

**BESSEMER CITY
BOARD OF EDUCATION,
BESSEMER, ALABAMA
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022
ANNUAL FINANCIAL REPORT**

BESSEMER CITY BOARD OF EDUCATION
Bessemer, Alabama

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-15
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15.1-16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of the balance sheet of governmental funds to the statement of net position	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Fiduciary Financial Statements	
Combining Statement of Fiduciary Net Position-Local Schools Non-Public Funds	22
Combining Statement of Changes in Fiduciary Net Position- Local Schools Non-Public Funds	23
Notes to the Financial Statements	24-56
Required Supplementary Information	
Notes to the Required Supplementary Information	57-58
Schedule of Board Contributions – Teachers’ Retirement of Alabama	59
Schedule of Proportionate Share of Net Pension Liability – Teachers’ Retirement of Alabama	60
Schedule of Board Contributions – Alabama Retired Education Employees’ Health Care Trust	61
Schedule of Proportionate Share of Net Pension OPEB – Alabama Retired Education Employees’ Health Care Trust	62
General Fund Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	63
Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	64-67
Fiduciary Non-Public Funds	
Combining Balance Sheet	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	72-73
Single Audit Section	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74-75
Independent Auditor’s Report on Compliance For Each Major Program and on Internal Control Over Compliance Required By The Uniform Guidance	76-78
Schedule of Expenditures of Federal Awards	79
Note to the Schedule of Expenditures of Federal Awards	80
Schedule of Findings and Questioned Costs	81-86
Corrective Action Plan	87-88
Schedule of Prior Year Audit Findings	89



INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members
of the Bessemer City Board of Education
Bessemer, Alabama**

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information of the Bessemer City Board of Education (the "Board"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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 Bessemer City Board of Education, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bessemer City Board of Education, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bessemer City Board of Education's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bessemer City Board of Education 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bessemer City Board of Education 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and other auditors 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bessemer City Board of Education's basic financial statements. The combining and individual nonmajor fund financial statements; and the schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, supplementary information, and supplemental schedules, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2023, on our consideration of the Bessemer City Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Bessemer City Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bessemer City Board of Education's internal control over financial reporting and compliance.



The Principal & Associates, Inc.
Certified Public Accountants
2100 South Bridge Parkway, Suite 650
P.O. Box 360973
Birmingham, Alabama 35236

August 15, 2023

BESSEMER CITY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The discussion and analysis of the Bessemer City Board of Education ("the Board") provides an overview of the Board's financial activities for the year ended September 30, 2022. The intent of this discussion and analysis is to examine the Board's financial performance as a whole, identify the changes in financial position as well as to present basic financial statements. The Basic Financial Statements should be reviewed by the readers to enhance their understanding of the Board's financial performance as a whole or as an entire operating entity. The Basic Financial Statements contain the following components:

- Government-wide financial statements including the Statement of Net Position and the Statement of Activities, which provide a broad, long-term overview of the Board's finances.
- Fund-level financial statements provide a greater level of detail about the Board's major funds and focus on how well the Board has performed in the short-term in the most significant funds.
- Notes to the Basic Financial Statements.

This report also presents the highlights for the year ended September 30, 2022 and contains other supplementary information.

Financial Highlights

Total net position for the Board increased from \$7,310,605 in year 2021 to \$11,293,136 in year 2022, an increase of \$3,982,531 or 54.48%.

Total revenues increased from \$48,395,198 in year 2021 to \$53,168,247 in year 2022, an increase of \$4,773,049 or 9.86%.

Total expenses increased from \$45,383,843 to \$49,341,045 between 2021 and 2022, respectively, an increase of \$3,957,202 or 8.72%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Board has prepared its annual financial reports according to the Governmental Accounting Standards Board Statement No. 34 financial reporting model. The management's discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

Perhaps the most notable feature of the model is the requirement for government-wide financial statements. The focus of these financial statements is to provide readers with a broad overview of the Board's finances as a whole instead of on an individual fund basis, in a manner similar to private-sector business, indicating both long-term and short-term information about the Board's overall financial status. It is important to note that all of the activities of the Board reported in the government-wide financial statements are classified as governmental activities. These activities including the following:

Instructional includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, professional development, and classroom instructional materials, supplies and equipment.

BESSEMER CITY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Instructional Support includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, school social workers, school nurses, and professional development expenses.

Operational Maintenance includes utilities, security services, janitorial services, and maintenance services.

Auxiliary Service includes student transportation expenses, such as bus driver salaries and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance. Also included are food service expenses such as lunchroom managers, cooks, cashiers and servers' salaries and benefits as well as donated and purchased food, food preparation and service supplies, kitchen and lunch-room equipment and depreciation of food service equipment and facilities.

General Administration and Central Office Support includes salaries and benefits for the superintendent, assistant superintendent, clerical and financial staff, curriculum staff, and other personnel that provide system-wide support for schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.

Interest and Fiscal Charges include interest, but not principal payments, on long-term debt issues and other expenses related to the issuance or continuance of debt issues.

Other includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the kindergarten through 12th grade instructional programs.

Government-wide financial statements report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations, which has not been the case in the past. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Board's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector. The following government-wide financial statements report on all the governmental activities of the Board as a whole

- The **Statement of Net Position** is closely related to a balance sheet. It presents information on all the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them reported as net position. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increase or decrease in net position reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.

BESSEMER CITY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

- The **Statement of Activities** is most closely related to an income statement. It presents information showing how the Board's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net position for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. The changes in net position may be financial or non-financial in nature. Non-financial factors which may have an impact on the Board's financial condition include; age and condition of facilities, mandated educational programs for which little or no funding is provided, and increases or decreases in funding from state and federal governments, to name a few.

Fund Financial Statements

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

Governmental fund – These funds are used to account for the Board's basic services and focus on providing cash flow available for spending. The funds include the General Funds, Food and Nutrition Fund, Debt Service fund and other governmental funds of lesser magnitude. Fund financial statements use the modified-accrual basis of accounting, where revenues are recorded when they become measurable and available and expenditures are recorded when the related liability is incurred, except for principal and interest on long-term debt, which is recorded when payment is due. As a result, the fund financials focus more on the near-term use and availability of spendable resources. The information provided is useful in determining the Board's immediate financial needs. This contrasts with the accrual-based government-wide financial statements which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the fund financial statements are reconciled in these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financial decisions.

Fiduciary funds – The Board is the trustee, or fiduciary, for some of its booster and parent organization activity funds, which are under the control and administration of its schools. All the Board's fiduciary activities are reported in a separate *Statement of Fiduciary Net Position* on page 21 of this section. These funds are not available to finance Board operations, and are, therefore, not included in the government-wide financial statements. The Board is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

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

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

After the presentation of the basic financial statements and accompanying notes to the basic financial statements, the reporting model requires additional required supplementary information to be presented following the notes to the basic financial statements. The required supplementary provides a comparison of the original adopted budget to the final amended budget of the Board's General Fund which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project for its operations throughout the year.

Fiscal Analysis of the Board as a Whole

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to the Statement of Activities report when reading the following analysis of net position.

**TABLE 1
BESSEMER CITY BOARD OF EDUCATION
CONDENSED STATEMENT OF NET POSITION
SEPTEMBER 30, 2022 AND 2021**

	Governmental Activities 2022	Percent of Total 2022	Governmental Activities 2021	Percent of Total 2021
Current and other assets	\$ 31,280,868	34.34%	\$ 23,281,731	27.47%
Capital assets, net	59,810,918	65.66%	61,478,075	72.53%
Total assets	<u>91,091,786</u>	<u>100.00%</u>	<u>84,759,806</u>	<u>100.00%</u>
Total deferred outflows of resource:	<u>15,795,721</u>	<u>100.00%</u>	<u>18,452,650</u>	<u>100.00%</u>
Noncurrent liabilities	58,319,803	84.06%	74,691,302	96.18%
Current liabilities	<u>11,055,006</u>	<u>15.94%</u>	<u>2,966,429</u>	<u>3.82%</u>
Total liabilities	<u>69,374,809</u>	<u>100.00%</u>	<u>77,657,731</u>	<u>100.00%</u>
Total deferred inflows of resources	<u>26,219,562</u>	<u>100.00%</u>	<u>18,244,120</u>	<u>100.00%</u>
Net position:				
Net investments in capital assets	45,499,975	402.90%	45,705,838	625.20%
Unrestricted	<u>(34,206,839)</u>	<u>-302.90%</u>	<u>(38,395,233)</u>	<u>-525.20%</u>
Total net position	<u>\$ 11,293,136</u>	<u>100.00%</u>	<u>\$ 7,310,605</u>	<u>100.00%</u>

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

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

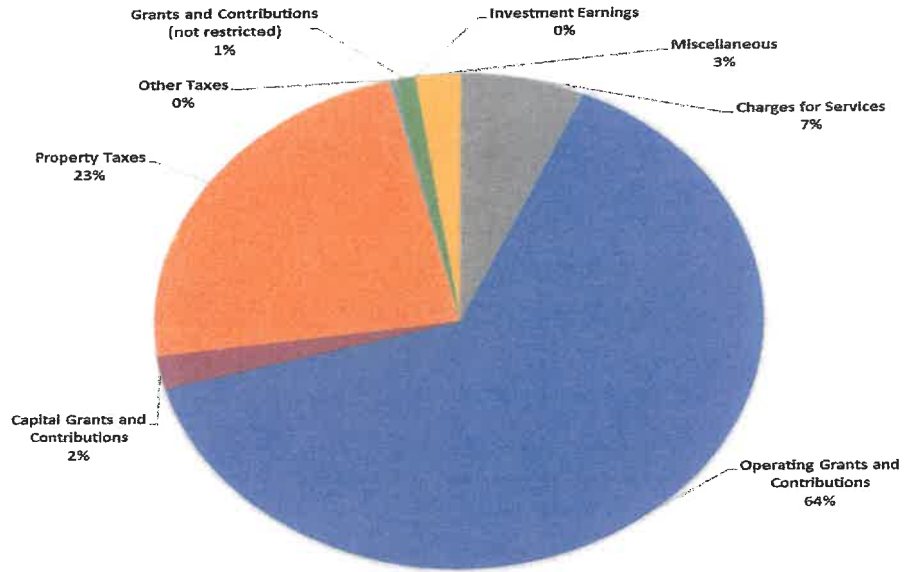
**TABLE 2
BESSEMER CITY BOARD OF EDUCATION
CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Revenue		
Program revenues:		
Charges for services	\$ 3,533,007	\$ 3,201,513
Operating grants and contributions	34,063,806	30,766,849
Capital grants and contributions	1,137,913	1,186,231
General revenue:		
Property taxes for general purposes	12,407,716	12,111,996
Other taxes	100,029	95,559
Grants and contributions (not restricted for specific purpose)	620,487	647,335
Investments earnings	1,965	5,215
Miscellaneous	<u>1,303,324</u>	<u>380,500</u>
Total revenues	53,168,247	48,395,198
Expenses		
Governmental activities		
Instructional services	22,782,457	22,401,782
Instructional support services	9,432,158	9,025,539
Operating and maintenance	5,365,882	4,053,139
Auxiliary services:		
Transportation	1,992,764	1,948,478
Food services	3,350,534	836,588
General administration and central support	3,109,319	2,406,386
Interest and fiscal charges	646,606	547,071
Others	<u>2,661,325</u>	<u>4,164,860</u>
Total expenses	49,341,045	45,383,843
Changes in net position	3,827,202	3,011,355
Beginning net position	7,310,605	4,299,250
Prior Period Adjustment	<u>155,329</u>	<u>-</u>
Ending net position	<u>\$ 11,293,136</u>	<u>\$ 7,310,605</u>

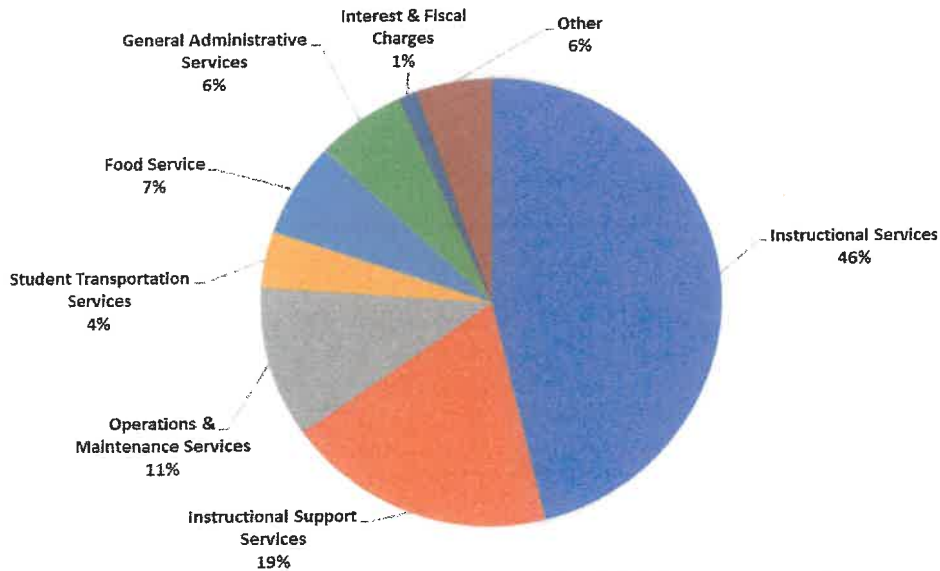
Governmental Activities – The Board's Governmental activities net position increased \$3,982,531 for fiscal year 2022 compared to an increase of \$3,011,355 in the prior year. In fiscal year 2022, revenues increased by \$4.8M while expenses increased \$3.9M. The increase in federal funds is due primarily to the Board receiving ESSER grants.

