

**TUSCUMBIA CITY BOARD OF EDUCATION  
TUSCUMBIA, ALABAMA**

**AUDITED  
FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016**



**Certified Public Accountants**

# TUSCUMBIA CITY BOARD OF EDUCATION

Tuscumbia, Alabama

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September 30, 2016

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Certified Public Accountants

Member of:  
American Institute of Certified Public Accountants  
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## INDEPENDENT AUDITORS' REPORT

Members of the Board  
Tuscumbia City Board of Education

### 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 Tuscumbia City Board of Education as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Tuscumbia City Board of Education'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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Tuscumbia City Board of Education, as of September 30, 2016, 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.

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## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 33-36, respectively, 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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 a appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tuscumbia City Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 21, 2017, on our consideration of the Tuscumbia City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tuscumbia City Board of Education's internal control over financial reporting and compliance.



The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
March 21, 2017

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Statement of Net Position**  
**September 30, 2016**

|  | <u><b>Governmental<br/>Activities</b></u> |
|--|---|
| <b><u>Assets</u></b>   |   |
| Cash and cash equivalents  | \$ 7,326,222                              |
| Investments  | 718                                       |
| Receivables  | 6,686                                     |
| Intergovernmental receivables  | 489,600                                   |
| Inventories  | 38,857                                    |
| Restricted assets  | 178,267                                   |
| Capital assets:  |   |
| Non-depreciable  | 3,276,177                                 |
| Depreciable, net   | 6,232,911                                 |
| Total Assets   | <u>17,549,438</u>                         |
| <b><u>Deferred Outflows of Resources</u></b>   |   |
| Loss on refunding of debt  | 73,888                                    |
| Employer pension contribution  | 879,984                                   |
| Proportionate share of collective deferred outflows related to net pension liability | 1,018,000                                 |
| Total Deferred Outflows of Resources   | <u>1,971,872</u>                          |
| <b><u>Liabilities</u></b>  |   |
| Salaries and benefits payable  | 915,221                                   |
| Unearned revenue   | 21,721                                    |
| Accrued interest payable   | 40,840                                    |
| Long-term liabilities:   |   |
| Portion due or payable within one year:  |   |
| Notes payable  | 361,434                                   |
| Portion due or payable after one year:   |   |
| Notes payable  | 6,172,829                                 |
| Net pension liability  | 12,361,000                                |
| Total Liabilities  | <u>19,873,045</u>                         |
| <b><u>Deferred Inflows of Resources</u></b>  |   |
| Proportionate share of collective deferred inflows related to net pension liability  | 67,000                                    |
| Total Deferred Inflows of Resources  | <u>67,000</u>                             |
| <b><u>Net Position</u></b>   |   |
| Net investment in capital assets   | 3,199,123                                 |
| Restricted for:  |   |
| Expendable:  |   |
| Capital projects   | 2,527,734                                 |
| Debt service   | 543,350                                   |
| School based activities  | 905,255                                   |
| Unrestricted   | (7,594,197)                               |
| Total Net Position   | <u>\$ (418,735)</u>                       |

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

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Statement of Activities**  
**For the Year Ended September 30, 2016**

| <u>Functions/Programs</u>                                     | <u>Expenses</u>      | <u>Program Revenues</u> |                      |                      | <u>Net (Expense)</u>         |
|---|----------------------|-------------------------|----------------------|----------------------|------------------------------|
|   |                      | <u>Charges for</u>      | <u>Operating</u>     | <u>Capital</u>       | <u>Revenue and</u>           |
|   |                      | <u>Services</u>         | <u>Grants and</u>    | <u>Grants and</u>    | <u>Changes in Net Assets</u> |
|   |                      |                         | <u>Contributions</u> | <u>Contributions</u> | <u>Governmental</u>          |
|   |                      |                         |                      |                      | <u>Activities</u>            |
| <u>Governmental Activities:</u>                               |                      |                         |                      |                      |                              |
| Instructional services  | \$ 8,029,502         | 282,843                 | 6,198,719            | 198,158              | (1,349,782)                  |
| Instructional support services                                | 2,779,971            | 413,919                 | 1,884,436            | -                    | (481,616)                    |
| Operation and maintenance services                            | 1,005,585            | 46,988                  | 220,647              | 15,771               | (722,179)                    |
| Auxiliary services:   |                      |                         |                      |                      |                              |
| Student transportation  | 178,473              | 40,488                  | 49,924               | 12,764               | (75,297)                     |
| Food service  | 1,161,790            | 932,110                 | 63,376               | -                    | (166,304)                    |
| General administration and central support                    | 1,133,475            | 14,023                  | 575,811              | 211,836              | (331,805)                    |
| Interest and fiscal charges                                   | 216,557              | -                       | -                    | -                    | (216,557)                    |
| Other expenditures  | 198,924              | 81,990                  | 59,972               | -                    | (56,962)                     |
| Total Governmental Activities                                 | <u>\$ 14,704,277</u> | <u>1,812,361</u>        | <u>9,052,885</u>     | <u>438,529</u>       | <u>(3,400,502)</u>           |
| <u>General Revenues:</u>                                      |                      |                         |                      |                      |                              |
| Taxes:  |                      |                         |                      |                      |                              |
| Property taxes for general purposes                           |                      |                         |                      |                      | 880,402                      |
| Property taxes for specific purposes                          |                      |                         |                      |                      | 625,952                      |
| Sales tax   |                      |                         |                      |                      | 964,658                      |
| Alcohol beverage tax  |                      |                         |                      |                      | 18,870                       |
| Other taxes   |                      |                         |                      |                      | 16,246                       |
| Grants and contributions not restricted for specific programs |                      |                         |                      |                      | 366,444                      |
| Investment earnings   |                      |                         |                      |                      | 1,696                        |
| Miscellaneous   |                      |                         |                      |                      | 709,603                      |
| Total General Revenues  |                      |                         |                      |                      | <u>3,583,871</u>             |
| Change in Net Position  |                      |                         |                      |                      | 183,369                      |
| Net Position - Beginning                                      |                      |                         |                      |                      | (602,104)                    |
| Net Position - End of Year                                    |                      |                         |                      |                      | <u>\$ (418,735)</u>          |

