461	\$ 2,413,438	\$ 127,023
Sylacauga High School Renovations - Phase III	4,603,989	2,812,610	1,791,379
Legion Stadium - Phase I	446,000	18,907	427,093
Central Office	892,324	703,892	188,432
Total	<u>\$ 8,482,774</u>	<u>\$ 5,948,847</u>	<u>\$ 2,533,927</u>

Note 9 - Lease Obligations

The Board was obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of these lease agreements are not reflected as part of the Board's capital assets. Rent expense under these noncancelable leases was \$1,883 for the fiscal year ended September 30, 2015. The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of September 30, 2015, are \$1,883 for 2016.

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 10 - Long-Term Liabilities

On September 8, 2010, the Alabama Public School and College Authority (PSCA) issued a \$154,727,000 Series 2010 QSCB Capital Outlay Pool Warrant with an interest rate of 5.15%, \$5,000,000 of which is an obligation of the Board. The net proceeds of \$4,983,000 (after a \$17,000 payment for issuance costs) are being used by the Board to fund various capital projects. A sinking fund payment of \$222,822 is made annually beginning September 1, 2011, into an account held by the PSCA which will earn interest until the bond matures in 2027. On the maturity date, the account held by the PSCA will be used to fulfill the \$5,000,000 debt. A fixed interest payment of \$10,750 is payable semiannually beginning March 2011 and continuing through September 2027. Additionally, under the terms of the loan agreement with the PSCA, the Board agreed to pay any interest amounts not subsidized by the federal government. For the year ending September 30, 2015, the Board paid \$17,228 in unsubsidized interest.

In August 2014, the Board entered into a financing arrangement with SunTrust Equipment Finance and Leasing Corporation to finance a \$1,482,261 equipment and improvement contract with Trane. The financing arrangement bears interest at a rate of 3.20%. Semiannual payments are due on August 31 and February 28 of each year beginning August 31, 2015 and continuing through February 29, 2028.

Interest expense was \$83,486 for the fiscal year ended September 30, 2015.

	Balance 10/1/2014	Additions	Reductions	Balance 9/30/2015	Due Within One Year
Series 2010 QSCB Capital Outlay Pool Warrant	\$5,000,000	\$ -	\$ -	\$5,000,000	\$ -
SunTrust Equipment Finance and Leasing Corp	1,482,261	-	25,502	1,456,759	97,707
Total long-term liabilities	<u>\$6,482,261</u>	<u>\$ -</u>	<u>\$ 25,502</u>	<u>\$6,456,759</u>	<u>\$ 97,707</u>

The following schedule shows debt service to maturity for debt outstanding at September 30, 2015:

Fiscal Year Ended September 30,	Total Annual Requirements		
	Principal	Interest	Total
2016	\$ 97,707	\$ 64,314	\$ 162,021
2017	100,649	61,373	162,022
2018	103,679	58,342	162,021
2019	106,801	55,220	162,021
2020	110,017	52,004	162,021
2021-2025	601,818	208,289	810,107
2026-2030	<u>5,336,088</u>	<u>58,216</u>	<u>5,394,304</u>
Total	<u>\$ 6,456,759</u>	<u>\$ 557,758</u>	<u>\$ 7,014,517</u>

Note 11 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board purchases commercial insurance coverage for vehicles, fidelity bonds and other minor property rather than financing risks through self-insurance.

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 11 - Risk Management - continued

Employee health insurance is provided through the Public Education Employee's Health Insurance Fund (PEEHIF), administered by the Public Education Employee's Health Insurance Board (PEEHIB). The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining balance. Settlement claims resulting from these risks have not exceeded the Board's coverage in any of the past three fiscal years.

The Board does not have insurance coverage for job-related injuries. Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama* 1975, Section 16-1-1831(d). Any unreimbursed medical expenses and costs that the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustments. 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 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.

Note 12 - Deficit Cash Balance

The following funds had deficit cash balances at September 30, 2015. However, these funds operate on a reimbursement basis and have receivables which offset the deficit cash balances.

