

Report on the

Colbert County Board of Education

Colbert County, Alabama

October 1, 2013 through September 30, 2014

Filed: June 19, 2015



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

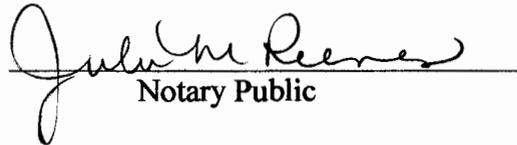
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Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

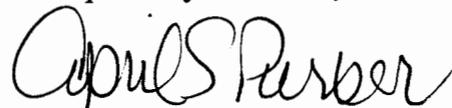
Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the Colbert County Board of Education, Colbert County, Alabama, for the period October 1, 2013 through September 30, 2014.

Sworn to and subscribed before me this
the 5th day of June, 2015.


Notary Public

rb My Commission Expires June 3, 2018

Respectfully submitted,



April S. Purser
Examiner of Public Accounts

Table of Contents

	<i>Page</i>
Summary	A
<p>Contains items pertaining to federal, state and local legal compliance, Board operations, and other matters.</p>	
Independent Auditor's Report	B
<p>Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).</p>	
Management's Discussion and Analysis	F
<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Board introducing the basic financial statements and providing an analytical overview of the Board's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
<u>Basic Financial Statements</u>	1
<p>Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Board's financial position and results of operations in accordance with GAAP.</p>	
Exhibit #1	2
Exhibit #2	3
Exhibit #3	5
Exhibit #4	7
Exhibit #5	8
Exhibit #6	10
Notes to the Financial Statements	11

Table of Contents

	<i>Page</i>
<u>Required Supplementary Information</u>	28
Provides information required by the GASB to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #7 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	29
Exhibit #8 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	33
<u>Supplementary Information</u>	37
Contains financial information and notes relative to federal financial assistance.	
Exhibit #9 Schedule of Expenditures of Federal Awards	38
Notes to the Schedule of Expenditures of Federal Awards	40
<u>Additional Information</u>	41
Provides basic information related to the Board, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits.	
Exhibit #10 Board Members and Administrative Personnel – a listing of the Board members and administrative personnel.	42
Exhibit #11 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> – a report on internal controls related to the financial statements and on whether the Board complied with laws and regulations which could have a direct and material effect on the Board’s financial statements.	43

Table of Contents

	<i>Page</i>
Exhibit #12 Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the Board complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.	45
Exhibit #13 Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133.	48



Department of
Examiners of Public Accounts

SUMMARY

**Colbert County Board of Education
October 1, 2013 through September 30, 2014**

The Colbert County Board of Education (the “Board”) is governed by a six-member body elected by the citizens of Colbert County. The members and administrative personnel in charge of governance of the Board are listed on Exhibit 10. The Board is the governmental agency that provides general administration and supervision for Colbert County public schools, preschool through high school, with the exception of schools administered by the Tusculum City Board of Education, Muscle Shoals City Board of Education and Sheffield City Board of Education.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Board complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted 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 as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

An unmodified opinion was issued on the financial statements, which means that the Board’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2014.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

The following officials/administrative personnel were invited to an exit conference to discuss the contents of this report: Anthony Olivis, Superintendent; James Brumley, Chief School Financial Officer; and Board Members: Carrie Greene, Linda Evans, Brad Counce, Thomas Burgess, Mary Moore, Joe Latham, and Nancy Parker. The following individuals attended the exit conference: Anthony Olivis, Superintendent; James Brumley, Chief School Financial Officer; Board Members: Carrie Greene, Linda Evans, Mary Moore, and Nancy Parker; and representatives of the Department of Examiners of Public Accounts: Robin V. Lakey, Audit Manager and April S. Purser, Examiner of Public Accounts.

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Independent Auditor's Report

Independent Auditor's Report

To: Members of the Colbert County Board of Education, Superintendent and Chief School Financial Officer

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Colbert County Board of Education, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Colbert County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 6.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Colbert County Board of Education, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during the fiscal year ended September 30, 2014, the Colbert County Board of Education adopted Governmental Accounting Standards Board (GASB) Statement Number 65, **Items Previously Reported as Assets and Liabilities**. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, (Exhibits 7 and 8), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Colbert County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 9) as required by U. S. Office of Management and Budget Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2015, on our consideration of the Colbert County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Colbert County Board of Education's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 20, 2015

Management's Discussion and Analysis
(Required Supplementary Information)

Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2014

Our discussion and analysis of the Colbert County Board of Education's (the "Board's") financial performance provides an overview of the Board's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the Board's financial statements and notes to the financial statements, which immediately follow this analysis.