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

## **FUND FINANCIAL STATEMENTS**



**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Balance Sheet - Governmental Funds**  
**September 30, 2016**

|                                      | <b>Major Funds</b>  |                                    |  |   |   | <b>Total<br/>Governmental<br/>Funds</b> |
|--------------------------------------|---------------------|------------------------------------|--|---|---|---|
|                                      | <b>General Fund</b> | <b>PSF Capital<br/>Outlay Fund</b> | <b>Capital Project -<br/>Local Source<br/>Fund</b> | <b>Capital Projects -<br/>Other<br/>Proceeds/Long-<br/>term</b> | <b>Other<br/>Governmental<br/>Funds</b> |   |
| <b>Assets</b>                        |                     |                                    |  |   |   |   |
| Cash and cash equivalents            | \$ 3,330,886        | 1,462,911                          | 1,064,823  | -   | 1,467,602                               | 7,326,222                               |
| Cash with fiscal agent               | -                   | -                                  | -  | 150,410   | -                                       | 150,410                                 |
| Investments                          | -                   | -                                  | -  | -   | 28,575                                  | 28,575                                  |
| Accounts receivables                 | 6,686               | -                                  | -  | -   | -                                       | 6,686                                   |
| Intergovernmental receivables        | 422,948             | -                                  | -  | -   | 66,652                                  | 489,600                                 |
| Inventories                          | -                   | -                                  | -  | -   | 38,857                                  | 38,857                                  |
| Total Assets                         | <u>\$ 3,760,520</u> | <u>1,462,911</u>                   | <u>1,064,823</u>                                   | <u>150,410</u>  | <u>1,601,686</u>                        | <u>8,040,350</u>                        |
| <b>Liabilities and Fund Balances</b> |                     |                                    |  |   |   |   |
| <b>Liabilities:</b>                  |                     |                                    |  |   |   |   |
| Salaries and benefits payable        | \$ 824,701          | -                                  | -  | -   | 90,520                                  | 915,221                                 |
| Unearned revenue                     | -                   | -                                  | -  | -   | 21,721                                  | 21,721                                  |
| Total Liabilities                    | <u>824,701</u>      | <u>-</u>                           | <u>-</u>   | <u>-</u>  | <u>112,241</u>                          | <u>936,942</u>                          |
| <b>Fund Balances</b>                 |                     |                                    |  |   |   |   |
| <b>Nonspendable:</b>                 |                     |                                    |  |   |   |   |
| Inventory                            | -                   | -                                  | -  | -   | 38,857                                  | 38,857                                  |
| <b>Restricted:</b>                   |                     |                                    |  |   |   |   |
| Capital projects                     | -                   | 1,462,911                          | 1,064,823  | 150,410   | -                                       | 2,678,144                               |
| Debt service                         | -                   | -                                  | -  | -   | 584,190                                 | 584,190                                 |
| <b>Assigned:</b>                     |                     |                                    |  |   |   |   |
| School based activities              | -                   | -                                  | -  | -   | 866,398                                 | 866,398                                 |
| Unassigned                           | 2,935,819           | -                                  | -  | -   | -                                       | 2,935,819                               |
| Total Fund Balances                  | <u>2,935,819</u>    | <u>1,462,911</u>                   | <u>1,064,823</u>                                   | <u>150,410</u>  | <u>1,489,445</u>                        | <u>7,103,408</u>                        |
| Total Liabilities and Fund Balances  | <u>\$ 3,760,520</u> | <u>1,462,911</u>                   | <u>1,064,823</u>                                   | <u>150,410</u>  | <u>1,601,686</u>                        | <u>8,040,350</u>                        |

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

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2016**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 7,103,408

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 in the funds:

|                          |                     |           |
|--------------------------|---------------------|-----------|
| Cost of capital assets   | \$ 20,101,242       |           |
| Accumulated depreciation | <u>(10,592,154)</u> | 9,509,088 |

|  |  |        |
|--|--|--------|
| An advanced refunding that results in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources on the Statement of Net Position |  | 73,888 |
|--|--|--------|

|   |  |           |
|---|--|-----------|
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. |  | 1,830,984 |
|---|--|-----------|

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

|                                     |                     |              |
|-------------------------------------|---------------------|--------------|
| Accrued interest payable            | (40,840)            |              |
| Current portion of notes payable    | (361,434)           |              |
| Noncurrent portion of notes payable | (6,172,829)         |              |
| Net pension liability               | <u>(12,361,000)</u> | (18,936,103) |

|   |  |                                   |
|---|--|-----------------------------------|
| <b>Total net position - governmental activities</b> |  | <b>\$ <u><u>(418,735)</u></u></b> |
|---|--|-----------------------------------|

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended September 30, 2016**

|  | Major Funds         |                              |   |  |                                | Total<br>Governmental<br>Funds |
|--|---------------------|------------------------------|---|--|--------------------------------|--------------------------------|
|  | General Fund        | PSF - Capital<br>Outlay Fund | Capital Project -<br>Local Source<br>Fund | Capital Project -<br>Other<br>Proceeds/Long-<br>term | Other<br>Governmental<br>Funds |                                |
| <b>Revenues:</b>   |                     |                              |   |  |                                |                                |
| State sources  | \$ 8,248,295        | 263,904                      | -   | -  | 173,529                        | 8,685,728                      |
| Federal sources  | 820                 | -                            | -   | -  | 1,366,093                      | 1,366,913                      |
| Local sources  | 2,204,757           | -                            | -   | 1,161  | 2,480,096                      | 4,686,014                      |
| Other sources  | 64,683              | -                            | -   | -  | 36,973                         | 101,656                        |
| Total Revenues   | <u>10,518,555</u>   | <u>263,904</u>               | <u>-</u>                                  | <u>1,161</u>   | <u>4,056,691</u>               | <u>14,840,311</u>              |
| <b>Expenditures:</b>   |                     |                              |   |  |                                |                                |
| Instructional services                                       | 6,800,507           | 21,451                       | -   | -  | 784,649                        | 7,606,607                      |
| Instructional support services                               | 2,059,645           | -                            | -   | -  | 609,249                        | 2,668,894                      |
| Operation and maintenance services                           | 919,608             | 7,500                        | 17,900                                    | -  | 28,385                         | 973,393                        |
| Auxiliary services:  |                     |                              |   |  |                                |                                |
| Student transportation                                       | 83,962              | -                            | -   | -  | 28,101                         | 112,063                        |
| Food service   | -                   | -                            | -   | -  | 1,264,158                      | 1,264,158                      |
| General administration and central support                   | 920,766             | 117,786                      | -   | -  | 88,643                         | 1,127,195                      |
| Other expenditures   | 69,863              | -                            | -   | -  | 134,436                        | 204,299                        |
| Capital outlay   | -                   | -                            | 13,337                                    | 2,610,989  | 49,903                         | 2,674,229                      |
| Debt service:  |                     |                              |   |  |                                |                                |
| Principal  | -                   | -                            | -   | -  | 336,727                        | 336,727                        |
| Interest   | -                   | -                            | -   | -  | 227,133                        | 227,133                        |
| Other debt service expenditures                              | -                   | -                            | -   | -  | 1,000                          | 1,000                          |
| Total Expenditures   | <u>10,854,351</u>   | <u>146,737</u>               | <u>31,237</u>                             | <u>2,610,989</u>                                     | <u>3,552,384</u>               | <u>17,195,698</u>              |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | <u>(335,796)</u>    | <u>117,167</u>               | <u>(31,237)</u>                           | <u>(2,609,828)</u>                                   | <u>504,307</u>                 | <u>(2,355,387)</u>             |
| <b>Other Financing Sources (Uses)</b>                        |                     |                              |   |  |                                |                                |
| Indirect cost  | 145,730             | -                            | -   | -  | -                              | 145,730                        |
| Other financing sources                                      | -                   | -                            | 47,335                                    | -  | -                              | 47,335                         |
| Long-term debt issued  | -                   | -                            | -   | -  | -                              | -                              |
| Transfers in   | 818,990             | -                            | -   | -  | 444,455                        | 1,263,445                      |
| Transfers out  | (351,423)           | -                            | -   | -  | (912,022)                      | (1,263,445)                    |
| Total Other Financing Sources (Uses)                         | <u>613,297</u>      | <u>-</u>                     | <u>47,335</u>                             | <u>-</u>   | <u>(467,567)</u>               | <u>193,065</u>                 |
| Net Changes in Fund Balances                                 | <u>277,501</u>      | <u>117,167</u>               | <u>16,098</u>                             | <u>(2,609,828)</u>                                   | <u>36,740</u>                  | <u>(2,162,322)</u>             |
| Fund Balances - Beginning of Year                            | 2,658,318           | 1,345,744                    | 1,048,725                                 | 2,760,238  | 1,452,705                      | 9,265,730                      |
| Fund Balances - End of Year                                  | <u>\$ 2,935,819</u> | <u>1,462,911</u>             | <u>1,064,823</u>                          | <u>150,410</u>                                       | <u>1,489,445</u>               | <u>7,103,408</u>               |