Fund	Deficit Cash Balance	Receivable as of 9/30/15
IDEA, Part B	\$ 10,000	\$ 10,000
IDEA, SSIP Discretionary Grant	150,000	150,000
IDEA, Safe and Civil School	4,194	5,302
Title I, Part A	60,891	60,891
Title VI, Part B	48,063	48,063
Totals	<u>\$ 273,148</u>	<u>\$ 274,256</u>

Note 13 - Contingent Liabilities

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

Note 14 - Restricted Net Position

The government-wide *statement of net position* reports \$10,110,897 of restricted net position, of which \$8,582,341 is restricted for capital projects, \$336,593 for child nutrition, \$1,191,426 for debt service and \$537 for other projects.

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 15 - Interfund Activity

Interfund Transfers

The amounts of interfund transfers at September 30, 2015, were as follows:

	Transfers Out			Totals
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
<u>Transfers In</u>				
General Fund	\$ -	\$ -	\$ 14,150	\$ 14,150
Nonmajor Governmental Funds	<u>245,000</u>	<u>222,822</u>	-	<u>467,822</u>
Totals	<u>\$ 245,000</u>	<u>\$ 222,822</u>	<u>\$ 14,150</u>	<u>\$ 481,972</u>

The Board typically uses transfers to fund ongoing operating subsidies. Interfund transfers are eliminated on the government-wide financial statements.

Interfund Receivables and Payables

	Interfund Payable			Totals
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
<u>Interfund Receivable</u>				
General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,245</u>	<u>\$ 5,245</u>

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. This balance is not expected to be paid within the next fiscal year.

Note 16 - Payments or Services Furnished by Other Agencies

Certain payments or services are furnished by the State of Alabama and the City of Sylacauga on behalf of the Board. Included in these items are payments from bond issue proceeds (Public School and College Authority) and donated fixed assets. These payments are reflected as revenues on the Board's financial statements in the applicable funds to which they apply.

Payments made during the year by the City of Sylacauga on behalf of the Board for debt service and related bond expenditures were \$13,324,023. These payments are not reflected as revenue and expenditures in the accompanying financial statements.

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 17 - Fund Balance, Governmental Funds

As of September 30, 2015, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance				
Nonspendable:				
Inventories	\$ -	\$ -	\$ 45,065	\$ 45,065
Restricted for:				
Capital projects	-	8,582,341	-	8,582,341
Child Nutrition program	-	-	291,528	291,528
Debt service	-	-	1,191,426	1,191,426
Local trust funds	537	-	-	537
Committed to:				
General	2,315	-	-	2,315
Local schools	-	-	396,027	396,027
Transportation	11,823	-	-	11,823
Assigned to:				
Capital projects	-	1,432,732	-	1,432,732
Other educational support	26,529	-	-	26,529
Unassigned	402,524	103,166	(123,173)	382,517
Total fund balances	<u>\$ 443,728</u>	<u>\$ 10,118,239</u>	<u>\$ 1,800,873</u>	<u>\$ 12,362,840</u>

Note 18 - 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 during the year ending September 30, 2015 was \$67,054. Commodities consumed were approximately \$66,787.

Note 19 - Deficit Fund Balances

The Board has an accumulated deficit of \$123,173 in the Other Governmental Funds unassigned fund balance as of September 30, 2015. A large portion of this temporary deficit is the result of accrued salaries and fringe benefits for local schools personnel at September 30, 2015. Expenditures for salaries and related fringe benefits are budgeted based on the amount that will be paid from budgeted revenues. Salaries and related fringe benefits earned but not paid are reported as expenditures on the financial statements. This deficit does not indicate that the Board is facing financial difficulties and is a permitted practice under generally accepted accounting principles. Accrued salaries and fringe benefits caused a deficit fund balance in the following funds:

<u>Fund</u>	<u>Deficit Fund Balances</u>
IDEA, Part B	\$ 38,820
Preschool, Part B	765
Title I, Part A	66,247
Title II, Part A	12,991
Totals	<u>\$ 118,823</u>

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 19 - Deficit Fund Balances - continued

Additionally, the Other Local Source Fund had a deficit balance of \$5,245 as of September 30, 2015. The Board plans to fund the deficit through future operating transfers.

Note 20 - Prior Period Adjustment

As described in Note 1, the Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the current year. As a result, beginning net position in the Government-Wide statements decreased by \$16,876,000 in order to record the Board's net pension liability.