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

Financial Highlights: Significant Items to Note

Our financial statements provide these insights into the results of this year's operations:

- The assets of the Board exceeded its liabilities at the close of the 2014 fiscal year by \$18.24 million. Of this amount, \$12.20 million represented the Board's net investment in capital assets. The Board maintains reserves of \$6.04 million of which \$1.58 million is reserved for payment of current and future capital projects or other purposes.
- A negative net change in Total Net Position of \$3,032,068.05 reflects decreased local revenue and increase in match to the State for the year ended 09/30/2014.

Using the Financial Statements - An Overview for the User

As a result of the implementation of the GASB 34 reporting model, the financial section consists of five parts- *management's discussion and analysis* (this section), the *independent auditor's report*, the *basic financial statements*, *required supplementary information*, and *other supplementary information*.

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

Government-wide financial statements - The focus of these 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 a 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 include the following:

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2014**

Instruction includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.

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

Operation and maintenance includes utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.

Auxiliary services includes student transportation expenses, such as bus driver salaries and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance. 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 lunchroom equipment and depreciation of food service equipment and facilities.

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

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

Other includes the salaries and benefits for preschool teachers and aides, extended day personnel, and 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. 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 of the governmental activities of the Board as a whole.

The *statement of net position* (Exhibit #1) is most closely related to a balance sheet. It presents information on all the Board's assets (what it owns) and liabilities (what it owes) and deferred inflows of resources, with the difference 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 increases or decreases 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.

Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2014

The *statement of activities* (Exhibit #2) 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 change 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. This reporting model requires the Board to present financial statements on a fund basis, but with some modifications. All of the funds of the Board are classified as governmental funds.

Governmental Funds - Governmental fund financial statements begin on Exhibit #3. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. Until 2003, fund information had been reported in the aggregate by type of fund. As required under the Stmt. 34 reporting model, the fund financial statements presented herein display information on each of the Board's most important governmental funds or major funds. This is required in order to better assess the Board's accountability for significant governmental programs or certain dedicated revenue. The Board's major funds are the General Fund, Special Revenue Fund and the Capital Projects Fund.

The fund financial statements are measured on the modified-accrual basis of accounting where revenues and expenditures are recorded when they become measurable and available. As a result, the fund financial statements focus on the near term use and availability of expendable resources. The information provided in these statements is useful in determining the Board's immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements*, which focus more on overall long-term availability of expendable resources. The relationship between governmental activities reported in the *government-wide financial statement* and the governmental funds reported in the fund financial statement are reconciled on Exhibit #4 and Exhibit #6 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financial decisions.

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 statements, not an appendage to them. The *notes to the basic financial statements* begin following the financial statements.

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2014**

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

Financial 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 Table 1 when reading the following analysis of net position. The Board's total assets exceeded liabilities by \$18,241,728.89 at September 30, 2014.

- The Board's net investment in capital assets is represented by over \$12.20 million of this amount. Since these capital assets represent investment in land, buildings, school buses, furniture and equipment, this portion of net position is not available for future spending or funding of operations.
- Restricted net position is reported separately to show the external legal constraints from debt covenants and enabling legislation that limit the Board's ability to use those net positions for day-to-day operations. \$1.19 million is reserved for capital projects and \$0.39 million for other purposes.
- The balance of unrestricted net position is \$4.46 million.

**Table 1: Summary of Net Position
As of September 30, 2013 and 2014
(in millions)**

	2013 Governmental Activities	2014 Governmental Activities	2014 Percent of Total
Current & Other Assets	13.61	12.46	49.11%
Capital Assets	13.44	12.91	50.89%
Total Assets	27.05	25.37	100.00%
Current Liabilities	4.94	2.94	80.55%
Noncurrent Liabilities	0.84	0.71	19.45%
Total Liabilities	5.78	3.65	100.00%
Deferred Inflows of Resources	0.00	3.48	100.00%
Net Position:			
Net Investment in Capital Assets	12.61	12.20	66.89%
Restricted for Capital Projects	0.67	1.19	6.52%
Restricted Debt Service	0.00	0.00	0.00%
Restricted for Other Purposes	0.51	0.39	2.14%
Unrestricted	7.48	4.46	24.45%
Total Net Position	21.27	18.24	100.00%