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

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Reconciliation of the Governmental Statement of Revenues, Expenditures and Changes**  
**in Fund Balances to the Statement of Activities**  
**For the Year Ended September 30, 2016**

**Net changes in fund balances - total governmental funds** \$ (2,162,322)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

|                      |                  |           |
|----------------------|------------------|-----------|
| Capital outlay       | \$ 2,689,677     |           |
| Depreciation expense | <u>(565,094)</u> | 2,124,583 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred on the statement of net position and are amortized over the life of the debt. In the current period, these amounts are:

|  |                  |         |
|--|------------------|---------|
| Payments of debt principal   | 336,727          |         |
| Amortization of bond premiums, discounts, and deferred loss on refunding | 9,326            |         |
| Accrued interest payable   | 2,250            |         |
| Pension expense, current year increase/decrease                          | <u>(127,195)</u> | 221,108 |

**Change in net position of governmental activities** \$ 183,369

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Statement of Fiduciary Assets and Liabilities**  
**As of September 30, 2016**

**Exhibit E**

|                      |    | <u>Agency<br/>Funds</u> |
|----------------------|----|-------------------------|
| <b>Assets</b>        |    |                         |
| Cash                 | \$ | <u>158,355</u>          |
| Total Assets         | \$ | <u><u>158,355</u></u>   |
| <b>Liabilities</b>   |    |                         |
| Due to student clubs | \$ | <u>158,355</u>          |
| Total Liabilities    | \$ | <u><u>158,355</u></u>   |

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

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**Note 1 – Summary of Significant Accounting Policies**

The accompanying financial statements of the Tusculmbia City Board of Education (the Board), have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the Board's accounting policies are described below.

**A. Financial Reporting Entity**

The Tusculmbia City Board of Education is a primary government and has financial accountability and control over all activities related to the public school education in the City of Tusculmbia, Alabama. The Board receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. Statement No. 14 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 in, the primary government or the nature and significance of their relationship to the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Board.

**B. Government-wide and Fund Financial Statements**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the Board. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the Board's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The Board reports the following major governmental funds:

- General Fund – The general fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily received revenue from the Educational Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
- PSF Capital Outlay Fund – The capital projects fund accounts for the funds that are to be used for the acquisition, improvement, or construction of capital assets related to PSF funds.
- Capital Project – Local Service Fund – The capital projects fund accounts for the funds that are to be used for the acquisition, improvement, or construction of capital assets.
- Capital Projects – Other Proceeds/Long-term Fund – This capital projects fund accounts for the funds that are to be used for the acquisition, improvement, or construction of assets related to the district's energy efficiency upgrades.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the Board reports the following fund types:

**Governmental Fund Types**

- Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Debt Service Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
- Capital Projects Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Fiduciary Fund Type**

- Agency Funds – Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

**C. Measurement Focus, Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. 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 government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by legislation. Property taxes are due and payable on the following October 1 and are delinquent after December 31.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt 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 and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

**D. Assets, Liabilities and Net Position / Fund Balances**

**1. Cash, Cash equivalents 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.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

**2. Receivables**

Sales tax receivables are based on the amounts collected within 60 days after year-end.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects.



**TUSCUMBIA CITY BOARD OF EDUCATION**  
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**3. Inventories**

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in/first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

**4. Restricted Assets**

Certain resources set aside for repayment of debt or for capital projects and improvements are classified as cash with fiscal agent and investments on the balance sheet and are classified restricted assets on the Statement of Net Position because their use is limited. The Capital Projects Fund – Other Proceeds/Long-term is used to report proceeds that are restricted for use from the energy efficiency lease. General obligation warrants issued by the Board require that certain amounts for debt service outlays be deposited into a restricted fund to pay the principal and interest on these warrants as they become due.

**5. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets, are reported in the applicable governmental column in the government-wide financial statements. Such assets are valued at cost where historical records are available and an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Board as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

|                               | Capitalization<br>Threshold | Estimated<br>Useful Life |
|-------------------------------|-----------------------------|--------------------------|
| Land                          | \$ 1                        | N/A                      |
| Land Improvements             | 50,000                      | 20 years                 |
| Buildings                     | 50,000                      | 20-50 years              |
| Building Improvements         | 50,000                      | 5-30 years               |
| Equipment and Furniture       | 5,000                       | 5-20 years               |
| Vehicles                      | 5,000                       | 8-15 years               |
| Equipment under Capital Lease | 5,000                       | 5-20 years               |

**6. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities Statement of Net Position.

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

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**7. Compensated Absences**

Professional and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may accumulate a maximum of 225 days of sick leave. Employees may use up to 180 days of their accrued sick leave as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

Professional and support personnel are provided days of personal leave per year with pay as follows:

*Personal Leave – Full Time Employees*

Personal leave consists of two days without loss of pay, plus three additional days with loss of pay for substitute services. Staff members with ten to fifteen years of service receive three personal days without loss of pay, plus two additional days with loss of pay for substitute services, those with fifteen to twenty years of service receive four personal days without loss of pay, plus one additional day with loss of pay for substitute services, and those with twenty or more years of service receive five personal days without loss of pay.

*Personal Leave – Part Time Employees*

Personal leave will be granted according to full-time equivalency.

Personal leave is non-cumulative. However, unused personal leave may be converted to sick leave.

The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for state and board paid unused personal leave as of June 30 of each year. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Full-time members of the professional staff employed on a twelve-month basis for the fiscal year are entitled to ten (10) days of vacation per year. Unused vacation days are not allowed to accrue from one year to the next.

**8. Pensions**

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

**9. Deferred Outflows/Inflows of Resources**

In addition assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Board reports three types of

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deferred outflows: Loss on refunding of debt, employer pension contribution, and proportionate share of collective deferred outflows related to net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Board reports one deferred inflow: Proportionate share of collective deferred inflows related to net pension liability.

**10. Net Position/Fund Balance**

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

- 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 on net asset by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board.  
Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the Board:

*Nonspendable fund balances* include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.

*Restricted fund balances* consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Examples of restricted fund balances include: restricted grants.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for the District.

*Assigned fund balances* consist of amounts that are intended to be used by the school system for specific purposes. The Board authorizes the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

*Unassigned fund balances* include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

**Note 2 – Stewardship, Compliance, and Accountability**

**Budgets**

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

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

**Note 3 – Deposits, Investments and Cash with Fiscal Agent**

**A. Cash**

The carrying amount of the Board's deposits with financial institutions reported in the governmental funds was \$7,505,207 and \$158,355 in the fiduciary funds.

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the **Code of Alabama 1975**, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. As of September 30, 2016 none of the Board's \$7,626,169 cash balance was exposed to credit risk.