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)**

**REVENUES
FOR THE PERIOD ENDED 2022**



**EXPENSES
FOR FISCAL YEAR ENDED 2022**



**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Table 3 is a condensed statement taken from the Statement of Activities showing the total cost for providing identified services for five major board activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the Board used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

**TABLE 3
BESSEMER CITY BOARD OF EDUCATION
NET COST OF GOVERNMENT ACTIVITIES
FISCAL YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>Total Cost of Service</u>		<u>Net Cost of Service</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Expenses				
Governmental activities:				
Instructional services	\$ 22,782,457	\$ 22,401,782	\$ (3,975,916)	\$ (3,982,850)
Instructional support services	9,432,158	9,025,539	(1,215,898)	(1,828,772)
Operating and maintenance	5,365,882	4,053,139	(2,631,475)	(2,009,142)
Auxiliary services:				
Transportation	1,992,764	1,948,478	(181,313)	13,754
Food Services	3,350,534	836,588	55,588	91,595
General administration and central support	3,109,319	2,406,386	(1,732,512)	(1,593,158)
Interest and fiscal charges	646,606	547,071	(646,606)	(547,071)
Others	<u>2,661,325</u>	<u>4,164,860</u>	<u>(278,187)</u>	<u>(373,606)</u>
 Total expenses	 <u>\$ 49,341,045</u>	 <u>\$ 45,383,843</u>	 <u>\$ (10,606,319)</u>	 <u>\$ (10,229,250)</u>

Financial Analysis of the Board's Funds

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial information is presented separately in the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Board's major funds: General Fund, Bond Issue Payments Fund, and Food and Nutrition Fund. Financial information for the non-major governmental funds is aggregated and presented in a single column. Individual fund data for each of the non-major governmental funds is presented in the combining statements as of September 30, 2022. The Board's governmental funds reported a combined fund balance of \$21,741,484, which is an increase of \$1,254,361.

BESSEMER CITY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

General Fund – The general fund is the primary operating fund of the Board. Overall revenues increased \$788,695 from the previous year. The increase is primarily due to the advancement and technology funds from the State Department. Expenditures increased by \$2,477,487 from the previous year. Fund balance increased by \$693,589, which is caused by an increase in revenues, offset by an increase in expenditures.

Bond Issue Payments Fund– The bond issue payments fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The change in fund balance was \$171 and represents a decrease due to payments on debt.

Food and Nutrition Fund– The food and nutrition fund accounts for funds received from federal grants and other sources that are earmarked for the school lunch and breakfast programs. The change in fund balance of \$887,681 represents a decrease due to the student attendance and the program still operating on pandemic waivers provided by the state and federal governments.

Budgetary Highlights of Major Funds

On or before October 1 of each year, the Board is mandated by State Law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The State Department required this budget to be submitted by September 15th of each year. The original budget was adopted on September 9, 2021. On May 17, 2022, the Board revised the annual budget to include federal grants and state allocations that were not available at the time of the original budget approval.

The Board's general fund adopted a budget for the year ended September 30, 2022 with a projected ending balance of \$17,163,979. This amount represents a \$2,933,868 decrease from the original budget. The majority of the source funding of General fund is \$23,251,528, which was State foundation funding.

The 2021-2022 final budget for revenues was \$36,336,546. Actual revenues for the year were \$37,247,018. The difference was \$910,472, due to changes in state and local sources.

The 2021-2022 final budget for expenditures was \$36,520,411. Actual expenditures as of September 30, 2022 were \$35,044,881. The final budget was under expended by \$1,475,530. The under expenditure of the budget contributes directly to the Board's ability to monitor all expenditures.

Capital Assets and Debt Administration

Capital Assets – At September 30, 2022, the Board had approximately \$59,810,918 invested in capital assets including land, buildings, equipment costing \$5,000 or more, vehicles, buildings, and equipment under capital lease. The amount is net of accumulated depreciation to date. Net capital assets decreased by \$1,667,157 compared to the previous year. The net decrease in capital assets is due to depreciation of \$2,171,003 recorded in excess of capital additions of \$503,846 for the year ended September 30, 2022. The capital additions were for improvements and secure vestibules at Westhills Elementary, Greenwood Elementary and Bessemer City Middle Schools. A summary of the Board's capital assets, net of depreciation at September 30, 2022 is as follows:

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**TABLE 4
BESSEMER CITY BOARD OF EDUCATION
CAPITAL ASSETS
SEPTEMBER 30, 2022 AND 2021
GOVERNMENTAL ACTIVITIES**

	<u>2022</u>	<u>2021</u>
Land	\$ 3,286,311	\$ 3,286,311
Construction in Progress	3,446,867	3,440,712
Land improvements	992,262	992,262
Buildings	79,117,658	79,117,658
Buildings improvements	6,841,106	6,754,106
Equipment and furniture	3,047,004	2,636,313
Vehicles	4,038,017	4,038,017
Equipment under capital leases	595,756	595,756
Total capital assets	<u>101,364,981</u>	<u>100,861,135</u>
Accumulated depreciation	<u>(41,554,063)</u>	<u>(39,383,060)</u>
Net capital assets	<u>\$ 59,810,918</u>	<u>\$ 61,478,075</u>

Depreciation expense was charged to government functions as follows:

Governmental Activities	<u>Amount</u>
Instructional	\$ 1,864,497
Instructional support	19,817
Operational and maintenance	9,610
Student transportation	191,653
Food service	76,135
General and administrative	-
Other Expenditures	<u>9,292</u>
	<u>\$ 2,171,004</u>

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Long-Term Debt – At September 30, 2022, the Board had \$58,319,803 in long-term liabilities for a net decrease of \$16.4M from the previous year. Long term debt includes warrants and bonds payables, capital leases, pension and OPEB liability. In the current year, long term debt related to warrants, bonds and capital leases decreased \$1,635,959 due to the Board making scheduled principal payments to reduce the debt. Long term debt decreased \$13,788,730 related to the Pension and OPEB Liability in the Retirement System of Alabama (RSA). The Pension and OPEB liability are actuarially calculated at the RSA. The Board receives the totals for their proportionate share of the Pension and OBEP liabilities from the RSA. The following is a summary of long-term debt transactions for the year ended September 30, 2022:

**TABLE 5
BESSEMER CITY BOARD OF EDUCATION
OUTSTANDING DEBT
FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Warrants and Bonds Payable				
PSCA Capital Pool Warrants, Series 2015-AB	\$ 2,058,758	\$ (235,459)	\$ 1,823,299	\$ 247,534
PSCA Capital Pool Warrants, Series 2017-A	2,572,225	(106,175)	2,466,050	111,600
School Tax Warrants, Series 2011	7,030,000	(685,000)	6,345,000	705,000
School Tax Warrants, Series 2012-B	180,790	(180,790)	-	-
PSCA Capital Pool Warrants Series 2019	2,392,019	(86,857)	2,305,162	91,298
Unamortized warrants premium	791,075	(66,632)	724,443	-
	<u>15,024,867</u>	<u>(1,360,913)</u>	<u>13,663,954</u>	<u>1,155,432</u>
Capital Lease				
Municipal asset management	179,482	(179,482)	-	-
Regions Bank	742,553	(95,564)	646,989	100,617
	<u>922,035</u>	<u>(275,046)</u>	<u>646,989</u>	<u>100,617</u>
RSA				
Net pension liability	37,401,000	(8,752,000)	28,649,000	-
Net OPEB liability	21,343,400	(5,036,730)	16,306,670	-
	<u>58,744,400</u>	<u>(13,788,730)</u>	<u>44,955,670</u>	<u>-</u>
Compensated Absences	-	412,319	412,319	103,080
Total long-term debt	<u>\$ 74,691,302</u>	<u>\$ (15,012,370)</u>	<u>\$ 59,678,932</u>	<u>\$ 1,359,129</u>

**BESSEMER CITY BOARD OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**

Economic Factors and Next Year’s Budget

Because most of the Board’s funding comes from the state (62%), two factors must be taken into consideration: local property tax and student attendance during the first 20 days of the school year after Labor Day. There was a decrease of 250 students in the Average Daily Membership (ADM) for fiscal year 2022. The Board is committed to providing a dedicated staff, a diverse and challenging curriculum within a clean, safe and caring environment.

The school district plans to repair and/or replace HVAC systems, ventilation and ducts will be cleaned, and continued vestibules. The school district will also provide ongoing, high-quality professional development for administrators, teachers and other instructional staff that support increased student achievement in all core subjects.

On September 30, 2022, the Board ended the fiscal year based on the modified accrual basis accounting with around six months of operating funds exceeding the one-month reserve as required by the Alabama State Department of Education.

Student Enrollment – The latest average daily membership (ADM) as of the twenty days after Labor Day Report for 2021-2022 school year is 3,290 which indicates an increase in ADM of 61 students. The board has invested in thoroughly reviewing and redeveloping the salary schedule to help us recruit and retain the best employees possible. With committed employees that provide a rigorous academic and athletic program, we will see an increase in our students returning to Bessemer City Schools.

<u>School Year</u>	ADM	Increase/(Decrease)	Fiscal Year
2021-2022	3,290	61	2022-2023
2020-2021	3,229	(250)	2021-2022
2019-2020	3,479	(93)	2020-2021
2018-2019	3,572	(37)	2019-2020
2017-2018	3,609	(6)	2018-2019
2016-2017	3,615	(126)	2017-2018
2015-2016	3,741	(237)	2016-2017
2014-2015	3,978	(30)	2015-2016
2013-2014	4,008	(86)	2014-2015
2012-2013	4,094	(317)	2013-2014

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact Patricia Stewart, Chief School financial Officer at 205-432-3029 (email: pstewart@bessk12.org). Our physical address is 1621 – 5th Avenue North, Bessemer, AL 35020.