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2014**

Table 2
Summary of Changes in Net Position From Operating Results
Fiscal Year Ended September 30, 2013 and 2014
(in millions)

	2013	2014	2014 Percent of Total
	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>of Total</u>
Revenues:			
Program Revenues			
Charges for Services	\$2.56	\$2.74	10.00%
Operating Grants & Contributions	16.99	15.51	56.61%
Capital Grants & Contributions	1.19	0.76	2.77%
General Revenues:			
Taxes			
Property Taxes for General Purposes	2.97	3.28	11.97%
Sales & Use Tax for General Purposes	3.46	3.40	12.41%
Sales & Use Tax for Special Purposes	0.00	0.00	0.00%
Miscellaneous Taxes	0.09	0.08	0.29%
Grants and Contributions Not Restricted:			
State Grants not Restricted	0.27	0.00	0.00%
Interest	0.23	0.29	1.06%
Gain on disposition of capital assets	0.00	0.00	0.00%
Miscellaneous	1.44	1.34	4.89%
Total Revenues:	29.20	27.40	100.00%
Expenses:			
Governmental Activities			
Instruction	15.31	15.60	51.27%
Instruction Support	4.14	4.26	13.99%
Operation & Maint	2.62	2.85	9.37%
Auxiliary Services			
Auxiliary Services - Food Service	2.20	2.36	7.76%
Auxiliary Services - Transportation	2.30	2.40	7.89%
General Administration and Central Support	1.78	1.61	5.29%
Other	1.25	1.31	4.30%
Interest on Long-Term Debt	0.02	0.04	0.12%
Total Expenses	29.62	30.43	100.00%
Increase (Decrease) in Net Position	(0.42)	(3.03)	
Net Position - Beginning of Year	21.69	21.27	
Net Position - End of Year	\$21.27	\$18.24	

The Board's net position decreased by \$3,032,068.05 during the current fiscal year. A measureable decrease in revenues and an increase in expenditures accounts for the decrease in net position for the year ending September 30, 2014.

Governmental Activities - As shown in *Exhibit #2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2014 was \$30.43 million. It is important to note that not all of these costs were borne by the taxpayers of Colbert County.

- Some of the cost, \$2.74 million, was paid by users who benefited from services provided during the year, such as school lunches and participation in school extra-curricular activities.
- State and federal government subsidized certain programs with grants and contributions totaling \$15.51 million.
- Other program revenue sources, such as capital grants, provided another \$0.76 million in revenues.

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2014**

Table 3 is a condensed statement taken from the *Statement of Activities* showing the total cost for providing identified services for seven 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
Net Cost of Governmental Activities

	Total Cost	Net Cost
Instruction	15,598,107	(5,111,192)
Instructional Support Services	4,259,912	(1,614,312)
Operation and Maintenance	2,855,294	(2,241,720)
Auxiliary Services:		
Food Service	2,362,382	(609,584)
Transportation	2,398,623	(259,623)
General Administration & Central Support	1,610,353	(1,282,453)
Other	1,306,970	(260,807)
Interest on Long-Term Debt	41,116	(41,116)
Total Expenses	30,432,757	(11,420,807)

Financial Analysis of School Board Funds

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

Governmental Funds - The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements (Note that the relationship between the fund financial statements and the government-wide financial statements are reconciled on Exhibits #4 and #6). The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$6.041 million.

- \$2.435 million of this total is found in the fund balance of the General Fund.
- \$1.088 million represents the fund balance of the Special Revenue Fund.
- \$2.518 million represents the fund balance of the Capital Projects Fund.

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2014**

General Fund - The general fund is the primary operating fund of the Board. The Board incurred a decrease in fund balance in the amount of \$3,001,321. The General Fund receives proceeds from State, Federal and Local Sources for General Education Purposes.

Special Revenue Fund – The special revenue fund is comprised of all Federal funds restricted for approved program purposes; Child Nutrition Program funds; and Public funds in the Local Schools.

Capital Projects Fund – The capital projects funds is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlay.