**B. Cash with Fiscal Agents and Investments**

The **Code of Alabama 1975** Sections 19-3-120 and 19-3-120.1 outline the provisions for investments of funds. The Board's investments and cash with fiscal agent are to be invested in accordance with the applicable statutes.

**TUSCUMBIA CITY BOARD OF EDUCATION**  
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As of September 30, 2016 the Board has the following cash with fiscal agents:

| <u>Investment</u>                           | <u>Maturities</u> | <u>Fair Value</u> |
|---|-------------------|-------------------|
| US Bank Money Market – Treasury Obligations | 60 days of less   | \$ 150,410        |
|   |                   | <u>\$ 150,410</u> |

As of September 30, 2016 the Board has the following investments:

| <u>Investments</u>                              | <u>Maturities</u> | <u>Fair Value</u> |
|---|-------------------|-------------------|
| US Bank 2013 Bond Escrow – Treasury Obligations | 60 days or less   | \$ 27,857         |
| Bank Independent – Certificate of Deposit       | One year          | 718               |
|   |                   | <u>\$ 28,575</u>  |

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates. The Board has \$178,267 in negotiable instruments during the year ended September 30, 2016 that were not covered by FDIC insurance.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Board held approximately 99.60% of its investments at US Bank, and all 100% of its demand deposits were held at Bank Independent. The Board does not have a formal policy which places limits on the amount the Board may invest in any one user.

**Credit Risk** – Credit risk is the risk that the issuer or other counter party to an investment will not fulfill its obligation. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Board does not have a formal investment policy that addresses its investment choices.

**Custodial Credit Risk** – Custodial credit risk is the risk that the Board will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. The board does not have an investment policy that limits the amount of securities that can be held by counterparties. The Board has \$178,267 in negotiable instruments during the year ended September 30, 2016 that were not covered by FDIC insurance.

**Note 4 – Interfund Transfers**

Interfund transfers during the fiscal year ended September 30, 2016 were as follows:

| <u>Transfer In</u>       | <u>Transfer Out</u>      | <u>Total</u>        |
|--------------------------|--------------------------|---------------------|
| General Fund             | Other Governmental Funds | \$ 818,990          |
| Other Governmental Funds | General Fund             | 351,423             |
| Other Governmental Funds | Other Governmental Funds | 93,032              |
| Total Transfers          |                          | <u>\$ 1,263,445</u> |

The Board typically uses transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on behalf of the local schools, and to transfer any remaining balance in Debt Service to the General Fund after all debt obligations for the year have been made.

**Note 5 – Restricted Assets**

The restricted assets on the Statement of Net Position represent the investment balance, totaling \$27,857 which represents debt service payments and \$150,410 in unspent capital project proceeds held as cash with fiscal agents. These funds are restricted and may not be used except for their restricted purpose.

**TUSCUMBIA CITY BOARD OF EDUCATION**  
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**Note 6 – Capital Assets**

Capital asset activity for the year ended September 20, 2016 was as follows:

|   | <u>Balance<br/>10/1/15</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance<br/>9/30/16</u> |
|---|----------------------------|------------------|--------------------|----------------------------|
| <u>Governmental Activities:</u>             |                            |                  |                    |                            |
| Capital assets, not being depreciated       |                            |                  |                    |                            |
| Land  | \$ 295,266                 | -                | -                  | \$ 295,266                 |
| Construction in progress                    | 306,682                    | 2,674,229        | -                  | 2,980,911                  |
| Total capital assets, not being depreciated | <u>601,948</u>             | <u>2,674,229</u> | <u>-</u>           | <u>3,276,177</u>           |
| Capital assets being depreciated:           |                            |                  |                    |                            |
| Land improvements - exhaustible             | 2,690                      | -                | -                  | 2,690                      |
| Buildings                                   | 6,556,634                  | -                | -                  | 6,556,634                  |
| Building improvements                       | 8,815,958                  | 15,448           | 6,000              | 8,825,406                  |
| Equipment & furniture                       | 979,873                    | -                | -                  | 979,873                    |
| Vehicles                                    | 460,462                    | -                | -                  | 460,462                    |
| Total assets being depreciated              | <u>16,815,617</u>          | <u>15,448</u>    | <u>6,000</u>       | <u>16,825,065</u>          |
| Less Accumulated Depreciation for:          |                            |                  |                    |                            |
| Land improvements - exhaustible             | 1,142                      | 134              | -                  | 1,276                      |
| Buildings                                   | 4,215,800                  | 133,691          | -                  | 4,349,491                  |
| Building improvements                       | 4,676,450                  | 377,419          | 6,000              | 5,047,869                  |
| Equipment and furniture                     | 769,265                    | 39,413           | -                  | 808,678                    |
| Vehicles                                    | 370,403                    | 14,437           | -                  | 384,840                    |
| Total accumulated depreciation              | <u>10,033,060</u>          | <u>565,094</u>   | <u>6,000</u>       | <u>10,592,154</u>          |
| Total capital assets being depreciated, net | <u>6,782,557</u>           | <u>(549,646)</u> | <u>-</u>           | <u>6,232,911</u>           |
| Governmental activities capital assets, net | <u>\$ 7,384,505</u>        | <u>2,124,583</u> | <u>-</u>           | <u>\$ 9,509,088</u>        |

Remaining Commitment on construction in progress:

- Energy efficiency upgrades remaining commitment \$150,410 estimated completion date is June 30, 2017.
- Deshler High School renovations remaining commitments \$556,333 estimated completion date is September 30, 2017.

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

| Governmental Activities:                             | Depreciation<br>Expense |
|--|-------------------------|
| Instructional services                               | \$ 339,356              |
| Instructional support services                       | 80,273                  |
| Operations & maintenance services                    | 32,384                  |
| Student transportation                               | 65,769                  |
| Food service   | 20,334                  |
| General administrative                               | 26,978                  |
| Total Depreciation Expense – Governmental Activities | <u>\$ 565,094</u>       |

**Note 7 – Long Term Debt**

The following is a summary of the general long-term debt transactions for the Board for the year ended September 30, 2016:

| Description                                  | Balance<br>10/1/15  | Additions | Reductions     | Balance<br>9/30/16 | Amounts<br>Due Within<br>One Year |
|--|---------------------|-----------|----------------|--------------------|-----------------------------------|
| Capital Outlay Pool<br>Warrant Series 2012-A | 378,198             | -         | 42,903         | 335,295            | 44,752                            |
| Plus: Premium on<br>Warrants                 | 67,449              | -         | 7,494          | 59,955             | 7,494                             |
| Special Tax School<br>Warrant Series 2013    | 2,475,000           | -         | 75,000         | 2,400,000          | 75,000                            |
| Less: Discount on<br>Warrants                | (38,238)            | -         | (1,663)        | (36,575)           | (1,663)                           |
| Capital Outlay Pool<br>Warrant Series 2014-A | 821,715             | -         | 61,975         | 759,740            | 63,950                            |
| Plus: Premium on<br>Warrants                 | 116,834             | -         | 10,953         | 105,881            | 10,953                            |
| Energy Efficiency<br>Lease                   | 3,066,817           | -         | 156,850        | 2,909,967          | 160,948                           |
|  | <u>\$ 6,887,775</u> | <u>-</u>  | <u>353,512</u> | <u>6,534,263</u>   | <u>\$ 361,434</u>                 |