BASIC FINANCIAL STATEMENTS

**BESSEMER BOARD OF EDUCATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 24,480,070
Receivables	
Accounts	68,429
Intergovernmental	6,377,685
Inventories	354,684
	<hr/>
Total Current Assets	31,280,868
Noncurrent Assets	
Capital assets not being depreciated:	
Land	3,286,311
Construction in Progress	3,446,867
Depreciated	
Buildings and Improvements	86,951,026
Equipment	7,680,777
Accumulated Depreciation	(41,554,063)
	<hr/>
Total Capital Assets	59,810,918
	<hr/>
Total Assets	91,091,786
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on pension	7,935,283
Deferred amount on OPEB	7,708,804
Deferred charges on refunding of debt	151,634
	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	15,795,721
	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 106,887,507
	<hr/> <hr/>

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

**BESSEMER BOARD OF EDUCATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	<u>Governmental Activities</u>
LIABILITIES	
Current Liabilities	
Account payable and other current liabilities	\$ 4,513
Accrued payroll and related liabilities	3,792,177
Accrued interest payable	156,493
Deferred Revenue	5,742,694
Current Maturities of Long-term liabilities:	
Compensated absences	103,080
Capital lease payable	100,617
Warrants payable	1,155,432
Total Current Liabilities	11,055,006
Noncurrent Liabilities	
Compensated absences	309,239
Capital lease payable	546,372
Warrants payable	12,508,522
Net Pension obligation	28,649,000
OPEB liability	16,306,670
Total Noncurrent Liabilities	58,319,803
Total Liabilities	69,374,809
DEFERRED INFLOWS OF RESOURCES	
Deferred amount on pension	9,466,000
Deferred amount on OPEB	16,753,562
TOTAL DEFERRED INFLOWS OF RESOURCES	26,219,562
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	95,594,371
NET POSITION	
Invested in Capital Assets, Net of Related Debt	45,499,975
Unrestricted	(34,206,839)
Total Net Position	\$ 11,293,136

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

**BESSEMER BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Governmental Activities				Net (Expense) and Revenues and Changes in Net Assets
	Expenses		Program Revenues		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions		
Instructional services	\$ 22,782,457	\$ 190,443	\$ 17,889,957	\$ 726,141	\$ (3,975,916)
Instructional support and services	9,432,158	37,209	8,179,051		(1,215,898)
Operation and maintenance service	5,365,882	60,608	2,513,432	160,367	(2,631,475)
Student transportation services	1,992,764	4,956	1,556,322	250,173	(181,313)
Food services	3,350,534	2,793,098	613,024		55,588
General and administrative services	3,109,319	15,859	1,359,716	1,232	(1,732,512)
Interest and fiscal charges	646,606				(646,606)
Other	2,661,325	430,834	1,952,304		(278,187)
Total Government Activities	<u>\$ 49,341,045</u>	<u>\$ 3,533,007</u>	<u>\$ 34,063,806</u>	<u>\$ 1,137,913</u>	<u>\$ (10,606,319)</u>
General Revenues					\$ 12,407,716
Property Taxes					100,029
Other Taxes					620,487
Grants and contributions not restricted for specific programs					1,965
Investment Earnings					1,303,324
Other general revenues					14,433,521
Total General Revenues					<u>3,827,202</u>
Change in Net Position					7,310,605
Net Position - Beginning as originally stated					155,329
Prior Period Adjustment					<u>\$ 11,293,136</u>
Net Position - Ending					<u>\$ 11,293,136</u>

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

**BESSEMER BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	<u>General Fund</u>	<u>Food and Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 18,650,255	\$ 1,222,280	\$ 1,692	\$ 4,605,843	\$ 24,480,070
Receivables					
Accounts	65,639	2,790		-	68,429
Intergovernmental	3,151	611,212		5,763,322	6,377,685
Due from other funds	-	8,768		4,144	12,912
Inventory	-	354,684		-	354,684
Prepays	-	-		-	-
Total Assets	<u>18,719,045</u>	<u>2,199,734</u>	<u>1,692</u>	<u>10,373,309</u>	<u>31,293,780</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Account payable and other liabilities	52	-		4,461	4,513
Accrued payroll and related liabilities	3,792,177			-	3,792,177
Due to other funds	12,912	-		-	12,912
Deferred revenue	-	-		5,742,694	5,742,694
Total Liabilities	<u>3,805,141</u>	<u>-</u>	<u>-</u>	<u>5,747,155</u>	<u>9,552,296</u>
Fund Balances					
Nonspendable:					
Inventories	-	354,684	-		354,684
Restricted for:					
Special revenue		1,845,050		1,398,787	3,243,837
Committed to:					
Debt Service			1,692		1,692
Capital Projects				3,227,367	3,227,367
Unassigned (deficit)	14,913,904	-			14,913,904
Total Fund Balance	<u>14,913,904</u>	<u>2,199,734</u>	<u>1,692</u>	<u>4,626,154</u>	<u>21,741,484</u>
Total Liabilities and Fund Balances	<u>\$ 18,719,045</u>	<u>\$ 2,199,734</u>	<u>\$ 1,692</u>	<u>\$ 10,373,309</u>	<u>\$ 31,293,780</u>

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

**BESSEMER CITY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Total fund balances-governmental funds		\$ 21,741,484
Net capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		59,810,918
Deferred outflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources - Pension		7,935,283
Deferred outflows of resources - OPEB		7,708,804
Net Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the governmental funds were:		
Warrants payable	12,939,511	
Capital leases payable	646,989	
Net pension liability	28,649,000	
OPEB liability	16,306,670	
Compensated Absences	412,319	
Total long-term liabilities		(58,954,488)
Debt discounts/premiums and are reported as current expenditures in the governmental funds. However, in the Statement of Activities, these items are deferred and amortized over the life debt and are included as deferred charges in the Statement of Net Position.		
Unamortized Premiums		(724,443)
Losses from refunding of debt are reported as deferred outflows of resources and are not available to pay current-period expenditures. However, in the Statement of Activities, these items are deferred and amortized over the life debt and are included as deferred charges in the Statement of Net Position.		
Deferred charges from refunding		151,634
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.		(156,493)
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred inflows of resources - Pension		(9,466,000)
Deferred inflows of resources - OPEB		(16,753,562)
Net assets of governmental activities		\$ 11,293,136

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

BESSEMER BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

	<u>General Fund</u>	<u>Food and Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds</u>
REVENUES:					
State sources	\$ 23,135,649	\$ -	\$ -	\$ 1,137,912	\$ 24,273,561
Federal sources	515,822	2,936,796	-	10,538,229	13,990,847
Local sources	13,208,763	33,434	170	454,170	13,696,537
Other sources	386,784	52,334	-	337	439,455
Total Revenues	<u>37,247,018</u>	<u>3,022,564</u>	<u>170</u>	<u>12,130,648</u>	<u>52,400,400</u>
EXPENDITURES:					
Current operations:					
Instructional services	17,507,244	-	-	4,619,892	22,127,136
Instructional support and services	7,041,425	1,377,655	-	1,548,322	9,967,402
Operation and maintenance services	5,331,845	20,755	-	319,540	5,672,140
Student transportation services	1,858,395	-	-	48,931	1,907,326
Food	-	3,467,496	-	-	3,467,496
General and administrative services	2,031,471	-	-	1,261,210	3,292,681
Other	1,277,501	-	-	1,560,639	2,838,140
Capital Outlay	-	288,631	-	215,215	503,846
Debt Service:					
Principal	-	-	682,507	886,820	1,569,327
Interest and Fiscal Charges	-	-	232,086	324,659	556,745
Total Expenditures	<u>35,047,881</u>	<u>5,154,537</u>	<u>914,593</u>	<u>10,785,228</u>	<u>51,902,239</u>
Excess of Revenues Over (Under) Expenditures	<u>2,199,137</u>	<u>(2,131,973)</u>	<u>(914,423)</u>	<u>1,345,420</u>	<u>498,161</u>
OTHER FINANCING SOURCES (USES)					
Indirect cost reimbursement	754,722	-	-	-	754,722
Proceeds from borrowings	-	-	-	-	-
Refunding of debt payment	-	-	-	-	-
Other financing resources	13,125	-	-	-	13,125
Transfers in	45,510	1,244,292	914,594	5,132	2,209,528
Transfers out	(2,145,915)	-	-	(63,613)	(2,209,528)
Other	-	-	-	-	-
Total other financing Sources (Uses)	<u>(1,332,558)</u>	<u>1,244,292</u>	<u>914,594</u>	<u>(58,481)</u>	<u>767,847</u>
Net Change in Fund Balances	<u>866,579</u>	<u>(887,681)</u>	<u>171</u>	<u>1,286,939</u>	<u>1,266,008</u>
Fund Balance -Beginning	14,220,315	1,272,006	1,521	4,993,281	20,487,123
Prior Period Adjustment	(172,990)	1,815,409	-	(1,654,066)	(11,647)
Fund Balance - Ending	<u>\$ 14,913,904</u>	<u>\$ 2,199,734</u>	<u>\$ 1,692</u>	<u>\$ 4,626,154</u>	<u>\$ 21,741,484</u>

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

**BESSEMER CITY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS
THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

Net change in fund balances-total governmental funds		\$ 1,266,008
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		503,846
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(2,171,004)
Repayment of debt principal is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Position:		
Warrants Payable	1,294,281	
Capital Leases	275,046	
Total Repayments		1,569,327
Debt discounts/refunding cost are reported in governmental funds as other financing uses/expenditures. However, these items are deferred on the Statement of Net Position and are amortized over the life of the debt in the Statement of Activities.		
Debt refunding amortization expense		(23,032)
Premiums are reported in governmental funds as other financing sources. However, these items are deferred on the Statement of Net Position and are amortized over the life of the debt in the Statement of Activities.		
Debt premiums amortization revenue		66,632
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Change in Accrued interest payable		(156,493)
Change in Pension expense		846,283
Change in OPEB expense		2,337,954
Change in compensated absences		(412,319)
Change in net assets governmental activities		3,827,202

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

**BESSEMER BOARD OF EDUCATION
STATEMENT OF COMBINING FIDUCIARY NET POSITION
LOCAL SCHOOLS NON-PUBLIC FUNDS
SEPTEMBER 30, 2022**

	<u>2022</u>
ASSETS	
	<u>\$ 16,399</u>
Cash and cash equivalents	
 LIABILITIES	
Accounts payable and other current liabilities	<u>2,478</u>
 NET POSITION	
Held in trust for local Schools non-pulic funds	<u><u>\$ 13,921</u></u>

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

**BESSEMER BOARD OF EDUCATION
STATEMENT OF CHANGES IN COMBINING FIDUCIARY NET POSITON
LOCAL SCHOOLS NON-PUBLIC FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

	2022
ADDITIONS	
Contributions:	
Other sources	\$ 52,102
 DEDUCTIONS	
Instructional services	205
Instructional support services	49,483
Operation and maintenance services	-
Student transportation services	-
Food services	-
General administrative services	182
Other	-
	49,870
Total Expenditures	49,870
Net Change in Net Position	2,232
Net Position-Beginning (Deficits)	16,089
	(4,400)
Net Positon-Ending (Deficits)	13,921

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

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Board is governed by a separately elected board composed of seven members elected by the qualified electors of the City. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the City.

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

The Board is a legally separate agency of the State of Alabama ("the State").

B. Basis of Presentation, Basis of Accounting

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Basis of Accounting-Continued

Fund Financial Statements

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

The Board reports the following major governmental funds:

- (1) The **General Fund** -- This is the Board's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund. The Board's General Fund primarily received revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.
- (2) The **Bond Issue Payments Fund** -- This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- (3) The **Food and Nutrition Fund** --The Food and Nutrition Fund accounts for funds received from federal grants and other sources that are earmarked for the school lunch and breakfast programs.

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

- (1) **Special Revenue Funds** -- Special Revenue Funds account for the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Special revenue funds consist of the following:

- Regular Basic Grant
- IDEA Part B
- IDEA Part B, E, C, & Y
- Pre-School Part B Ages 3-5
- Title X Homeless
- Title I Part A Improvement School
- Title II Part A
- Title III ESL
- Title IV Part B 21st Century

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) Special Revenue Funds - continued

- School Activity – Bessemer High School Fund
- School Activity – Bessemer Middle School Fund
- School Activity – Abram Elementary Fund
- School Activity – Hard Elementary Fund
- School Activity – Greenwood Elementary Fund
- School Activity – Jonesboro Elementary Fund
- School Activity – Westhills Elementary Fund
- School Activity – Bessemer Center for Technology
- School Activity – Central Office
- School Activity – ROTC

The **Debt Service Fund** accounts for the accumulation of resources for and the payment of principal and interest on long-term debt.

The **PSF-Capital Outlay Fund** -- This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The **Capital Projects Funds** accounts for resources used for the costs of constructing or acquiring major capital assets and major improvements.

The Board reports the following **Fiduciary funds** -- The Fiduciary funds are Private Purpose Trust Funds that account for all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations or other governments.

(1) Non-Public Funds:

- Non-Public School Activity – Bessemer High School Fund
- Non-Public School Activity – Bessemer Middle School Fund
- Non-Public School Activity – Abram Elementary Fund
- Non-Public School Activity – Hard Elementary Fund
- Non-Public School Activity – Greenwood Elementary Fund
- Non-Public School Activity – Jonesboro Elementary Fund
- Non-Public School Activity – Westhills Elementary Fund
- Non-Public School Activity – Bessemer Center for Technology
- Non-Public School Activity – Central Office
- Non-Public School Activity – ROTC

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Property taxes, sales and use taxes, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenues are considered to be measurable and available only when cash is received by the Board.