Budgetary Highlights of Major Funds

On or before October 1st 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 original fiscal year 2014 budget was adopted by the Board in a meeting held on September 5, 2013. Over the course of the year, the Board revised the annual operating budgets to:

- (1) correct beginning balances to actual amounts at 09/30/2013.
- (2) identify and budget carryover amounts of federal funds.
- (3) add A+ College Ready Grant
- (4) add SDE Graduation Rate Grant
- (5) change legal services salary to legal fees/professional services

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2013, the Board had invested \$12,913,395 in a broad range of capital assets, including land, buildings, school furniture, school buses, instructional equipment, computer hardware, maintenance vehicles, custodial equipment, and athletic equipment. The table below provides additional information on these assets.

Table 4
Capital Assets

Land	\$259,806	
Construction in Progress	0.00	
Land Improvements	287,001	
Buildings and Improvements	20,527,145	
Equipment and Vehicles	5,240,463	
Less: Accumulated Depreciation	(13,401,020)	
Total Capital Assets		\$12,913,395

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2014**

Long-Term Debt

At year-end, the Board had \$712,801 in long-term debt payable through the board's leveraged portion of the Public School Fund Annual Allocation from State Funds.

Table 5: Long-Term Debt
Fiscal Year Ended September 30, 2014
FY 2014 Schedule of Debt

Original Amount	Year Borrowed	Final Date	Principal Paid	Interest Paid	Balance 09/30/14	Fund Source
\$2,165,620	1999	05/01/2019	122,821.97	\$41,116.32	\$712,801.77	2120

Economic Factors and Next Year's Budget

The following are currently known Colbert County economic factors considered as we move into the 2014-2015 fiscal year.

- With local funding heavily dependent on Sales Tax revenue, we are very susceptible to revenue shortfalls due to changes in the local economy.
- All Ad Valorem Property Taxes received from the County Revenue Commissioner are pledged to meet the State's 10-mill requirement for participation in the Foundation Program. A three year substantial increase in millage value mainly caused by the Railcar Plant has caused the required "Foundation 10-mill Match" amount to increase as well, which takes funds from Local Sources and reduces the amount received from the State for the Foundation Program. This most heavily affected fiscal year 2014 when actual millage value collected decreased back to previous levels. The Railcar Plant was purchased by the Retirement System of Alabama which allowed it to become a tax exempt entity, thus reducing the millage values. The chart below shows a history of the District's "10 Mill Match" requirement. As is shown, the match required for fiscal year 2015 is reduced by \$1.2 million from the previous year. This will help the District's net position in 2015.

Fiscal Year	10 Mill Match
2012	\$2,803,480
2013	\$3,300,863
2014	\$4,009,839
2015	\$2,781,080

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2014**

- A decrease in ADM from FY 14 of 34.25 resulting in 1.14 fewer State Funded units coupled with economic conditions will call for program cuts, larger class sizes, shortened contract days, or other losses of State Revenue for FY 2015 and years following.
- We are anticipating no additional State Revenue in the coming years, and must plan accordingly. The increase in the cost of benefits will be a factor to consider when budgeting for the future. The loss of State-Funded Teacher units will create a hardship from classroom to boardroom. Continuous lack of adequate funding for our educators will hamper any efforts to recruit the best teachers for our students.
- Our student enrollment continues to decline which causes a reduction in “earned teacher units” based on average daily membership. The loss of state funds for teacher salaries and benefits and related budget items causes the Board to reduce further our workforce, increase class sizes, or cut currently offered programs in an effort to maintain “locally funded teacher units” at a level that can be supported by local revenue.

Enrollment History – ADM = Average Daily Membership of enrolled students:

- FY 2014-2015 ADM 2,661.25 loss of 34.25
- FY 2013-2014 ADM 2,695.50 loss of 62.15
- FY 2012-2013 ADM 2,757.65 loss of 73.85
- FY 2011-2012 ADM 2,831.50 loss of 25.00
- FY 2010-2011 ADM 2,856.50 loss of 76.75
- FY 2009-2010 ADM 2,933.25 loss of 44.0
- FY 2008-2009 ADM 2,977.25 loss of 42.4
- FY 2007-2008 ADM 3,019.65 loss of 95.5
- FY 2006-2007 ADM 3,115.15 loss of 83.35
- FY 2005-2006 ADM 3,198.50 loss of 69.99
- FY 2004-2005 ADM 3,268.49 loss of 5.36
- FY 2003-2004 ADM 3,273.85 loss of 69.70
- FY 2002-2003 ADM 3,343.55 **gain** of 6.85
- FY 2001-2002 ADM 3,336.70 loss of 19.22
- FY 2000-2001 ADM 3,355.92 loss of 103.12
- FY 1999-2000 ADM 3,459.04

This loss over fifteen years of 797.79 students represents a loss of 48.93 state funded units from 221.94 in 1999-2000, to 173.01 in 2013-2014.