**Capital Outlay Pool Warrant Series 2012-A**

On March 14, 2012, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued \$79,340,000 in Pool Refunding Bonds, Series 2012-A (“Series 2012-A”) with interest rates ranging from 3.00% to 5.00% to refund and retire on a current basis \$57,497,698 of outstanding Capital Improvement Pool Bonds, Series 2002-A (“Series 2002-A”) and \$21,842,302 of outstanding Capital Improvement and Economic Development and Training Bonds, Series 2003 (“Series 2003”) which were scheduled to mature in fiscal years 2013 through 2024 with interest rates ranging from 4.00% to 5.00%. The Board had a 2.2767% participation in the Series 2003. This resulted in the Board being obligated for \$497,286 of the total principal of \$79,340,000. The warrant will be payable solely out of and secured by the annual amounts of Leveraged Funds allocated and distributed to the Tuscumbia City Board of Education (the pledged revenues), pursuant to the said section 16-13-234, Code of Alabama 1975 (the leveraged funds). Payment of principal and interest on this warrant to the Alabama Public School and College Authority will be made by the finance director of the State of Alabama.

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| <u>Fiscal Year Ending September 30.</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total Debt Service to Maturity</u> |
|---|-------------------|------------------|---------------------------------------|
| 2017                                    | \$ 44,752         | \$ 15,339        | \$ 60,091                             |
| 2018                                    | 47,071            | 13,044           | 60,115                                |
| 2019                                    | 49,515            | 10,629           | 60,144                                |
| 2020                                    | 51,991            | 8,089            | 60,080                                |
| 2021                                    | 54,592            | 5,427            | 60,019                                |
| 2022-2023                               | 87,374            | 3,684            | 91,058                                |
| Total                                   | <u>\$ 335,295</u> | <u>\$ 56,212</u> | <u>\$ 391,507</u>                     |

Special School Tax Warrants Series 2013

The Tuscumbia City Board of Education, Special School Tax Warrants, was authorized in the amount of \$2,000,000, at a rate of 5.6% and a maturity date of June 1, 2016. On August 7, 2013 the Tuscumbia City Board of Education issued Special School Tax Warrants Series 2013 in the amount of \$2,625,000 with a rate of 2.00% to 4.70% and a maturity date of August 1, 2038. The Special School Tax Warrants Series 2013 is a current refunding of the Special School Tax Warrants Series 1996. The warrants were issued to finance various capital improvement projects throughout the district. The Special School Tax Warrants Series 2013 will be payable out of ½ cent county sales tax. The principal and interest requirements to the above general obligations at September 30, 2016 are as follows:

| <u>Fiscal Year Ending September 30.</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total Debt Service to Maturity</u> |
|---|---------------------|---------------------|---------------------------------------|
| 2017                                    | \$ 75,000           | \$ 91,895           | \$ 166,895                            |
| 2018                                    | 80,000              | 91,895              | 171,895                               |
| 2019                                    | 80,000              | 91,895              | 171,895                               |
| 2020                                    | 80,000              | 87,195              | 167,195                               |
| 2021                                    | 85,000              | 87,195              | 172,195                               |
| 2022-2026                               | 460,000             | 399,600             | 859,600                               |
| 2027-2031                               | 550,000             | 305,288             | 855,288                               |
| 2032-2036                               | 675,000             | 190,225             | 865,225                               |
| 2037-2038                               | 315,000             | 43,240              | 358,240                               |
| Total                                   | <u>\$ 2,400,000</u> | <u>\$ 1,388,428</u> | <u>\$ 3,788,428</u>                   |

Capital Outlay Pool Warrant Series 2014-A

The Tuscumbia City Board of Education, Capital Outlay Pool Warrant, dated March 16, 2006, was authorized in the amount of \$1,344,567, at a rate of 7.129% and a maturity date of March 1, 2026. The warrant was issued to finance capital improvements to the various schools in the system. The warrant will be payable solely out of and secured by the annual amounts of Leveraged Funds allocated and distributed to the Tuscumbia City Board of Education (the pledged revenues), pursuant to the said section 16-13-234, Code of Alabama 1975 (the leveraged funds). Payment of principal and interest on this warrant to the Alabama Public School and College Authority will be made by the finance director of the State of Alabama. These bonds were refunded by the Alabama Public School and College Authority with the issuance of Pool Refunding Bonds, Series 2014-A issued on May 28, 2014.

On May 28, 2014, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued \$80,065,000 in Pool Refunding Bonds, Series 2014-A ("Series 2014-A") with interest rates ranging from 2.00% to 5.00%. This resulted in the Board being obligated for \$882,209 of the total principal of \$80,065,000. The warrant will be payable solely out of and secured by the annual



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amounts of Leveraged Funds allocated and distributed to the Tuscumbia City Board of Education (the pledged revenues), pursuant to the said section 16-13-234, Code of Alabama 1975 (the leveraged funds). Payment of principal and interest on this warrant to the Alabama Public School and College Authority will be made by the finance director of the State of Alabama.

| <u>Fiscal Year Ending September 30,</u> | <u>Principal</u>  | <u>Interest</u>   | <u>Total Debt Service to Maturity</u> |
|---|-------------------|-------------------|---------------------------------------|
| 2017                                    | \$ 63,950         | \$ 34,397         | \$ 98,347                             |
| 2018                                    | 66,295            | 32,112            | 98,407                                |
| 2019                                    | 68,888            | 29,407            | 98,295                                |
| 2020                                    | 72,098            | 26,228            | 98,326                                |
| 2021                                    | 75,801            | 22,531            | 98,332                                |
| 2022-2026                               | 412,709           | 50,947            | 463,656                               |
| Total                                   | <u>\$ 759,741</u> | <u>\$ 195,622</u> | <u>\$ 955,363</u>                     |

Energy Efficiency Lease

An energy efficiency lease agreement dated June 30, 2015, was executed by and between the Board, the lessee, and U.S. Bancorp Government Leasing and Finance, Inc., the lessor.

The agreement authorized the borrowing of \$3,066,817 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. The interest rate for the energy efficiency lease is 2.613%. Payments of the lease shall be made from the Sales Tax Fund. The maturity of the lease is June 30, 2031. The principal and interest requirements to the above energy efficiency lease at September 30, 2016 are as follows:

| <u>Fiscal Year Ending September 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total Debt Service to Maturity</u> |
|---|---------------------|-------------------|---------------------------------------|
| 2017                                    | \$ 160,948          | \$ 76,037         | \$ 236,985                            |
| 2018                                    | 165,154             | 71,832            | 236,986                               |
| 2019                                    | 169,469             | 67,516            | 236,985                               |
| 2020                                    | 173,898             | 63,088            | 236,986                               |
| 2021                                    | 178,442             | 58,544            | 236,986                               |
| 2022-2026                               | 964,633             | 220,296           | 1,184,929                             |
| 2027-2031                               | 1,097,423           | 87,506            | 1,184,929                             |
| Total                                   | <u>\$ 2,909,967</u> | <u>\$ 644,819</u> | <u>\$ 3,554,786</u>                   |

Premiums, Discounts, Early Extinguishment of Debt

The Board reports warrant premiums of debt in connection with the issuance of its 2014-A and 2012-A Pool Refunding Bonds and a warrant discount in connection with its Special School Tax Warrants 2013. The warrant premiums, warrant discounts, and loss on early extinguishment of debt are being amortized using the straight-line method over the term of the related debt.