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

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

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting (Continued)

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

D. Assets, Liabilities, and Equity Classification

Deposits and Investments

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

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

Receivables

Receivables are reported as *receivables* in the government-wide financial statements and as *accounts receivables*, *intergovernmental receivables* and *other receivables*, in the fund financial statements. Intergovernmental receivables include amounts due from grantors for grants issued for specific programs and local taxes due from the County tax collector.

Property Tax Calendar

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

Inventories and Prepaid Items

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

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

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification - Continued

Capital Assets

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

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

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

(The capitalization threshold for land, construction in progress, and inexhaustible land improvements is \$1 or more. However, these capital assets are not depreciated).

Deferred Revenue

Deferred revenue in the government-wide financial statements represent unearned revenues. Deferred revenue in the governmental fund financial statements represent unearned revenues and other revenues for which the "available" criterion has not been met.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification - Continued

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums, discounts, and deferred amounts on refunding transactions are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the unamortized portion of these amounts. Long-term obligations are not reported in governmental fund financial statements. In the fund financial statements, bond premiums and the face amount of debt issued during the year are reported as other financing sources. Debt issuance costs are not deducted from the amount reported as other financing sources, but are reported as debt service expenditures. Any discount resulting from a disparity between the market rate and the stated rate of interest is reported as another financing use.

Expenditures for debt principal, interest and related costs are reported in the fiscal year payment is made. At the inception of a capital lease, an amount equal to the present value of the net minimum lease payments is reported as another financing source and as an expenditure.

Compensated Absences

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

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

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

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

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification - Continued

Professional and support personnel are provided two days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to two days of personal leave per employee per year. The school system provides three additional days of personal leave with pay. If the employee chooses to use any of these additional days, they are required to pay for the cost of the substitute. Professional personnel may receive compensation for the two state funded unused personal leave days at the end of the scholastic year. The employee is required to request, in writing, if they wish to be paid for unused personal leave. Any unused personal leave, as of June 30th, is rolled over to sick leave; therefore, no liability for unpaid personal leave is recorded in the financial statements.

Twelve-month employees are allowed at least two weeks of vacation per year with pay. Vacation is awarded each July 1st, each January 1st employees' unused vacation is capped at the maximum amount of vacation to which they are entitled. Board policy allows up to 10 days of vacation to be carried over to the succeeding year. At September 30, 2022, the Board has accrued a liability for compensated absences as part of the Board's overall payroll liabilities accrual.

Equity Classification

In the government-wide statements, equity is classified as net position and displayed in three components:

- (a) Invested in capital assets, net of related debt - consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets;
- (b) Restricted net assets - consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional or enabling legislation;
- (c) Unrestricted net assets - consist of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for periods beginning after June 15, 2010, enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification - Continued

The following classifications describe the relative strength of the spending constraints:

Nonspendable -The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash (e.g., inventories and prepaid amounts).

Restricted -Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (e.g. legislation, resolution) it employed to previously commit those amounts.

Assigned - Amounts that are constrained by the Board's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that will report a positive fund unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the Board to generally consider restricted amounts to have been reduced first.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity Classification – Continued

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the Board that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

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.

Postemployment Benefits Other Than Pensions (OPEB)

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

Deferred Revenue (Accrued and Deferred Grant Reimbursement)

Various reimbursement procedures are used for federal awards received by the Board. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year-end represent an excess of expenditures over cash reimbursements received at year-end are reported as deferred revenue in the financial statements will be reversed in the remaining grant period during the short-period (two weeks) after the current fiscal year-end and recognized as grant revenue.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 RECONCILIATION OF FINANCIAL STATEMENTS

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after the fund statements.

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

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

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

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

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

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

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

B. Deficit Fund Balances in Individual Funds

The Board has no deficit fund balances in major funds.

Excess of Expenditures Over Appropriations

The General Fund, Food and Nutrition Fund, Debt Service Fund, and Bond Issue Payments Fund exceeded appropriations. The shortage in the Debt Service Fund requires transfers from the General Fund. The remaining shortages were covered by available fund balances in the funds.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

FUND CHANGES AND FUND BALANCES

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2022 are as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
Food Services Fund	Inventory	\$ 354,684
Restricted		
Food Services Fund	Food Services Activity	1,845,050
Nonmajor Governmental Funds	Special Revenue Activity	1,398,787
Committed		
Debt Service Fund	To pay long-term debt	1,692
Capital Projects	For Construction Contracts	3,227,367
Unassigned		
General Fund		<u>14,913,904</u>
Total fund balances		<u><u>\$ 21,741,484</u></u>

NOTE 4 CASH AND CASH EQUIVALENTS

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Board's cash and cash equivalents are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits (in excess of FDIC insurance) may not be returned to it. At September 30, 2022, the carrying amount of the Board's deposits, certificates of deposits, and cash on hand was \$24,480,070 and the bank balance was \$19,346,511.

The Board's deposit policy for custodial credit risk limits deposits to financial institutions that are members of the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the Board's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance. The SAFE program is classified as a category (1) credit risk.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5 RECEIVABLES

Receivables of the Board's individual major funds and non-major funds in the aggregate were as follows at year-end:

	General Fund	Food Service Fund	Nonmajor Governmental Funds	Total
Intergovernmental receivable	\$ 68,790	614,002	5,763,322	\$ 6,446,114

The Intergovernmental receivable balance includes \$517,085 due from the City of Bessemer based on the settlement of litigation in August of 2011 that was filed in September 2008. The total settlement was for \$4 million payable at \$100,000 per month for the first 28 months and \$33,333 per month thereafter for 36 months.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2022, was as follows:

	9/30/21		Retirements/ Reclassifications	9/30/22	
	Beginning Balance	Increases		Ending Balance	
Government Activities:					
Capital Assets not being depreciated:					
Land	\$ 3,286,311	\$ -		\$ 3,286,311	
Construction in Progress	3,440,712	6,155		3,446,867	
Total Capital Assets, not being depreciated	6,727,023	6,155	-	6,733,178	
Capital Assets Being Depreciated:					
Land Improvements	992,262	-	-	992,262	
Buildings	79,117,658			79,117,658	
Building improvements	6,754,106	87,000		6,841,106	
Equipment and Furniture	2,636,313	410,691		3,047,004	
Vehicles	4,038,017			4,038,017	
Equipment under capital leases	595,756	-	-	595,756	
Total Capital Assets, being depreciated	94,134,112	497,691	-	94,631,803	
Less accumulated depreciation					
Land Improvements	749,635	28,528		778,163	
Buildings	29,696,371	1,544,279		31,240,650	
Building improvements	2,683,430	333,527		3,016,957	
Equipment and Furniture	2,432,460	65,725		2,498,185	
Vehicles	3,225,408	198,944		3,424,352	
Equipment under capital leases	595,756	-	-	595,756	
Total accumulated depreciation	39,383,060	2,171,003	-	41,554,063	
Total Capital Assets being depreciated, net	54,751,052	(1,673,312)	-	53,077,740	
Total governmental activity capital assets, net	<u>\$ 61,478,075</u>	<u>\$ (1,667,157)</u>	<u>\$ -</u>	<u>\$ 59,810,918</u>	

Depreciation expense was charged to government functions as follows:

GOVERNMENTAL

ACTIVITIES	AMOUNT
Instructional	1,864,497
Instructional support	19,817
Operational and maintenance	9,610
Student transportation	191,653
Food Service	76,135
General and Administrative	-
Other	9,292
	<u>\$ 2,171,004</u>

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Except for amounts due from Enterprise and Internal Service Funds, these amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2022 is shown below:

Due to/from other funds:

		<u>Due From</u>		<u>To Due</u>	
General Fund		\$ -		\$ 12,912	(2)
Food & Nutrition Fund	(1)	8,768		-	
Nonmajor Funds	(1)	4,144		-	
		<u>\$ 12,912</u>		<u>\$ 12,912</u>	

(1) Short-term balances due from other Funds to related to temporary cash shortages

(2) Short-term balances due to other Funds to related to indirect cost allocation.

Interfund Transfers:

Transfers are used to move revenues from the fund with collection authorization to the designated fund authorized to receive the proceeds and to move unrestricted general fund revenues to finance various programs that the Board must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

(a) Transfers to funds for expenditures incurred for cost in excess of appropriations.

(b) Transfers to fund for expenditures reimbursements.

		Transfers In		Transfers Out	
Major Funds:					
General Fund	(b)	\$ 45,510		\$ 2,145,915	(a)
Food Services Fund	(a)	1,244,292			
Debt Service	(a)	914,594			
Nonmajor Funds	(a)	5,132		63,613	(a)
		<u>\$ 2,209,528</u>		<u>\$ 2,209,528</u>	

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 8 LONG-TERN LIABILITIES

The Board, as part of a pooled warrant issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Warrants, Series 2008 in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these warrants provided funds for the acquisition, construction, and renovation of school facilities.

On December 1, 2011 and January 1, 2012, respectively, the Board issued its Series 2011 School Tax Warrants (in the principal amount of \$9,985,000) and Series 2012-A Warrants (in the principal amount of \$2,290,000). The purpose of issuance was to allow for the prepayment of the Board's obligation under a certain lease agreement dated as of September 1, 2000 between the Board and the Bessemer City Board of Education with respect to the City's Limited Obligation School Warrants, Series 2000 and to pay for the costs of issuing the Warrants. The Board deposited with its Trustee sufficient proceeds to pay interest due as well as the redemption price of the Warrants. On March 15, 2012 the warrants were called and refunded with the funds deposited by the Board.

As a result, the City's Limited Obligation School Warrants, Series 2000 are considered to be defeased and the liability for those warrants has been removed from the Board's note payable balance.

The advance refunding reduced the Board's total debt service payments over the next 18 years by \$2.6 million and resulted in an economic gain of \$2.1 million. Furthermore, the deferred amount resulting from the refunding is not considered material and management has elected to expense this amount in the Government-Wide Statement of Activities.

Effective May of 2022, the Board entered into an agreement to participate in the PSCA Capital Improvement Education Pool Bonds, Series 2022-B, which refunded the PSCA Capital Improvement Education Pool Bonds, Series 2008. In order to participate, the Board issued its Capital Outlay Pool Bond Series 2022-B in the Principal amount of \$2,613,102. Payment of the principal and interest on this bond is made by the Finance Director of the State of Alabama causing to be transferred from the Public School Fund to the Education Trust on each payment date an amount of Pledged Capital Outlay funds equal to the principal and interest due on each payment date.

The Board deposited with its Trustee sufficient proceeds to pay interest due as well as the redemption price of the PSCA Capital Improvement Education Pool Bonds, Series 2008. The Bonds were called and refunded with the funds deposited by the Board.

As a result, the Board's, PSCA Capital Improvement Education Pool Bonds, Series 2008 are considered to be defeased and the liability for those Bonds has been removed from the Board's debt payable balance.