A prior period adjustment was also recorded in the *statement of revenues, expenditures and changes in fund balances* to account for a reclassification of equipment purchased in fiscal year 2014 from a Special Revenue Fund to the Capital Projects Fund. The reclassification was made after the fiscal year 2014 financial statements were issued.

Note 21 - Subsequent Events

On November 19, 2015, the Board approved a bid with Metro D Construction in the amount of \$1,116,482 for the construction of Phase IIB Athletic Renovations.

On December 3, 2015, the Board approved a bid with BRESKO in the amount of \$38,833 for the remodel of the Indian Valley Elementary School cafeteria.

On January 26, 2016, the Board approved a bid with Bullard-Cook Construction in the amount of \$2,362,000 for the renovation of Legion Stadium.

On February 23, 2016, the Board approved a bid with Veteran's Landscaping Company in the amount of \$824,670 for turf at Legion Stadium.

Management has evaluated subsequent events through March 11, 2016, the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SYLACAUGA CITY BOARD OF EDUCATION

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budgetary Basis to GAAP Differences (Over) Under	Actual Amounts GAAP Basis	Final Budget to Actual Variance Favorable (Unfavorable)
	Original	Final				
REVENUES						
State	\$12,389,631	\$12,650,081	\$12,660,222	\$ -	\$12,660,222	\$ 10,141
Federal	11,400	11,400	11,570	-	11,570	170
Local	4,377,156	4,355,309	4,599,424	-	4,599,424	244,115
Other	94,500	134,580	137,510	-	137,510	2,930
Total revenues	<u>16,872,687</u>	<u>17,151,370</u>	<u>17,408,726</u>	<u>-</u>	<u>17,408,726</u>	<u>257,356</u>
EXPENDITURES						
Current:						
Instruction	10,343,716	10,522,106	10,540,544	(1) (3,901)	10,536,643	(18,438)
Instructional support	2,695,588	2,699,588	2,746,093	(1) (20,116)	2,725,977	(46,505)
Operation and maintenance	1,469,214	1,483,917	1,586,465	(1) (444)	1,586,021	(102,548)
Auxiliary services	719,067	719,067	744,281	(1) 33,480	777,761	(25,214)
General administrative services	1,324,849	1,346,002	1,340,360	(1) (3,411)	1,336,949	5,642
Other	291,375	354,836	382,894	(1) 17	382,911	(28,058)
Total expenditures	<u>16,843,809</u>	<u>17,125,516</u>	<u>17,340,637</u>	<u>5,625</u>	<u>17,346,262</u>	<u>(215,121)</u>
Excess (deficiency) of revenues over expenditures	<u>28,878</u>	<u>25,854</u>	<u>68,089</u>	<u>(5,625)</u>	<u>62,464</u>	<u>42,235</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	71,697	82,379	14,150	-	14,150	(68,229)
Indirect costs	172,587	176,786	170,523	-	170,523	(6,263)
Transfers out	<u>(325,264)</u>	<u>(285,019)</u>	<u>(245,000)</u>	<u>-</u>	<u>(245,000)</u>	<u>40,019</u>
Total other financing sources (uses)	<u>(80,980)</u>	<u>(25,854)</u>	<u>(60,327)</u>	<u>-</u>	<u>(60,327)</u>	<u>(34,473)</u>
Net change in fund balance	(52,102)	-	7,762	(5,625)	2,137	7,762
Fund balance, beginning of year	<u>1,850,000</u>	<u>1,851,091</u>	<u>1,851,091</u>	<u>(1,409,500)</u>	<u>441,591</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,797,898</u>	<u>\$ 1,851,091</u>	<u>\$ 1,858,853</u>	<u>\$(1,415,125)</u>	<u>\$ 443,728</u>	<u>\$ 7,762</u>

- (1) Salaries of teachers and other personnel with contracts of less than twelve months are paid over a twelve month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related fringe benefits) earned but not paid are reported as expenditures on the financial statements.

The notes to the schedule are an integral part of this schedule.

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF THE
TEACHERS' RETIREMENT SYSTEM OF ALABAMA

FISCAL YEAR ENDING SEPTEMBER 30

	<u>2014</u>
Board's proportion of the net pension liability	<u>0.187335%</u>
Board's proportionate share of the net pension liability	<u>\$ 17,019,000</u>
Board's covered-employee payroll	<u>\$ 11,967,646</u>
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>142.21%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71.01%</u>

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

The notes to the schedule are an integral part of this schedule.