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|                          | Deferred<br>Outflow of<br>Resources -<br>Loss on Early<br>Extinguishment<br>of Debt | Premiums          | Discounts        |
|--------------------------|---|-------------------|------------------|
| Beginning amounts        | \$ 81,347   | \$ 184,283        | \$ 38,238        |
| Current year additions   | -   | -                 | -                |
| Current amount amortized | 7,459   | 18,447            | 1,663            |
| Ending balance           | <u>\$ 73,888</u>  | <u>\$ 165,836</u> | <u>\$ 36,575</u> |
| Current portion          | \$ 7,459  | \$ 18,447         | \$ 1,663         |
| Long-term portion        | \$ 66,429   | \$ 147,389        | \$ 34,912        |

**Note 8 – Pledged Revenues**

The board issued Series 2012-A Capital Improvement Pool Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds were used to refund the Board's Series 2003-A Capital Improvement Pool Bonds. Future revenues in the amount of \$391,507 are pledged to repay the principal and interest on the bonds at September 30, 2016. Pledged funds in the amount of \$60,219 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2016. This represents 14.18% of the pledged funds received by the Board. The Series 2012-A bonds will mature in fiscal year 2023.

The board issued Special School Tax Warrants Series 2013 which are pledged to be repaid from their allocation of ½ cent sales tax received from Colbert County. The proceeds were used to finance various capital improvement projects throughout the district. Future revenues in the amount of \$3,788,428 are pledged to repay the principal and interest on the bonds at September 30, 2016. Pledged funds in the amount of \$168,395 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2016. This represents 28.10% of the pledged funds received by the Board. The Series 2013 bonds will mature in fiscal year 2038.

The board issued Series 2014-A Capital Improvement Pool Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds were used to refund the Board's Series 2006 Capital Improvement Pool Bonds. Future revenues in the amount of \$955,363 are pledged to repay the principal and interest on the bonds at September 30, 2016. Pledged funds in the amount of \$98,260 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2016. This represents 23.14% of the pledged funds received by the Board. The Series 2014-A bonds will mature in fiscal year 2026.

**Note 9 – Risk Management**

The Board is exposed to various risks of loss related to torts; theft of damage to the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Errors and omissions insurance and vehicle liability insurance is purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. The Board purchases commercial insurance for fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage.

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The current insurance provides coverage up to \$1 million per occurrence and a maximum \$2 million in aggregate claims. The Board purchases commercial insurance for fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage. Employee health insurance is provided through the Public Education Employees' Health Insurance Plan (PEEHIP) administered by the Public Education Employees' Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes the specified amount monthly to the PEEHIP for each employee. The Board contribution is applied against the employees' premium for the coverage selected and the employee pays any remaining premium.

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

**Note 10 – Defined Benefit Pension Plan**

**A. General Information about the Pension Plan**

Plan description

The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 5, 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](http://www.rsa-al.gov).

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.

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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 creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2015 was 11.71% of annual pay for Tier 1 members and 11.08% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$878,600 for the year ended September 30, 2016.

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

At September 30, 2016 the System reported a liability of \$12,361,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014. The System's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2015 the System's proportion was 0.118113%, which was an increase of 0.001764% from its proportion measured as of September 30, 2014.

**TUSCUMBIA CITY BOARD OF EDUCATION**  
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**For the Year Ended September 30, 2016**

For the year ended September 30, 2016, the System recognized pension expense of \$1,008,000. At September 30, 2016 the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$  | \$ 67,000                                    |
| Net difference between projected and actual earnings on pension plan investments                              | 809,000                                       |  |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 209,000                                       |  |
| Employer contributions subsequent to the measurement date   | 879,984                                       |  |
| Total   | \$ 1,897,984                                  | \$ 67,000                                    |

\$879,984 reported as deferred outflows of resources related to pensions resulting from System 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: | Amount     |
|--------------------------|------------|
| 2017                     | \$ 189,000 |
| 2018                     | 189,000    |
| 2019                     | 189,000    |
| 2020                     | 378,000    |
| 2021                     | 6,000      |

**C. Actuarial assumptions**

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

|                            |  |  |
|----------------------------|--|--|
| Inflation                  | 3.00%  |  |
| Investment rate of return  | 8.00% (net of pension plan investment expense) |  |
| Projected salary increases | 3.50% - 8.25%                                  |  |

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

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

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

\*Includes assumed rate of inflation of 2.50%

**D. Discount rate**

The discount rate used to measure the total pension liability was 8.00%. 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.

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

The following table presents the System's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

|  | 1.00%<br>Decrease<br>(7.00%) | Current<br>Discount<br>Rate (8.00%) | 1.00%<br>Increase<br>(9.00%) |
|--|------------------------------|-------------------------------------|------------------------------|
| District's proportionate share<br>of the net pension liability | \$ 16,353,000                | \$ 12,361,000                       | \$ 8,976,000                 |

**E. Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2015. The auditor's report dated October 16, 2016 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2015, along with supporting schedule is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**Note 10 – Other Postemployment Benefits (OPEB)**

**A. Plan Description**

The Board contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. **The Code of Alabama 1975**, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab or by writing to PEEHIB, c/o The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama, 36130-2150.

**B. Funding Policy**

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

| <u>Retired Member Rates</u>  | <u>Fiscal Year<br/>2016</u> |
|--|-----------------------------|
| Individual Coverage - Non-Medicare Eligible  | \$ 151.00                   |
| Individual Coverage - Medicare Eligible  | 10.00                       |
| Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible<br>Dependent(s) with Non-Medicare Eligible Spouse   | 416.00                      |
| Family Coverage - Non-Medicare Eligible Retired Member and Non-Spousal Dependent<br>Medicare Eligible  | 250.00                      |
| Family Coverage - Medicare Eligible Retired Member and Spouse Dependent Medicare<br>Eligible   | 260.00                      |
| Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible<br>Dependent(s) – No Spouse   | 250.00                      |
| Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible<br>Dependent(s) – with Non-Medicare Eligible Spouse   | 275.00                      |
| Family Coverage – Medicare Eligible Retired member and Non-Spousal Dependent<br>Medicare Eligible  | 109.00                      |
| Family Coverage – Medicare Eligible Retired Member and Spousal Dependent Medicare<br>Eligible  | 119.00                      |
| Tobacco Surcharge  | 50.00                       |
| PEEHIP Supplemental Plan   | -                           |
| Optional Plans (Hospital Indemnity, Cancer, Dental and Vision) – up to two optional plans<br>can be taken by retirees at no cost if the retiree is not also enrolled in one of the Hospital<br>Medical Plans. Otherwise, retirees can purchase the Optional plans at the normal<br>monthly rate of \$38.00 or \$50.00 for family dental. |                             |

Members who retire on or after October 1, 2005, and before January 1, 2012, pay two percent of the employer premium for each year under 25 years of service, and for each year over 25 years of service, the retirees premium is reduced by two percent.