The refunding was undertaken to take advantage of a lower interest rate. The advance refunding resulted in a loss of \$(322,459) which is the difference between the reacquisition price and the net carrying amount of the old debt of which was deferred and is being amortized over the life of the new debt. The transaction resulted in an immaterial economic gain and immaterial change in future debt service payments.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

Primary Government

Governmental Activities:

	2022
<p>PSCA Capital Improvement Warrants, Series 2019-A Due in varying amounts beginning November 1, 2019, until May 1, 2039 with interest payable semi-annual on November 1 and May 1 at a rate of 2.00%. Payable solely from and secured by the Board's Public School Funds withheld from the Board's allocation of Funds from the Alabama Department of Education.</p>	\$ 2,305,162
<p>PSCA Capital Improvement Warrants, Series 2015-AB Due in varying amounts beginning November 1, 2015, until May 1, 2029 with interest payable semi-annual on November 1 and May 1 at a rate varying from 1.27% to 3.23%. Payable solely from and secured by the Board's Public School Funds withheld from the Board's allocation of Funds from the Alabama Department of Education.</p>	1,823,299
<p>PSCA Capital Improvement Warrants, Series 2017-A Due in varying amounts beginning June 1, 2018, until December 1, 2037 with interest payable semi-annual on June 1 and December 1 at a rate varying from 1.050% to 3.244%. Payable solely from and secured by the Board's Public School Funds withheld from the Board's allocation of Funds from the Alabama Department of Education.</p>	2,466,050
<p>School Tax Warrants Series 2011 Due in varying amounts beginning August 1, 2012, until August 1, 2028 with interest payable semi-annual on February 1 and August 1 at rates varying from 2.00% to 3.75%. Payable solely from and secured by the pledge of the Board's share of the ad valorem tax from the City of Bessemer.</p>	6,345,000
Total Warrants Payable- Governmental Activities	\$ 12,939,511

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

LONG-TERM LIABILITIES – (continued)

Activity during 2022 related to long-term debt principal obligations is as follows:

GOVERNMENTAL ACTIVITIES	Balance at September 30,			Balance at September 30,	Due Within
	2021	Additions	Reductions	2022	One Year
Warrants Payable					
PSCA Capital					
Improvement Pool, Series 2019-A	\$ 2,392,019		\$ 86,857	\$ 2,305,162	\$ 91,298
PSCA Capital					
Improvement Pool, Series 2015-AB	2,058,758		235,459	1,823,299	247,534
PSCA Capital					
Improvement Pool, Series 2017-A	2,572,225		106,175	2,466,050	111,600
School Tax Warrants, Series 2011	7,030,000	-	685,000	6,345,000	705,000
School Tax Warrants, Series 2012-B	180,790		180,790	-	
Plus unamortized amounts:					
For warrant Premium	791,075		66,632	724,443	
	15,024,867	-	1,360,913	13,663,954	1,155,432
Capital Leases - Direct Borrowings					
Regions Equipment Finance					
due January 18, 2028	742,553	-	95,564	646,989	100,617
Municipal Asset Management					
due May 21, 2022	179,482	-	179,482	-	
	922,035	-	275,046	646,989	100,617
Retirement System of Alabama					
Net Pension liability	37,401,000	-	8,752,000	28,649,000	
Net OPEB Liability	21,343,400	-	5,036,730	16,306,670	
	58,744,400	-	13,788,730	44,955,670	-
Compensated Absences		412,319	-	412,319	103,080
Total Long-Term Debt	\$ 74,691,302	\$ 412,319	\$ 15,424,689	\$ 59,678,932	\$ 1,359,129

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

Warrants Payable Governmental Activities

Debt service requirements on warrants payable at September 30, 2022 were as follows:

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	Principal
2023	\$ 1,169,481	\$ 483,654	\$ 1,653,135
2024	1,196,873	439,793	1,636,666
2025	1,244,356	393,277	1,637,633
2026	1,293,938	343,139	1,637,077
2027	1,338,794	250,386	1,589,180
2028-2032	5,491,969	918,497	6,410,466
2033-2037	1,020,023	225,791	1,245,814
2038-2039	184,077	2,761	186,838
	<u>\$ 12,939,511</u>	<u>\$ 3,057,298</u>	<u>\$ 15,996,809</u>

Unamortized deferred loss on refunding of debt activity for the year ended September 30, 2022, was as follows:

	9/30/21			9/30/22
	Beginning	Increases	Decreases	Ending
	Balance			Balance
Deferred Loss on Refunding of Warrants	\$ 174,666	\$ -	\$ 23,032	\$ 151,634

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

LONG-TERM LIABILITIES – (continued)

Capital Leases

The Board has entered into capital lease agreements to finance the acquisition of school buses. The net carrying values of assets acquired under capital leases at year-end were as follows:

School Buses	\$ 1,022,014
Less Accumulated depreciation	<u>(502,485)</u>
Net Total	<u>\$ 519,529</u>

The future minimum lease payments and the net present value of these minimum lease payments were as follows at year end:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 100,617	\$ 16,821	\$ 117,438
2024	103,243	14,195	117,438
2025	105,938	11,500	117,438
2026	108,703	8,735	117,438
2027	111,540	5,898	117,438
2028	<u>116,948</u>	<u>2,987</u>	<u>119,935</u>
Total Minimum Lease Payments	\$ 646,989	\$ 60,136	\$ 707,125
Less: Amount Representing Interest			<u>(60,136)</u>
Present Value of Minimum Lease Payments			<u>\$ 646,989</u>

BESSEMER CITY BOARD OF EDUCATION NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN

Plan description

The Teachers' Retirement System of Alabama (the Plan or TRS), a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* 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.

Benefits provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. 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 up to 80% of their average final compensation. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions

Covered Tier 1 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.

Effective 10/1/2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective 10/1/2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$2,854,283 for the year ended September 30, 2022.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 9 DEFINED BENEFIT PENSION PLAN-CONTINUED

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

At September 30, 2022 the System reported a liability of \$28,649,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021 the System's proportion was .304120%, which was an increase (decrease) of .001757% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the System recognized pension expense of \$2,854,283. At September 30, 2022, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,326,000	\$ 1,669,000
Changes in assumptions	3,007,000	-
Net differences between projected and actual earnings on plan investments	-	6,763,000
Change in proportion and differences between Employer contributions and proportionate share of contributions	748,000	1,034,000
Employer contributions subsequent to the Measurement Date	2,854,283	-
	\$ 7,935,283	\$ 9,466,000

\$2,854,283 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Amortization of Deferred inflows and outflows of Resources:

Year ended September 30:

	2023	\$	(556,000)	
	2024		(447,000)	
	2025		(1,441,000)	
	2026		(1,941,000)	
	2027		-	
Thereafter			-	
			\$ (4,385,000)	

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 9 DEFINED BENEFIT PENSION PLAN-CONTINUED

Actuarial assumptions

The total pension liability was determine by an actuarial valuation as of September 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment rate of return*	7.45%
Projected salary increases	3.25% - 5%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2020, 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, 2020. The Board of Control accepted and approved these changes on September 2021, which became effective at the beginning of fiscal year 2021.

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward(+)/ Setback (-)</u>	<u>Adjustment to Rates</u>
Service Retirees	Teacher Retiree- Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 -67 Female: 112% ages < 69 98% > age 74 Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 9 DEFINED BENEFIT PENSION PLAN-CONTINUED

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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.0%	2.8%
US Large Stocks	32.0%	8.0%
US Mid Stocks	9.0%	10.0%
US Small Stocks	4.0%	11.0%
Int'l Developed Mkt Stocks	12.0%	9.5%
Int'l Emerging Mkt Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash Equivalents	<u>5.0%</u>	2.5%
Total	<u>100.0%</u>	

*Includes assumed rate of inflation of 2.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.45%. 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 the Net Pension Liability to Changes in the Discount Rate

The following table presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.45%, 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 (6.45%) or 1-percentage-point higher (8.45%) than the current rate (dollar amounts in thousands):

1.00%	Current	1.00%
Decrease	Discount Rate	Increase
-6.45%	7.45%	8.45%

Board's Proportionate
Share of the Collective

	\$ 42,169,000	\$ 28,649,000	\$ 17,262,000
--	---------------	---------------	---------------

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 9 DEFINED BENEFIT PENSION PLAN-CONTINUED

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2021. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan description

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Annual Comprehensive Financial Report.

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

Benefits provided

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

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

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage.

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

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the United Healthcare (UHC) Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana replaced the UHC contract. The MAPDP plan is fully insured by Humana and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the MAPDP plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

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

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

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

At September 30, 2022, the Board reported a liability of \$16,306,670 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The Board's proportion of the Net

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2021, the Board's proportion was 0.315604 percent, which was an decrease of (.013269)% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the System recognized OPEB expense of \$645,223, with no special funding situations. At September 30, 2022, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 385,816	\$ 5,673,121
Changes in assumptions	5,807,463	6,320,605
Net differences between projected and actual earnings on OPEB plan investments	-	508,662
Change in proportion and differences between Employer contributions and proportionate share of contributions	870,302	4,251,174
Employer contributions subsequent to the Measurement Date	645,223	-
	<u>\$7,708,804</u>	<u>\$16,753,562</u>

\$645,223 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended September 30, 2023.

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

Year ended September 30:

	2023	\$ (3,062,837)
	2024	(2,389,758)
	2025	(2,492,392)
	2026	(698,701)
	2027	(462,934)
Thereafter		<u>(583,359)</u>
Total		<u>\$ (9,689,981)</u>

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.50%
Salary increases	5.00 - 3.25%, including 2.75% wage inflation	
Long-Term Investment Rate of Return	7.00% compounded annually, net of investment expense, and including inflation	
Municipal Bond Index Rate at Measurement Date		2.29%
Municipal Bond Index Rate at Prior Measurement Date		2.25%
Year Fiduciary Net Position (FNP) is Projected to be Depleted		2051
Singe Equivalent Interest Rate at Measurement Date		3.97%
Singe Equivalent Interest Rate at Prior Measurement Date		3.05%
Healthcare Cost Trend Rate		
Initial Trend Rate		
Pre-Medicare Eligible		6.50%
Medicare Eligible		**
Ultimate Trend Rate		
Pre-Medicare Eligible		4.50% in 2028
Medicare Eligible		4.50% in 2025

** Initial Medicare claims are set based on scheduled increases through plan year 2022.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male: +2 Female: +2	Male: 108% ages <63, 96% ages > 67; Phasing down 63-67 Female: 112% ages <69, 98% ages > 74; Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2 Female: None	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2020 valuation.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Fixed income	30%	4.40%
US Large Stocks	38%	8.00%
US Mid Stocks	8%	10.00%
US Small Stocks	4%	11.00%
International Developed Market Stocks	15%	9.50%
Cash	<u>5%</u>	1.50%
Total	100.0%	

* Geometric mean, includes 2.50% inflation

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 3.97%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the 12.990% will increase at the same rate as expected benefit payments for the closed group reaching 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2024. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Sensitivity of the System's proportionate share of the Net OPEB liability to changes in the healthcare cost trend rates.

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

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
Total OPEB Liability (Asset)	\$ 12,795,398	\$ 16,306,670	\$ 20,830,603

)

The following table presents the Board's proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 3.97%, as well as what the Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1.00% Decrease 2.97%	Current Discount Rate 3.97%	1.00% Increase 4.97%
Total OPEB Liability (Asset)	\$ 20,057,925	\$ 16,306,670	\$ 13,297,749

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 11 RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund ("SIF") part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for the 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 of commercial insurance for claims in excess of \$3.5 million.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11 RISK MANAGEMENT(CONTINUED)

The Board also purchases automobile liability insurance with coverage of \$300,000 per occurrence, errors and omissions insurance with coverage of up to \$1,000,000 per occurrence and property insurance with coverage of up to \$3.5 million per occurrence from the Alabama Risk Management For Schools Program (ARMS), a public entity risk pool. In addition, the Board has purchased physical damage coverage for school buses and maintenance vehicles.

The ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. 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 Fund ("PEEHIF") 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 mutually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims.

The Board contributes the specified amount monthly to the PEEHIF for each employee.

The Board contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

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

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 that may be disallowed by the grantor cannot be determined at this time, although the Board expects such amounts, if any, to be immaterial.

The Board is involved in certain litigation in the ordinary course of business. Litigation is recorded in the government-wide statements when the related liability is incurred.

**BESSEMER CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 13 PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES

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

NOTE 14 DONATED FOOD PROGRAM

The commodities received from the Federal government in connection with the donated food program are reflected in the accompanying financial statements. The total assigned value of commodities donated was \$283,096 for 2022. Commodities consumed were \$283,096 for 2022.

NOTE 15 FUTURE ACCOUNTING PRONOUNCEMENTS

In May, 2020, GASB issued GASB Statement No. 96, Subscription-Based Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and, 4) requires note disclosures regarding a SBITA. This standard is effective for reporting periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this statement on the Board's financial statements.

NOTE 16 PRIOR PERIOD ADJUSTMENT TO NET POSITION

	<u>Beginning Net Position as Originally Reported</u>	<u>Prior Period Adjustments</u>	<u>Beginning Net Position Balance as Restated</u>
Statement of Activities Financial Statement:			
Governmental Activities:			
Correct Prior Period Pension Net Liability		\$ 155,329	
Total Net Position	\$ 7,310,605	\$ 155,329	\$ 7,465,934
Total Governmental Funds Financial Statements:			
Governmental Activities:			
Correct Prior Period timing differences in Capital Outlay disbursements		\$ (11,647)	
Total Net Position	\$ 20,487,123	\$ (11,647)	\$ 20,475,476

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information for the Year Ended September 30, 2021

Changes in actuarial assumptions

Changes to the actuarial assumptions as a result of the experience study for the five-year period ending June 30, 2020 are summarized below.