SYLACAUGA CITY BOARD OF EDUCATION

SCHEDULE OF BOARD CONTRIBUTIONS TO THE TEACHERS' RETIREMENT SYSTEM OF ALABAMA

FISCAL YEAR ENDING SEPTEMBER 30

	<u>2015</u>
Contractually required contribution	\$ 1,359,949
Contributions in relation to the contractually required contribution	<u>1,359,949</u>
Contributions deficiency	<u>\$ -</u>
Board's covered-employee payroll	<u>\$ 12,069,877</u>
Contributions as a percentage of covered-employee payroll	<u>11.27%</u>

- (1) The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. For participation in the TRS, this would not include amounts paid to TRS for the Pre-retirement Death Benefit, Term Life Insurance or Administrative Expenses. It does include the amounts paid to TRS for the employer's portion of the Normal Cost and Accrued Liability.
- (2) Employer's covered-employee payroll during the fiscal year is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2015, the measurement period is October 1, 2014 - September 30, 2015.

The notes to the schedule are an integral part of this schedule.

SUPPLEMENTARY INFORMATION

SYLACAUGA CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Direct Program:</i>			
Impact Aid	84.041	-	\$ 10,390
<i>Passed through State Department of Education:</i>			
IDEA Cluster:			
Special Education Grants to States	84.027	193	639,458
Special Education Preschool Grants	84.173	193	<u>7,825</u>
Subtotal IDEA Cluster			647,283
Title I Grants to Local Educational Agencies	84.010	193	819,258
Career and Technical Education - Basic Grants to States	84.048	193	36,726
Education for Homeless Children and Youth	84.196	193	10,000
Special Education - State Personnel Development	84.323	193	5,302
Rural Education	84.358	193	48,063
Improving Teacher Quality State Grants	84.367	193	137,555
College Access Challenge Grant Program	84.378	193	<u>4,266</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,718,843</u>
<u>SOCIAL SECURITY ADMINISTRATION</u>			
<i>Passed through State Department of Education:</i>			
Social Security Disability Determination	96.001	193	<u>1,180</u>
TOTAL SOCIAL SECURITY ADMINISTRATION			<u>1,180</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed through State Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	193	167,270
National School Lunch Program	10.555	193	<u>594,949</u>
Subtotal Child Nutrition Cluster			762,219
Food Distribution	10.550	193	<u>100,353</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>862,572</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 2,582,595</u>

The notes to the schedule are an integral part of this schedule.

SYLACAUGA CITY BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2015

1. Scope of Audit Pursuant to OMB Circular A-133 and the Single Audit Act of 1996

The Sylacauga City Board of Education is an agency of the State of Alabama. All significant operations of the Board are included in the scope of the Circular A-133, and the Single Audit Act of 1996.

The U.S. Department of Education has been designated as the Board's cognizant agency for the Single Audit.

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

Basis of presentation

The Schedule of Expenditures of Federal Awards has been prepared 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*. Federal grant revenues are recorded for financial reporting purposes when the Board has met the qualifications for the respective grants. Some programs may be funded jointly by State or local appropriations and Federal funds.

ADDITIONAL INFORMATION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sylacauga 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 Sylacauga City Board of Education's basic financial statements, and have issued our report thereon dated March 11, 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Machen McChesney, LLP

Auburn, Alabama
March 11, 2016



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

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

Report on Compliance for Each Major Federal Program

We have audited the Sylacauga 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 program is 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 its major federal program 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 the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

Machen McChesney, LLP

Auburn, Alabama
March 11, 2016

SYLACAUGA CITY BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of opinion issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Type of opinion issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major program:

U.S. Department of Education; CFDA No. 84.010 Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 300,000</u>
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Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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SYLACAUGA CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015

Section II - Financial Statement Findings

Noncompliance

None noted which requires reporting.

Significant Deficiencies

None noted which requires reporting.

Section III - Federal Award Findings and Questioned Costs

Noncompliance

None noted which requires reporting.

Significant Deficiencies

None noted which requires reporting.

Questioned Costs

None noted which requires reporting.

Prior Year Audit Findings

None.