- Our locally funded teacher units for the 2014-2015 School Year total over fifteen (15). The need for Locally Funded Teacher Units continues to increase. We must be able to support a larger number of local teacher units with our local funds to effectively provide education opportunities to our students.
- State Funding continues to be unreliable when planning for our future, with State Budget woes causing further funding divisor increases, program cutbacks and other cost-cutting measures. Hopefully the increase in local property tax millage approved in April 2013, signals public approval to plan for strong local support in future years.

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2014**

- The new three (3) mill district property tax that was passed in April 2013 will start being collected in October 2014. It is estimated that this tax will provide over \$800,000 in additional revenue for the District. This, along with the reduction in match to the State and a possible increase in property tax collections, the Board is optimistic to be able to have a balanced budget by the end of the 2015 fiscal year.

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact James Brumley, Chief School Finance Officer, Colbert County Board of Education, P.O. Box 538, Tuscumbia, AL 35674, Phone (256) 386-8565, email jbrumley@colbert.k12.a1.us.

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Basic Financial Statements

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Statement of Net Position
September 30, 2014

	Governmental Activities
<u>Assets</u>	
Cash	\$ 7,718,599.88
Ad Valorem Property Taxes Receivable	3,475,000.00
Receivables (Note 4)	1,176,461.09
Inventories	86,353.46
Capital Assets (Note 5):	
Nondepreciable	259,806.00
Depreciable, Net	12,653,589.14
Total Assets	<u>25,369,809.57</u>
<u>Liabilities</u>	
Due To Other Governments	172,162.16
Unearned Revenue	4,870.57
Salaries and Benefits Payable	2,763,246.18
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Bonds Payable	129,045.06
Portion Due or Payable After One Year:	
Bonds Payable	583,756.71
Total Liabilities	<u>3,653,080.68</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	<u>3,475,000.00</u>
Total Deferred Inflows of Resources	<u>3,475,000.00</u>
<u>Net Position</u>	
Net Investment in Capital Assets	12,200,593.37
Restricted for:	
Capital Projects	1,185,544.79
Other Purposes	397,188.39
Unrestricted	<u>4,458,402.34</u>
Total Net Position	<u>\$ 18,241,728.89</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>			
Instruction	\$ 15,598,107.16	\$ 433,283.22	\$ 9,767,158.01
Instructional Support	4,259,912.04	130,049.57	2,515,095.72
Operation and Maintenance	2,855,294.36	177,371.63	335,022.48
Auxiliary Services:			
Student Transportation	2,398,623.05	49,748.22	1,735,085.61
Food Service	2,362,382.20	1,576,437.65	176,360.79
General Administration and Central Support	1,610,353.14	731.11	305,400.59
Interest and Fiscal Charges	41,116.32		
Other Expenses	1,306,969.61	372,820.77	673,341.81
Total Governmental Activities	<u>\$ 30,432,757.88</u>	<u>\$ 2,740,442.17</u>	<u>\$ 15,507,465.01</u>

General Revenues:

Taxes:

 Property Taxes for General Purposes

 Sales Tax

 Alcohol Beverage Tax

 Other Taxes

Grants and Contributions Not Restricted
for Specific Programs

Gain on Disposition of Capital Assets

Investment Earnings

TVA in Lieu of Taxes

Miscellaneous

 Total General Revenues

Changes in Net Position

Net Position - Beginning of Year

Net Position - End of Year

The accompanying Notes to the Financial Statements are an integral part of this statement.

		Net (Expenses) Revenues and Changes in Net Position	
<u>Capital Grants and Contributions</u>		<u>Total Governmental Activities</u>	
\$	286,474.32	\$	(5,111,191.61)
	455.20		(1,614,311.55)
	101,179.87		(2,241,720.38)
	354,165.97		(259,623.25)
			(609,583.76)
	21,768.05		(1,282,453.39)
			(41,116.32)
			(260,807.03)
<u>\$</u>	<u>764,043.41</u>		<u>(11,420,807.29)</u>

3,276,735.89
3,397,238.22
24,680.17
54,721.50
1,200.00
1,558.50
292,989.72
705,959.30
633,655.94
<u>8,388,739.24</u>
(3,032,068.05)
<u>21,273,796.94</u>
<u>\$ 18,241,728.89</u>

Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Special Revenue Fund
<u>Assets</u>		
Cash	\$ 4,340,090.23	\$ 934,267.90
Ad Valorem Property Taxes Receivable	3,475,000.00	
Receivables (Note 4)	853,308.96	249,198.40
Interfund Receivables	34,804.65	125.23
Inventories		86,353.46
Total Assets	<u>8,703,203.84</u>	<u>1,269,944.99</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Due to Other Governments	172,162.16	
Interfund Payables	125.23	34,804.65
Unearned Revenue		4,870.57
Salaries and Benefits Payable	2,620,715.28	142,530.90
Total Liabilities	<u>2,793,002.67</u>	<u>182,206.12</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	3,475,000.00	
Total Deferred Inflows of Resources	<u>3,475,000.00</u>	
<u>Fund Balances</u>		
Nonspendable:		
Inventories		86,353.46
Restricted:		
Child Nutrition		310,834.93
Capital Projects		
Fleet Renewal		
Assigned to:		
Capital Projects		
Local Schools		690,550.48
Unassigned	2,435,201.17	
Total Fund Balances	<u>2,435,201.17</u>	<u>1,087,738.87</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,703,203.84</u>	<u>\$ 1,269,944.99</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Capital Projects Fund	Total Governmental Funds
\$ 2,444,241.75	\$ 7,718,599.88
	3,475,000.00
73,953.73	1,176,461.09
	34,929.88
	86,353.46
<u>2,518,195.48</u>	<u>12,491,344.31</u>
	172,162.16
	34,929.88
	4,870.57
	<u>2,763,246.18</u>
	<u>2,975,208.79</u>
	3,475,000.00
	<u>3,475,000.00</u>
	86,353.46
	310,834.93
364,864.03	364,864.03
820,680.76	820,680.76
1,332,650.69	1,332,650.69
	690,550.48
	2,435,201.17
<u>2,518,195.48</u>	<u>6,041,135.52</u>
<u>\$ 2,518,195.48</u>	<u>\$ 12,491,344.31</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2014***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 6,041,135.52

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)
are different because:

Capital assets used in governmental activities are not financial resources and therefore
are not reported as assets in governmental funds. These assets consist of:

Land	\$	259,806.00	
Land Improvements		287,000.71	
Buildings and Improvements		20,527,145.22	
Equipment and Vehicles		5,240,463.16	
Less: Accumulated Depreciation		<u>(13,401,019.95)</u>	
Total Capital Assets			12,913,395.14

Long-term liabilities, including bonds payable, are not due and payable in the current
period and therefore are not reported as liabilities in the funds.

	Amounts Due or Payable Within One Year	Amounts Due or Payable After One Year	
Bonds Payable	<u>\$ 129,045.06</u>	<u>\$ 583,756.71</u>	<u>(712,801.77)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ 18,241,728.89

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2014

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 13,175,782.93	\$
Federal	150,469.61	3,178,714.83
Local	7,461,001.09	2,065,349.35
Other	34,350.57	68,481.10
Total Revenues	20,821,604.20	5,312,545.28
<u>Expenditures</u>		
Current:		
Instruction	13,312,181.78	1,843,582.81
Instructional Support	3,762,650.13	467,405.79
Operation and Maintenance	2,421,301.46	235,556.32
Auxiliary Services:		
Student Transportation	1,819,501.70	135,776.63
Food Service		2,506,253.28
General Administration and Central Support	1,408,450.51	181,419.09
Other	649,047.72	647,019.62
Capital Outlay	13,724.00	20,918.49
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	23,386,857.30	6,037,932.03
Excess (Deficiency) of Revenues Over Expenditures	(2,565,253.10)	(725,386.75)
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	219,640.54	
Transfers In	29,798.25	708,997.55
Other Financing Sources	22,028.44	
Sale of Capital Assets	1,462.50	96.00
Transfers Out	(708,997.55)	(29,798.25)
Total Other Financing Sources (Uses)	(436,067.82)	679,295.30
Net Changes in Fund Balances	(3,001,320.92)	(46,091.45)
Fund Balances - Beginning of Year	5,436,522.09	1,133,830.32
Fund Balances - End of Year	\$ 2,435,201.17	\$ 1,087,738.87

The accompanying Notes to the Financial Statements are an integral part of this statement.