Assumption	Description
Price Inflation	2.50%
Investment Return	7.00%
Wage Inflation	2.75%
Mortality Rates (Pre-Retirement, Post-Retirement Healthy and Disabled)	Update to Pub-2010 Public Mortality Plans Mortality Tables. For future mortality improvement, generational mortality improvement with mortality improvement scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.
Retirement Rates	Decreased rates of retirement at most ages and extended retirement rates at age 80.
Withdrawal Rates	Changed from an age-based table broken down by service bands to a pure service-based table. Used a liability weighted methodology in analyzing rates.
Disability Rates	Lowered rates of disability retirement at most ages.
Salary Increases	No change to total assumed rates of salary increases, but increased merit salary scale by 0.25% to offset the recommended decrease in the wage inflation assumption by 0.25%.

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

Recent Plan Changes

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

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

The Health Plan is changed each year to reflect the Affordable Care Act maximum annual out-of-pocket amounts.

Notes to Required Supplementary Information for the Year Ended September 30, 2021

Changes in actuarial assumptions (Continued)

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2018, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	23 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible*	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

* Initial Medicare claims are set based on scheduled increases through plan year 2019.

**Bessemer City Board of Education
Schedule of Board Contributions
Teachers' Retirement Plan of Alabama
Last Available 10 Fiscal Years Ending September 30¹**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution*	\$ 2,854,283	\$ 2,608,000	\$ 2,763,000	\$ 2,437,000	\$ 2,277,790	\$ 2,332,000	\$ 2,349,222	\$ 2,349,222		
Contributions in relation to the actuarially required contribution	2,854,283	2,608,000	2,763,000	2,437,000	2,277,790	2,332,000	2,349,222	2,349,222		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Board's covered-employee payroll**	\$ 23,496,017	\$ 20,692,813	\$ 20,827,843	\$ 19,148,943	\$ 22,030,788	\$ 22,030,788	\$ 20,534,196	\$ 21,752,324		
Contributions as a percentage of covered-employee payroll	12.15%	12.60%	13.27%	12.73%	10.34%	10.59%	11.44%	10.80%		

* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statements.

** Employer's covered payroll for fiscal year 2022 is the total covered payroll for 12 month period of the underlying financial statements, the measurement period is October 1, 2020 - September 30, 2021.

¹ GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Board will present the information for those years for which information is available.

**Bessemer City Board of Education
 Schedule of Board Proportionate Share of Net Pension Liability
 Teachers' Retirement Plan of Alabama
 Last Available 10 Fiscal Years Ending September 30¹**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Board's proportion of net pension liability	0.304120%	0.302363%	0.317781%	0.303700%	0.350537%	0.310182%	0.318518%	0.323337%	0.0%	0.0%
Board's proportionate share of net pension liability	28,649,000	37,401,000	35,137,000	30,196,000	30,013,000	33,580,000	33,335,000	29,403,000		
Board's covered-employee payroll**	\$ 23,496,017	\$ 20,692,813	\$ 20,827,843	\$ 19,148,943	\$ 22,030,788	\$ 20,534,196	\$ 21,752,324	\$ 21,159,325		
Board's proportionate share of net pension liability as a percentage of its covered-employee payroll					71.50%	67.93%	67.51%	71.01%		
Plan fiduciary net position as a percentage of the total pension liability	76.44%	67.72%	69.85%	72.29%						

** Employer's covered payroll for fiscal year 2022 is the total covered payroll for 12 month period of the underlying financial statements, the measurement period is October 1, 2020 - September 30, 2021.

¹ GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Board will present the information for those years for which information is available.

**Bessemer City Board of Education
Schedule of Board Contributions
Alabama Retired Education Employees' Health Care Trust
Last Available 10 Fiscal Years Ending September 30¹**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 645,223	\$ 651,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially required contribution	645,223	651,215	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 23,496,017	\$ 20,692,813	\$ 20,827,843	\$ 19,148,943	\$ 22,030,788	\$ 22,030,788	\$ 20,534,196	\$ 21,752,324		
Contributions as a percentage of covered-employee payroll	2.75%	3.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		

For fiscal year 2022, the measurement period is October 1, 2020 - September 30, 2021.

¹ GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Board will present the information for those years for which information is available.

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

**Bessemer City Board of Education
Schedule of Board Proportionate Share of Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust
Last Available 10 Fiscal Years Ending September 30¹**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Board's proportion of net pension liability	0.315604%	0.328873%								
Board's proportionate share of net pension liability	16,306,670	21,343,400								
Board's covered-employee payroll**	\$ 23,496,017	\$ 20,692,813	\$ 20,827,843	\$ 19,148,943	\$ 22,030,788	\$ 20,534,196	\$ 21,752,324	\$ 21,159,325		
Board's proportionate share of net pension liability as a percentage of its covered-employee payroll	69.40%	103.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
Plan fiduciary net position as a percentage of the total pension liability	27.11%	19.80%								

** Employer's covered payroll for fiscal year 2022 is the total covered payroll for 12 month period of the underlying financial statements. For fiscal year 2022, the measurement period is October 1, 2020 - September 30, 2021.

¹ GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Board will present the information for those years for which information is available.

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

**BESSEMER CITY BOARD OF EDUCATION
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP	
	Original	Final		Differences Over (Under)	Actual Amounts GAAP Basis
Revenues					
State	22,719,918	23,251,528	23,135,649	-	23,135,649
Federal	188,000	188,000	515,822	-	515,822
Local	12,815,599	12,815,599	13,208,763	-	13,208,763
Other	81,419	81,419	386,784	-	386,784
Total Revenues	35,804,936	36,336,546	37,247,018	-	37,247,018
Expenditures					
Current:					
Instructional	17,972,088	16,703,064	16,731,052	773,192	17,504,244
Instructional Support	6,690,698	7,983,534	6,939,077	102,348	7,041,425
Operation and Maintenance	4,289,149	6,032,903	5,315,053	16,792	5,331,845
Auxiliary Services:					
Student Transportation	1,780,786	2,335,776	1,838,015	20,380	1,858,395
Food Service	-	-	-	-	-
General Administrative	1,891,366	2,176,525	2,025,795	5,676	2,031,471
Other	766,704	1,288,609	1,222,299	55,202	1,277,501
Capital Outlay					
Personal Property	-	-	-	-	-
Real Property	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Debt Issuance Costs/Other Debt Service	-	-	-	-	-
Total Expenditures	33,390,791	36,520,411	34,071,291	973,590	35,044,881
Excess (Deficiency) of Revenues Over Expenditures	2,414,145	(183,865)	3,175,727	(973,590)	2,202,137
Other Financing Sources (Uses)					
Indirect Cost	2,891,901	2,556,043	754,722	-	754,722
Transfers In	46,416	46,416	45,510	-	45,510
Other Financing Sources	-	-	13,125	-	13,125
Transfers Out	(2,117,524)	(2,117,524)	(2,145,915)	-	(2,145,915)
Payment to Refunding Escrow Agent	-	-	-	-	-
Total Other Financing Sources (Uses)	820,793	484,935	(1,332,558)	-	(1,332,558)
Net Change in Fund Balances	3,234,938	301,070	1,843,169	(973,590)	869,579
Fund Balances - Beginning of Year	16,862,909	16,862,909	16,862,909	(2,642,596)	14,047,325
Fund Balances - End of Year	20,097,847	17,163,979	18,706,078	(3,616,186)	14,916,904

Explanation of differences:

The School System budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

\$ (973,590)

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

**BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

Special Revenue Funds

	School Activity		Bessemer Middle School		Abrams Elementary	Hard Elementary	Greenwood Elementary	Jonesboro Elementary	Westhills Elementary	Bessemer Center for Technology	Central Office	ROTC
ASSETS												
Cash and cash equivalents	\$ 195,110	\$ 80,572	\$ 60,376	\$ 44,155	\$ 85,715	\$ 89,474	\$ 39,514	\$ 54,444	\$ 302,260	\$ 107		
Receivables:												
Accounts												
Intergovernmental												
Due from other funds												
Prepays												
Inventory												
Total Assets	195,110	80,572	60,376	44,155	85,715	89,474	39,514	54,444	302,260	107		
LIABILITIES AND FUND BALANCE												
LIABILITIES												
Due to other funds												
Accounts payable and Other liabilities	1,786	1,110	-	-	1,565	-	-	-	-	-	-	-
Deferred revenue												
Accrued payroll and related liabilities												
Total Liabilities	1,786	1,110	-	-	1,565	-	-	-	-	-	-	-
Fund balance												
Reserved for Capital Projects	193,324	79,462	60,376	44,155	84,150	89,474	39,514	54,444	302,260	107		
Unreserved for Encumbrance	193,324	79,462	60,376	44,155	84,150	89,474	39,514	54,444	302,260	107		
Total Fund Equity	193,324	79,462	60,376	44,155	84,150	89,474	39,514	54,444	302,260	107		
Total Liabilities and Fund balance	\$ 195,110	\$ 80,572	\$ 60,376	\$ 44,155	\$ 85,715	\$ 89,474	\$ 39,514	\$ 54,444	\$ 302,260	\$ 107		

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

**BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue Funds						Bessemer Center for Technology Office	ROTC	
	Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary	Greenwood Elementary	Jonesboro Elementary			Westhills Elementary
REVENUES:									
State sources	\$ 206,632	\$ 44,291	\$ 23,099	\$ 11,888	\$ 30,977	\$ 27,317	\$ 16,555	\$ 12,612	\$ 80,793
Federal sources									
Local sources									
Other sources									
Total Revenues	206,632	44,291	23,099	11,888	30,977	27,317	16,555	12,612	80,793
EXPENDITURES:									
Current:									
Instructional services	155,979	38,048	16,146	15,756	32,514	25,324	9,215	16,848	16,559
Instructional support services	-	-	-	-	-	-	-	-	-
Operation and maintenance services	-	-	-	-	-	-	-	-	-
Auxiliary Services	-	-	-	-	-	-	-	-	-
Student Transportation	-	-	-	-	-	4,150	688	-	22,239
General administrative services	-	-	-	-	-	-	-	-	45
Other	-	2,111	-	-	-	-	-	-	-
Capital Outlays	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total Expenditures	155,979	40,159	16,146	15,756	32,514	29,474	9,903	16,848	38,843
Excess of Revenues (Deficiency) Over (Under) Expenditures	50,653	4,132	6,953	(3,868)	(1,537)	(2,157)	6,652	(4,236)	41,950
OTHER FINANCING SOURCES (USES)									
Long-term debt issued	-	-	-	-	-	-	-	-	-
Refunding of debt payment	-	-	-	-	-	-	-	-	-
Other	2,790	2,342	-	-	-	-	-	-	-
Transfers in	(15,880)	(10,025)	(191)	(923)	(1,990)	(634)	-	(175)	(212)
Transfers out	(13,090)	(7,083)	(191)	(923)	(1,990)	(634)	-	(175)	(212)
Total other financing sources (uses)	37,563	(3,551)	6,762	(4,791)	(3,527)	(2,791)	6,652	(4,411)	41,738
Net Change in Fund Balances	164,048	83,013	53,614	39,497	87,189	91,770	32,862	56,589	260,310
Fund Balances-Beginning (Deficits)	(8,287)	-	-	-	488	495	-	2,266	212
Prior Period Adjustment	-	-	-	-	-	-	-	-	-
Fund Balances-Ending (Deficits)	\$ 193,324	\$ 79,462	\$ 60,376	\$ 44,155	\$ 84,150	\$ 89,474	\$ 39,514	\$ 54,444	\$ 302,260

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

BESSEMER CITY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

Special Revenue Funds

	REGULAR BASIC GRANT	IDEA PART B	Title I Part A	LTRS	NEW IDEA PART B	Pre-School Part B Ages 3-5	ESSER II RESERVE	ESSER III	Pre-School Part B-1 Ages 3-5	TITLE X HOMELE Service	Summer Food Service	Title I Part A School Improvement	Title II Part A
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,209	\$ -	\$ -
Receivables:													
Accounts													
Intergovernmental	27,856	49,365	611,618		893,055	14,816	-	3,412,089	13,278	36,048	1,420	152,240	30,908
Due from other funds													
Prepays													
Inventory													
Total Assets	27,856	49,365	611,618		893,055	14,816	-	3,412,089	13,278	36,048	67,629	152,240	30,908