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

**Surviving Spouse Rates**

|  |          |
|--|----------|
| Surviving Spouse - Non-Medicare Eligible                                 | 740.00   |
| Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare      | 987.00   |
| Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible | 1,033.00 |
| Surviving Spouse - Medicare Eligible                                     | 425.00   |
| Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible | 679.00   |
| Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible     | 725.00   |

Participating school systems are required to contribute at a rate established annually by the Legislature, currently \$780.00 per active employee per month. For the year, 27.08% (\$211.21) of the employer's contributions were used to assist in funding retiree benefit payments. PEEHIB recommends the monthly employer premium to the Legislature and the Legislature sets the required employer allocation per employee. The Board has no responsibility for the payment of healthcare benefits, beyond the payment of premium, for retired employees.

The following table presents the annual required contribution and the percentage contributed.

| Fiscal<br>Year<br>Ended | Active<br>Insurance<br>Premiums<br>Paid by<br>Board | Amount<br>Attributable<br>to Retirees | Percentage<br>of Active<br>Employee<br>Premiums<br>Attributable<br>to Retirees | Total<br>Amount<br>Paid<br>Attributable<br>to Retirees | Percentage<br>Contributed |
|-------------------------|---|---------------------------------------|--|--|---------------------------|
| 2016                    | \$ 780  | \$ 211.21                             | 27.08%   | \$ 431,171   | 100%                      |
| 2015                    | 714   | 180.76                                | 23.17%   | 380,715  | 100%                      |
| 2014                    | 714   | 220.12                                | 30.38%   | 439,244  | 100%                      |

**Note 11 – On-Behalf Payments**

The U. S. Department of Health and Human Services makes employee group waiver plan (EGWP) payments under provisions of Medicare Part D directly to the Public Education Employees' Health Insurance Plan (PEEHIP) on behalf of the Board. For the period October 1, 2015 through September 30, 2016, these payments totaled \$122,562.

**Note 12 – Contingent Liabilities**

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

The Tuscumbia City Board of Education is party to legal proceeding in the normal course of operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the



**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Notes to Financial Statements**  
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Board. The Board has adequate legal defenses, intends to contest the cases vigorously, and believes there is a very good likelihood of favorable outcomes. The potential loss to the Board should be minimal.

**Note 13 – Effects of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$7,594,197) includes the effect of deferring the recognition of expenses resulting from the deferred outflow from pensions and loss on refunding of debt. The \$1,897,984 balance of deferred outflows of resources related to pensions as of September 30, 2016, will be recognized as an expense and will decrease the unrestricted net position over the next 5 years. The \$73,888 on the loss on refunding of debt will be recognized as component of interest expense over the life of the bonds.

The unrestricted net position amount of (\$7,594,197) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$67,000 balance of deferred inflow of resources at September 30, 2016, will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Please reference Note 9 for details on amortization of deferred outflows/inflows of resources related to pensions.

**Note 14 – Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Tuscumbia City Board of Education evaluated the activity of the district for potential recognition and disclosure through March 21, 2017, which is the date the financial statements were issued or available to be issued and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements. No adjustments were considered necessary to the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual - General Fund**  
**For the Year Ended September 30, 2016**

|  | <u>Budgeted Amounts</u> |                    | <u>Actual</u><br><u>(Budgetary Basis)</u> | <u>Variance with</u><br><u>Final Budget--</u><br><u>Positive</u><br><u>(Negative)</u> |
|--|-------------------------|--------------------|---|---|
|  | <u>Original</u>         | <u>Final</u>       |   |   |
| <b>Revenues</b>  |                         |                    |   |   |
| State sources  | \$ 8,241,763            | 8,275,651          | 8,248,295                                 | (27,356)  |
| Federal sources  | 600                     | 800                | 820                                       | 20  |
| Local sources  | 2,177,891               | 2,184,165          | 2,204,757                                 | 20,592  |
| Other sources  | 57,655                  | 58,852             | 64,683                                    | 5,831   |
| Total Revenues   | <u>10,477,909</u>       | <u>10,519,468</u>  | <u>10,518,555</u>                         | <u>(913)</u>  |
| <b>Expenditures</b>  |                         |                    |   |   |
| <b>Current:</b>  |                         |                    |   |   |
| Instructional services                                       | 6,833,868               | 6,908,742          | 6,732,999                                 | 175,743   |
| Instructional support services                               | 2,084,962               | 2,131,121          | 2,044,291                                 | 86,830  |
| Operation and maintenance services                           | 1,073,785               | 1,243,717          | 926,609                                   | 317,108   |
| Auxiliary Services:  |                         |                    |   |   |
| Student transportation                                       | 70,191                  | 128,699            | 83,656                                    | 45,043  |
| Food service   | -                       | -                  | -   | -   |
| General administration and central support                   | 994,963                 | 1,062,520          | 912,655                                   | 149,865   |
| Other expenditures   | 76,045                  | 76,045             | 68,746                                    | 7,299   |
| Total Expenditures   | <u>11,133,814</u>       | <u>11,550,844</u>  | <u>10,768,956</u>                         | <u>781,888</u>  |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | <u>(655,905)</u>        | <u>(1,031,376)</u> | <u>(250,401)</u>                          | <u>780,975</u>  |
| <b>Other Financing Sources (Uses):</b>                       |                         |                    |   |   |
| Indirect cost  | 145,558                 | 149,274            | 145,730                                   | (3,544)   |
| Transfers in   | 926,905                 | 716,985            | 818,990                                   | 102,005   |
| Other financing sources                                      | -                       | -                  | -   | -   |
| Transfers out  | (351,423)               | (351,423)          | (351,423)                                 | -   |
| Total Other Financing Sources (Uses)                         | <u>721,040</u>          | <u>514,836</u>     | <u>613,297</u>                            | <u>98,461</u>   |
| Net Change in Fund Balances                                  | 65,135                  | (516,540)          | 362,896                                   | 879,436   |
| Fund Balances - Beginning of Year                            | -                       | 3,397,624          | 3,397,624                                 | -   |
| Fund Balances - End of Year                                  | <u>\$ 65,135</u>        | <u>2,881,084</u>   | <u>3,760,520</u>                          | <u>879,436</u>  |

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Notes to the Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2016**

**Note 1 - Excess of Expenditures Over Appropriations**

The Board budgeted appropriations for General fund expenditures based on anticipated revenue. Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries and related fringe benefits are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements.

**Note 2 - Budgetary Comparison Schedule - Debt Service Fund - County Sales Tax and Capital Outlay Fund**

The Board does not adopt, nor is required to adopt, a budget for debt service or capital outlay funds; therefore, no budget comparison schedule is presented for those funds.

**Note 3 - Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

|   | <b>General Fund</b>  |
|---|----------------------|
| <b>Sources/inflows of resources</b>   |                      |
| Actual total revenue budgetary basis  | \$ 10,518,555        |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances--governmental funds      | \$ <u>10,518,555</u> |
| <b>Expenditures:</b>  |                      |
| Actual total expenditures budgetary basis   | \$ 10,768,956        |
| Differences--budget to GAAP   |                      |
| Salaries and related fringe benefits  | 85,395               |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances--governmental funds. | \$ <u>10,854,351</u> |

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Schedule of the System's Proportionate Share of the Net Pension Liability**  
**Teachers' Retirement Plan of Alabama**  
**Last 10 Fiscal Years\***

|   | <u>2016</u>   | <u>2015</u> |
|---|---------------|-------------|
| System's proportion of the net pension liability  | 0.118113%     | 0.116349%   |
| System's proportionate share of the net pension liability   | \$ 12,361,000 | 10,570,000  |
| <br>  |               |             |
| System's covered-employee payroll   | \$ 7,474,612  | 7,379,712   |
| System's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 165.37%       | 143.23%     |
| Plan fiduciary net position as a percentage of the total pension liability                                | 67.51%        | 71.01%      |

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year 9/30/16, and, until a full 10-year trend is compiled, the System has only presented information for the years in which information is available.