LIABILITIES AND FUND BALANCE

LIABILITIES													
Due to other funds													
Accounts payable and Other liabilities													
Deferred revenue	27,856	49,365	611,618	-	893,055	14,816	-	3,412,089	13,278	36,048	-	152,240	30,908
Accrued payroll and related liabilities													
Total Liabilities	27,856	49,365	611,618		893,055	14,816	-	3,412,089	13,278	36,048	-	152,240	30,908
Fund balance													
Reserved for Capital Projects													
Unreserved for Encumbrance											67,629		
Total Fund Equity											67,629		
Total Liabilities and Fund balance	\$ 27,856	\$ 49,365	\$ 611,618	\$ -	\$ 893,055	\$ 14,816	\$ -	\$ 3,412,089	\$ 13,278	\$ 36,048	\$ 67,629	\$ 152,240	\$ 30,908

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

BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	REGULAR BASIC GRANT		NEW IDEA PART B		Pre-School Part B Ages 3-5	ESSER II RESERVE	ESSER III	Pre-School Part B-1 Ages 3-5	TITLE X HOMELE. SERVICE	Summer Food Service	Title I Part A School Improvement Part A	
	IDEA PART B	Title I Part A	LTRS	IDEA PART B	AGES 3-5	RESERVE	ESSE	AGES 3-5	HOMELE. SERVICE	FOOD SERVICE	SCHOOL IMPROVEMENT	PART A
REVENUES:												
Slate sources	49,365	2,395,650	21,600	893,055	14,816	601	3,412,090	13,278	36,048	337,080	217,267	249,619
Federal sources										6		
Local sources										337		
Other sources												
Total Revenues	91,621	2,395,650	21,600	893,055	14,816	601	3,412,090	13,278	36,048	337,423	217,267	249,619
EXPENDITURES:												
Current:												
Instructional services	87,039	36,634	933,184	495,377	-	601	958,819	-	-	-	135,546	-
Instructional support services	2,828	11,785	507,321	156,129	-	-	124,325	-	35,344	-	771,564	235,608
Operation and maintenance services												
Auxiliary Services							1,804					
Student Transportation	1,754	946	347,855	19,914	284	-	847,940	254	704	475,241	4,157	4,777
General administrative services							554,155	13,024				9,234
Other												
Capital Outlays												
Debt service:												
Principal												
Interest and fiscal charges												
Total Expenditures	91,621	1,806,263	21,600	893,055	14,816	601	2,487,043	13,278	36,048	475,241	217,267	249,619
Excess of Revenues (Deficiency)												
Over (Under) Expenditures							925,047			(137,818)		
OTHER FINANCING SOURCES (USES)												
Long-term debt issued												
Refunding of debt payment												
Other												
Transfers in												
Transfers out												
Total other financing sources (uses)												
Net Change in Fund Balances												
Fund Balances-Beginning (Deficits)												
Prior Period Adjustment												
Fund Balances-Ending (Deficits)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

**BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

Special Revenue Funds

	Vocational Rehabilitation Services	Child and Adult Care	NSLP CNP	ARPA HOMELESS II	Title III ESL	CARES Act	ARPA ALSDE RESERVE	ESSER II	Title IV Part A SDE	Total Special Revenue Funds	Capital Projects Transportation Fleet	Capital Projects PSF-Capital Outlay	Capital Projects PSF Interest
ASSETS													
Cash and cash equivalents	\$ -	\$ 363,088	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,381,024	\$ -	\$ 407,178	\$ 22,567
Receivables:													
Accounts													
Intergovernmental	8,484	20,628		8,435	8,554	90,585	10,544	297,808	77,011	5,763,322			
Due from other funds		176								1,596			2,548
Prepays													
Inventory													
Total Assets	8,484	383,892	-	8,435	8,554	90,585	10,544	297,808	77,011	7,145,942	-	407,178	24,915

LIABILITIES AND FUND BALANCE

LIABILITIES													
Due to other funds													
Accounts payable and Other liabilities										4,461			
Deferred revenue	8,484	-	-	8,435	8,554	90,585	10,544	297,808	77,011	5,742,694			
Accrued payroll and related liabilities													
Total Liabilities	8,484	-	-	8,435	8,554	90,585	10,544	297,808	77,011	5,747,155	-	-	-
Fund balance													
Reserved for Capital Projects												407,178	24,915
Unreserved for Encumbrance		383,892								1,398,787			
Total Fund Equity		383,892								1,398,787		407,178	24,915
Total Liabilities and Fund balance	\$ 8,484	\$ 383,892	\$ -	\$ 8,435	\$ 8,554	\$ 90,585	\$ 10,544	\$ 297,808	\$ 77,011	\$ 7,145,942	\$ -	\$ 407,178	\$ 24,915

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

	Vocational Rehabilitation Services	Child and Adult Care	NSLP CNP	ARPA HOMELESS II	Title III ESL	CARES Act	ARPA ALSDE RESERVE	ESSER II	Title IV Part A SDE	Total Special Revenue Funds	Capital Projects Transportation Fleet	Capital Projects PSF-Capital Outlay	Capital Projects PSF Interest
REVENUES:													
State sources										\$ -	\$ 250,173	\$ 143,315	\$ 2,441
Federal sources	32,025	88,733	122,060	8,435	36,030	397,986	10,544	1,928,597	181,729	10,538,229			
Local sources										454,170			
Other sources										337			
Total Revenues	32,025	88,733	122,060	8,435	36,030	397,986	10,544	1,928,597	181,729	10,992,736	250,173	143,315	2,441
EXPENDITURES:													
Current:													
Instructional services					24,076	112,625		1,440,554	47,448	4,619,892			
Instructional support services				8,274	4,652	176,060		72,622	103,785	1,548,322			
Operation and maintenance services						94,513		29,683	27,161	151,357		151,132	
Auxiliary Services			122,060			14,788				138,652			
Student Transportation											48,931		
General administrative services				161	689				3,335	1,259,847			
Other	60,040				6,613		10,544	36,910	1,421,987	1,421,987			
Capital Outlays								122,060		122,060			
Debt services:											251,365	206,964	
Principal											3,436	24,782	
Interest and fiscal charges											303,732	382,878	
Total Expenditures	32,025	60,040	122,060	8,435	36,030	397,986	10,544	1,701,829	181,729	9,262,117	303,732	382,878	-
Excess of Revenues (Deficiency)													
Over (Under) Expenditures		28,693						226,768		1,730,619	(53,559)	(239,563)	2,441
OTHER FINANCING SOURCES (USES)													
Long-term debt issued													
Refunding of debt payment													
Other													
Transfers in										5,132			
Transfers out										(63,613)			
Total other financing sources (uses)										(58,481)			
Net Change in Fund Balances		28,693						226,768		1,672,138	(53,559)	(239,563)	2,441
Fund Balances-Beginning (Deficits)		355,199								1,429,645		651,370	22,474
Prior Period Adjustment								(226,768)		(1,702,996)	53,559	(4,629)	
Fund Balances-Ending (Deficits)		\$ 383,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,398,787	\$ -	\$ 407,178	\$ 24,915

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

**BESSEMER CITY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	(14-8410) Capital Projects State Payments on Bonds	Capital Projects-GAP Coverage Act 2014-261	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,795,274	\$ -	\$ 4,605,843
Receivables:			
Accounts			-
Intergovernmental			5,763,322
Due from other funds			4,144
Prepays			-
Inventory			-
Total Assets	2,795,274	-	10,373,309
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to other funds			-
Accounts payable and Other liabilities			4,461
Deferred revenue			5,742,694
Accrued payroll and related liabilities			-
Total Liabilities	-	-	5,747,155
Fund balance			
Reserved for Capital Projects	2,795,274	-	3,227,367
Unreserved for Encumbrance	-	-	1,398,787
Total Fund Equity	2,795,274	-	4,626,154
Total Liabilities and Fund balance	\$ 2,795,274	\$ -	\$ 10,373,309

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

**BESSEMER CITY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Capital Projects State Payments on Bonds	Capital Projects-GAP Coverage Act 2014-261	Total Nonmajor Governmental Funds
REVENUES:			
State sources	\$ 724,932	\$ 17,051	\$ 1,137,912
Federal sources			10,538,229
Local sources			454,170
Other sources			337
Total Revenues	<u>724,932</u>	<u>17,051</u>	<u>12,130,648</u>
EXPENDITURES:			
Current:			
Instructional services			4,619,892
Instructional support services			1,548,322
Operation and maintenance services		17,051	319,540
Auxiliary Services			138,652
Student Transportation			48,931
General administrative services	1,363		1,261,210
Other			1,421,987
Capital Outlays	93,155		215,215
Debt service:			
Principal	428,491		886,820
Interest and fiscal charges	296,441		324,659
Total Expenditures	<u>819,450</u>	<u>17,051</u>	<u>10,785,228</u>
Excess of Revenues (Deficiency) Over (Under) Expenditures	<u>(94,518)</u>	<u>-</u>	<u>1,345,420</u>
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-		-
Refunding of debt payment	-		-
Other	-		-
Transfers in			5,132
Transfers out			(63,613)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(58,481)</u>
Net Change in Fund Balances	<u>(94,518)</u>	<u>-</u>	<u>1,286,939</u>
Fund Balances-Beginning (Deficits)	<u>2,889,792</u>	<u>-</u>	<u>4,993,281</u>
Prior Period Adjustment			<u>(1,654,066)</u>
Fund Balances-Ending (Deficits)	<u>\$ 2,795,274</u>	<u>\$ -</u>	<u>\$ 4,626,154</u>

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

**BESSEMER BOARD OF EDUCATION
STATEMENT OF COMBINING FIDUCIARY NET POSITION
LOCAL SCHOOLS NON-PUBLIC FUNDS
SEPTEMBER 30, 2022**

	Fiduciary Non-Public Funds									
	Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary	Jonesboro Elementary	Westhills Elementary	ROTC	Bessemer Center for Technology	Central Office	Total Non-Public Funds
ASSETS										
Cash and cash equivalents	\$ 1,058	\$ 4,951	\$ 707	\$ 1,221	\$ -	\$ 1,469	\$ 2,816	\$ 367	\$ 3,810	\$ 16,399
Total Assets	<u>1,058</u>	<u>4,951</u>	<u>707</u>	<u>1,221</u>	<u>-</u>	<u>1,469</u>	<u>2,816</u>	<u>367</u>	<u>3,810</u>	<u>16,399</u>
LIABILITIES AND NET POSITION										
LIABILITIES										
Due to other funds	2,072				406					2,478
Accounts payable and Other liabilities										-
Deferred revenue										-
Accrued payroll and related liabilities										-
Total Liabilities	<u>2,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,478</u>
Net Position										
Held in trust for local schools non-public funds	(1,014)	4,951	707	1,221	(406)	1,469	2,816	367	3,810	13,921
Total Net Position	<u>(1,014)</u>	<u>4,951</u>	<u>707</u>	<u>1,221</u>	<u>(406)</u>	<u>1,469</u>	<u>2,816</u>	<u>367</u>	<u>3,810</u>	<u>13,921</u>
Total Liabilities and Net Position	<u>\$ 1,058</u>	<u>\$ 4,951</u>	<u>\$ 707</u>	<u>\$ 1,221</u>	<u>\$ -</u>	<u>\$ 1,469</u>	<u>\$ 2,816</u>	<u>\$ 367</u>	<u>\$ 3,810</u>	<u>\$ 16,399</u>

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

**BESSEMER BOARD OF EDUCATION
STATEMENT OF CHANGES IN COMBINING FIDUCIARY NET POSITION
LOCAL SCHOOLS NON-PUBLIC FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

	Fiduciary Non-Public Funds						Total Non-Public Funds
	Bessemer High School	Bessemer Middle School	Abrams Elementary	Hard Elementary	Jonesboro Elementary	Westhills Elementary	
Additions:							
Local sources	\$ 42,031	\$ 55		\$ 120	\$ 4,300	\$ 1,574	\$ 52,102
Other sources	-	-	-	-	-	-	-
Total Revenues	42,031	55	-	120	4,300	1,574	52,102
Deductions:							
Instructional services							205
Instructional support services	43,312	-		205	5,033	1,108	49,483
Operation and maintenance services							30
Auxiliary Services							-
Student Transportation							-
General administrative services							182
Other							-
Total Expenditures	43,312	-	-	205	5,033	1,108	49,870
Net change in net position	(1,281)	55	-	(85)	(733)	466	2,232
Net position-Beginning (Deficits)	168	4,897	707	1,221	2,202	2,816	16,089
Prior Period Adjustment	99	(1)				(875)	(4,400)
Net Position-Ending (Deficits)	\$ (1,014)	\$ 4,951	\$ 707	\$ 1,221	\$ 1,469	\$ 367	\$ 13,921

See independent auditors' report and notes to financial statements.