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Schedule of System Contributions**  
**Teachers' Retirement System of Alabama**  
**Last 10 Fiscal Years\***

|  | <u>2016</u>      | <u>2015</u>      |
|--|------------------|------------------|
| Contractually required contribution                                  | \$ 879,984       | 871,179          |
| Contributions in relation to the contractually required contribution | <u>(879,984)</u> | <u>(871,179)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>-</u>         |
| <br>   |                  |                  |
| District's covered-employee payroll                                  | 7,442,716        | 7,474,612        |
| Contributions as a percentage of covered-employee payroll            | 11.82%           | 11.66%           |

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year 9/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

## **SUPPLEMENTARY INFORMATION**

**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2016**

| Federal Grantor/Pass - Through<br>Grantor/Program or Cluster Title | CFDA<br>Number | Total Federal<br>Awards Expended |
|--|----------------|----------------------------------|
| <b>U.S. Department of Agriculture</b>                              |                |                                  |
| <u>Pass-Through Program From:</u>                                  |                |                                  |
| <u>Alabama Department of Education:</u>                            |                |                                  |
| School Breakfast Program   | 10.553         | \$ 150,955                       |
| National School Lunch Program                                      | 10.555         | 472,074                          |
| Summer Food Service Program  | 10.559         | 17,407                           |
| <b>Sub-Total Child Nutrition Cluster</b>                           |                | <u>640,436</u>                   |
| State Administrative Expenses for Child Nutrition                  | 10.560         | 2,829                            |
| <b>Total passed through the Alabama Department of Education</b>    |                | <u>643,265</u>                   |
| <b>Total U.S. Department of Agriculture</b>                        |                | <u>643,265</u>                   |
| <b>U.S. Department of Education</b>                                |                |                                  |
| <u>Pass-Through Program From:</u>                                  |                |                                  |
| <u>Alabama Department of Education:</u>                            |                |                                  |
| Special Education-Grants to States                                 | 84.027         | 299,253                          |
| Special Education-Preschool Grants                                 | 84.173         | 22,733                           |
| <b>Sub-Total Special Education Cluster</b>                         |                | <u>321,986</u>                   |
| Title I Grants to Local Educational Agencies                       | 84.010         | 281,736                          |
| Career and Technical Education -Basic Grants to States             | 84.048         | 18,274                           |
| Education for Homeless Children and Youth                          | 84.196         | 10,000                           |
| Improving Teacher Quality State Grants                             | 84.367         | 90,832                           |
| <b>Total passed through the Alabama Department of Education</b>    |                | <u>722,828</u>                   |
| <b>Total U.S. Department of Education</b>                          |                | <u>722,828</u>                   |
| <b>U.S. Department of Health and Human Services</b>                |                |                                  |
| <u>Pass-Through Program From:</u>                                  |                |                                  |
| <u>Alabama Department of Education</u>                             |                |                                  |
| Temporary Assistance for Needy Families                            | 96.001         | 820                              |
| <b>Total passed through Alabama Department of Education</b>        |                | <u>820</u>                       |
| <b>Total U.S. Department of Health and Human Services</b>          |                | <u>820</u>                       |
| <b>Total Federal Awards</b>  |                | <u>\$ 1,366,913</u>              |

The accompanying notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.



**TUSCUMBIA CITY BOARD OF EDUCATION**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2016**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Tuscumbia City Board of Education under programs of the federal government for the year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Tuscumbia City Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Tuscumbia City Board of Education.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts show on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3 – Non-Cash Awards**

The Tuscumbia City Board of Education is the recipient of certain non-cash assistance in the form of donated commodities received from the U.S. Department of Agriculture. Revenues and expenditures are recorded for the value of commodities received. In addition, the Tuscumbia City Board of Education may receive certain other non-cash assistance from federal and state awarding agencies. The amount of non-cash assistance received at September 30, 2016 was \$60,547.

**Note 4 – Indirect Cost Rate**

The Tuscumbia City Board of Education has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## **ADDITIONAL INFORMATION**

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

Superintendent and School Board  
Tuscumbia City Board of Education

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 Tuscumbia City Board of Education, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Tuscumbia City Board of Education's basic financial statements, and have issued our report thereon dated March 21, 2017

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## 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.

*The Sparks CPA Firm, P.C.*

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
March 21, 2017



Certified Public Accountants

Member of:

American Institute of Certified Public Accountants

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

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

Members of the Board  
Tuscumbia City Board of Education  
Tuscumbia, Alabama

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, Tuscumbia City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

**Report on Internal Control Over Compliance**

Management of Tuscumbia City Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tuscumbia City Board of Education's internal control over

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Muscle Shoals, Alabama 35661  
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compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tuscombua City Board of Education's internal control over compliance.

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

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

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



The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
March 21, 2017

**TUSCUMBIA CITY BOARD OF EDUCATION  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2016**

**Section I: Summary of Auditors' Results**

*Financial Statements:*

|    |   |               |
|----|---|---------------|
| 1. | Type of auditors' report issued:                      | Unmodified    |
|    | Governmental Activities                               | Unmodified    |
|    | General Fund  | Unmodified    |
|    | Capital Projects – PSF Fund                           | Unmodified    |
|    | Capital Projects – Local Source Fund                  | Unmodified    |
|    | Capital Projects – Other Proceeds/Long-term           | Unmodified    |
|    | Aggregate remaining fund information                  | Unmodified    |
| 2. | Internal control over financial reporting:            |               |
|    | a. Material weakness(es) identified?                  | No            |
|    | b. Significant deficiency(ies) identified?            | None reported |
| 3. | Noncompliance material to financial statements noted? | No            |

*Federal Awards:*

|     |   |               |
|-----|---|---------------|
| 4.  | Internal control over major programs:   |               |
|     | a. Material weakness(es) identified?  | No            |
|     | b. Significant deficiency(ies) identified?  | None reported |
| 5.  | Any findings disclosed that are required to be Reported in accordance with Section 510(a) of Circular A-133?  | No            |
| 6.  | Type of auditors' report issued on compliance for Major federal programs:   | Unmodified    |
| 7.  | Identification of major programs:   |               |
|     | a. CFDA# 84.010 Title I Grants to Local Educational Agencies  |               |
| 8.  | The dollar threshold used to distinguish between Type A and type B programs:  | \$750,000     |
| 9.  | Auditee qualified as low-risk auditee?  | Yes           |
| 10. | Prior year audit findings and questioned cost relative to federal awards which would required the auditee to prepare a summary schedule of prior audit findings as discussed in Section 315(b) of OMB Circular A-133? | No            |

**TUSCUMBIA CITY BOARD OF EDUCATION  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2016**

**Section II: Financial Statement Findings**

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under Government Auditing Standards.

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

The results of our tests did not disclose any findings and questioned costs related to the federal awards.