**FEDERAL AWARDS
SUPPLEMENTAL INFORMATION**



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

To the Superintendent and Members of the
Bessemer City Board of Education
Bessemer, Alabama

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bessemer City Board of Education ("the Board") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated August 15, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items, 2022-002, and 2022-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-03, and 2022-004.

Board's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Board's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Principal & Associates, Inc.
Certified Public Accountants
2100 South Bridge Parkway, Suite 650
P.O. Box 360973
Birmingham, Alabama 35236

August 15, 2023



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

To the Superintendent and Members of the Bessemer
City Board of Education
Bessemer, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bessemer City Board of Education's ("the Board") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Board's major federal programs for the year ended September 30, 2022. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Board's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003.

. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Principal & Associates

The Principal & Associates, Inc.
Certified Public Accountants
2100 South Bridge Parkway, Suite 650
P.O. Box 360973
Birmingham, Alabama 35236

August 15, 2023

BESSEMER CITY BOARD OF EDUCATION

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2022

FEDERAL GRANTOR, PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Education		
<i>Passed through the Alabama Department of Education</i>		
Title I (Part) A	84.010	2,612,917
English Language Acquisition	84.365	36,031
Improving Teacher Quality State Grants	84.367	249,619
Title IV (Part) A Student Support & Academic Enrichment	84.424	181,729
VIB Special Education-LEA	84.027	893,055
Homeless Education	84.196A	36,048
Elementary and Secondary School Emergency Relief Fund	84.425D	1,929,198
Basic Grant	84.048A	91,620
American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	3,422,634
Homeless II	84.425W	8,435
Sub-Total U. S. Department of Education		<u>9,461,286</u>
Special Education Cluster:		
<i>Passed through the Alabama Department of Education</i>		
IDEA, Part B Program	84.072X	49,365
IDEA Preschool	84.173X	13,278
Preschool Grants (3-5-LEA)	84.173	14,816
Sub-Total Special Education Cluster		<u>77,459</u>
Total U.S. Department of Education		<u><u>9,538,745</u></u>
U.S. Department of Agriculture		
<i>Passed through the Alabama Department of Education</i>		
USDA- Child & Adult Care	10.558	60,039
USDA-Fresh Fruits and Vegetables Program	10.579	114,261
Sub-Total U. S. Department of Agriculture		<u>174,300</u>
Child Nutrition Cluster:		
<i>Passed through the Alabama Department of Education</i>		
USDA - School Breakfast	10.553	1,921,507
USDA- National School Lunch Program	10.555	3,135,090
USDA-Summer Food Meals	10.559	477,738
Sub-Total Child Nutrition Cluster		<u>5,534,335</u>
Total U.S. Department of Agriculture		<u><u>5,708,635</u></u>
Total Expenditures of Federal Awards		<u><u>\$ 15,247,380</u></u>

BESSEMER CITY BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant award activity of Bessemer City Board of Education (the Organization) under programs of the federal government for the year ended September 30, 2022. The accompanying notes are an integral part o f this schedule. The information on this Schedule is prepared 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 Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Organization has elected to use the 10 - percent de minimis indirect cost rate as allowable under the Uniform Guidance.

NOTE 3 - MATCHING REQUIREMENTS

Certain Federal programs require the Organization to contribute nonfederal funds (matching funds) to support the federally-funded programs. The Organization has met its matching requirements. The Schedule does not include the expenditures of nonfederal matching funds.

**Bessemer City Board of Education
Schedule of Findings and Questioned Costs
September 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Any material weakness(es) identified? Yes X No _____

Any significant deficiencies identified not considered to be material weakness? Yes X No _____

Any noncompliance material to financial statements noted? Yes _____ No X

Federal Awards

Internal control over major programs:

Any material weakness (es) identified? Yes _____ No X

Any significant deficiencies identified not considered to be material weakness? Yes _____ None reported

Noncompliance material to federal awards? Yes _____ No X

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .516 (a) Yes _____ No X

Identification of major programs:

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
84.425U	American Rescue Plan-Elementary and Secondary School Emergency Relief
10.553, 10.555, & 10.559	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee	Yes _____ No <u> X </u>

BESSEMER CITY BOAR OF EDUCATION

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2022

Section II: Financial Statements Findings

Finding 2022- 001 No Financial Reporting of the Transportation Maintenance Department's Materials & Supplies Inventory

Condition: The Board did not record the School Bus Maintenance Department inventory on hand at the end of fiscal year September 30, 2022.

The inventory in the Board's Maintenance Department consisted of tires, small parts, various fluids and oils, and hoses.

The Board's inventory on hand at the end of the fiscal year ending September 30, 2022 was significant. Accordingly, a physical count of the inventory in this department should have been taken and recorded in the appropriate general ledger of the Board.

Criteria: The consumption method of recording inventory should be used for the governmental fund financial statements of the Board. The consumption method must be used for the government-wide financial statements presented on the accrual basis of accounting. (That is, the government-wide and fiduciary fund financial statements should report inventory items as assets until they are sold or used and an expense is recognized.)

The consumption method means that acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenditures when used. Inventory on hand at the end of the period is recorded as an asset (debit) and is reported as nonspendable fund balance.

Effect: High risk of inventory misappropriation and understatement of the Board's current assets.

Cause: The Board was unaware of the significance

BESSEMER BOARD BOAR OF EDUCATION
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Finding 2022- 001 **No Financial Reporting of the Transportation Maintenance Department's Materials & Supplies Inventory- Continued**

Recommendation: At the end of each physical year, a physical inventory of all consumable materials and small equipment items with a less than one year shelf-life that are used by the School Bus Maintenance Department for repair and maintenance, and public safety activities of the Board should be taken by the above named department and as done by other department with significant inventory (not including nominal office supplies such as copying paper, pencils, and general office supplies) on hand at the end of the fiscal year.

The consumption method of recording inventory should be used for the accounting treatment to record inventory in the governmental fund financial statements of the Board which will facilitate a smooth transition to Board's Statement of Net Position because the consumption method must be used for the government-wide financial statements presented on the accrual basis of accounting. (That is, the government-wide, proprietary fund, and fiduciary fund financial statements should report inventory items as assets until they are sold or used and an expense or cost of sales is recognized.)

The consumption method means that acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenditures when used. Inventory on hand at the end of the period is recorded as an asset (debit) and is reported as nonspendable fund balance.

A practicable way for the Board of Bessemer to account for inventory is to account for inventory on a cash basis throughout the year and convert to the accrual basis at the end of the year when the physical count of inventory is taken. The change in inventory from the prior year to the current year can be recorded by adjusting the inventory expense account by a debit or a credit entry to account for the actual inventory used by the Board while simultaneously recording the fair value of inventory on hand at the end of the fiscal year.

Views of Responsible Officials:

The inventory was in process and not complete at the fiscal year ending September 30, 2022. The listing as of that date did not include bus tires. The Board will ensure that a full inventory of the School Bus Maintenance Department is completed in a timely manner for the upcoming fiscal year.

BESSEMER BOARD BOAR OF EDUCATION
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Finding 2022- 002 Electronic Municipal Market Access (EMMA) Compliance

Condition: In connection with its debt obligations, the Board did not timely file such annual financial information and operating data for the current year-end to the Municipal Securities Rulemaking Board pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule"), as amended, adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended.

Criteria: The Board undertook to provide annual filings of certain financial information and operating data of the Board to the Electronic Municipal Market Access system 180 days after the close of the Board's fiscal year-end.

Effect: Non-Compliance with the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule"), as amended, adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended.

Cause: The Board's books were not closed in a timely manner to facilitate the completion of the annual financial statement audit to allow for the submission of the audit report as required by EMMA.

Recommendation: We recommend that the Board comply with the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule"), as amended, adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended by timely closing the books within 90 days of the fiscal year- end to facilitated the completion of the Board's Audit by Mar 30 of each fiscal year-end.

Views of Responsible Officials:

The Board has procedures in place that ensure the timely closing of its books within 60 days of the fiscal year-end. The Board's financial statements must be reviewed and approved by the Alabama DOE before they are finalized and available to be audited. This approval process is oftentimes completed after all edits are reviewed and approved, prior to the Board's ability to obtain a completed audit by that same date. While the Board strives to ensure compliance in all areas. The Board will continue to close its book within 60 days of the fiscal year-end and endeavor to ensure a completed audit of its financial statements as soon after their approval by Alabama DOE as possible.

BESSEMER BOARD BOAR OF EDUCATION
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Finding 2022-003 **Federal Grant Report (Compliance Supplement)**

Condition: The Board did not submit its single audit reporting package related to the Board's Federal Grant requirements by the deadline required by rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement.

Criteria: Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement require that the Board complete and submit its single audit reporting package for fiscal year September 30, 2022 by the due dates of the earlier of 30 calendar days after receipt of the auditor's reports or within nine months (June 30, 2023) after the September 30, 2022 fiscal year-end.

Effect: Noncompliance with Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement.

Cause: The Board's books were not closed in a timely manner to facilitate the completion of the annual financial statement audit to allow for the submission of the audit report as required by rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement.

Recommendation: We recommend that the Board comply with the requirements of Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement by the due date of 30 calendar days after receipt of the auditor's reports or nine months (June 30) after the September 30 fiscal year-end by timely closing the Board books of accounting within 90 days of the fiscal year-end to facilitated the completion of the Board's Audit by Mar 30 of each fiscal year-end.

Views of Responsible Officials:

The Board has procedures in place that ensure the timely closing of its books within 60 days of the fiscal year-end. The Board's financial statements must be reviewed and approved by the Alabama DOE before they are finalized and available to be audited.. However, the Board will enact measures to ensure that the deadline is met going forward.

BESSEMER BOARD BOAR OF EDUCATION
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Section III - Federal Award Findings and Questioned Costs

Findings: None

The Principal & Associates, Inc.
Certified Public Accountants
2100 South Bridge Parkway, Suite 650
P.O. Box 360973
Birmingham, Alabama 35236

August 15, 2023



1621 5TH Avenue North
Post Office Box 1230
Bessemer, Alabama 35021
Phone: (205) 432-3000 Fax: (205) 432-3085

SUPERINTENDENT
Dana Arreola, Ed.D

BOARD MEMBERS
Renna Soles-Scott, President
Margie Varner, Vice-President
Anthony Williams
Terry Dawson
Samuel Morris
Remeka Thompson
Lee Jones

**BESSEMER BOARD OF EDUCATION
CORRECTIVE ACTION PLAN
FOR FISCAL YEAR SEPTEMBER 30, 2022**

Finding 2022-001

Inventory levels for the Board have been relatively consistent. Recognizing the requirement to ensure that inventory balances are fairly reported at year-end and to ensure that items are not misappropriated, the Board hired a company to perform a physical inventory. The inventory was in process and not complete at the fiscal year ending September 30, 2022. The listing as of that date did not include bus tires. The Board will ensure that a full inventory of the School Bus Maintenance Department is completed in a timely manner for the upcoming fiscal year.

Finding 2022-002

The Board has procedures in place that ensure the timely closing of its books within 60 days of the fiscal year-end. Within 60 days of the fiscal year-end, in accordance with state procedures, the Board's financial statements are provided to the State of Alabama Department of Education (Alabama DOE) by November 1. The Board's financial statements must be reviewed and approved by Alabama DOE before they are finalized and available to be audited. This approval process is oftentimes completed after all edits are reviewed and approved, prior to the Board's ability to obtain a completed audit by that same date. While the Board strives to ensure compliance in all areas. The Board will continue to close its book within 60 days of the fiscal year-end and endeavor to ensure a completed audit of its financial statements as soon after their approval by Alabama DOE as possible.

Finding 2022-003

The Board has procedures in place that ensure the timely closing of its books within 60 days of the fiscal year-end. Within 60 days of the fiscal year-end, in accordance with state procedures, the Board's financial statements are provided to the State of Alabama Department of Education (Alabama DOE). The Board's financial statements must be reviewed and approved by Alabama DOE before they are finalized and available to be audited. However, the Board will enact measures to ensure that the deadline is met going forward.

Patricia Stewart
Chief School Finance Officer

**BESSEMER BOARD OF EDUCATION
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR FISCAL YEAR SEPTEMBER 30, 2022**

None.