Capital Projects Fund	Total Governmental Funds
\$ 762,129.41	\$ 13,937,912.34
	3,329,184.44
480,824.00	10,007,174.44
	102,831.67
<u>1,242,953.41</u>	<u>27,377,102.89</u>
79,625.92	15,235,390.51
740.00	4,230,795.92
158,373.77	2,815,231.55
171,604.52	2,126,882.85
	2,506,253.28
35,387.52	1,625,257.12
	1,296,067.34
209,963.41	244,605.90
122,821.97	122,821.97
41,116.32	41,116.32
<u>819,633.43</u>	<u>30,244,422.76</u>
<u>423,319.98</u>	<u>(2,867,319.87)</u>
	219,640.54
	738,795.80
	22,028.44
	1,558.50
	<u>(738,795.80)</u>
	<u>243,227.48</u>
423,319.98	(2,624,092.39)
<u>2,094,875.50</u>	<u>8,665,227.91</u>
<u>\$ 2,518,195.48</u>	<u>\$ 6,041,135.52</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2014

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (2,624,092.39)

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$775,403.53) exceeds capital outlay (\$244,605.90) in the period. (530,797.63)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 122,821.97

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 governmental funds.

Proceeds from the Sale of Capital Assets	\$	(1,558.50)
Gain on Disposition of Capital Assets		1,558.50
		1,558.50

Change in Net Position of Governmental Activities (Exhibit 2) \$ (3,032,068.05)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Board is governed by a separately elected board composed of six members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County (with the exception of cities having a city board of education).

Generally accepted accounting principles (GAAP) require that the financial reporting entity consist of the primary government and its component units. Accordingly, the accompanying financial statements present the Board (a primary government).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Board.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities 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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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

Fund Financial Statements

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Board reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
- ◆ **Special Revenue Fund** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I and the Child Nutrition program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.
- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

Notes to the Financial Statements
For the Year Ended September 30, 2014

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits

Cash includes cash on hand and demand deposits.

Notes to the Financial Statements

For the Year Ended September 30, 2014

2. Receivables

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

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. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

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

3. Inventories

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

4. Restricted Assets

Certain funds received from the State Department of Education and sales taxes for capital projects and improvements included in cash on the balance sheet are considered restricted assets because they are maintained separately and their use is limited. The Public School Capital Projects, Sales Tax and Fleet Renewal funding sources are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses.

5. Capital Assets

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

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements (Exhaustible)	\$50,000	20 years
Buildings	\$50,000	25 – 50 years
Building Improvements	\$50,000	5 – 30 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 – 15 years

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund equity by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund equity, similar to liabilities.

Notes to the Financial Statements
For the Year Ended September 30, 2014

8. Net Position/Fund Equity

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

- ◆ **Net Investment in Capital Assets** – Capital assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

Fund balance is reported in governmental funds in the fund financial statements under the following five categories:

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

Notes to the Financial Statements
For the Year Ended September 30, 2014

- D. Assigned fund balances consist of amounts that are intended to be used by the school system for specific purposes. The Board authorizes the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

The Board has established a minimum fund balance policy which recognizes that the establishment and maintenance of adequate fund reserves is necessary to avoid disruption in the educational programs in the schools. The Superintendent or Chief School Financial Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or budget amendment will prevent the establishment or maintenance of a one-month's operating balance. A one-month's operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by 12. In determining the General Fund expenditures and fund transfers out, the current or proposed budget amendment shall be used.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and the Special Revenue 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, with the exception of the Capital Projects Fund, which adopts project-length budgets. All appropriations lapse at fiscal year-end.

On or before October 1 of each year, each county board of education shall prepare and submit to the State Superintendent of Education the annual budget to be adopted by the County Board of Education. The Superintendent or County Board of Education shall not approve any budget for operations of the school for any fiscal year which shall show expenditures in excess of income estimated to be available plus any balances on hand.

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 3 – Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board’s deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer’s Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Note 4 – Receivables

On September 30, 2014, receivables for the Board’s individual major funds are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Receivables:				
Accounts	\$ 518.60	\$ 749.00	\$16,019.76	\$ 17,287.36
Intergovernmental	852,790.36	248,449.40	57,933.97	1,159,173.73
Total Receivables	<u>\$853,308.96</u>	<u>\$249,198.40</u>	<u>\$73,953.73</u>	<u>\$1,176,461.09</u>

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance 10/01/2013	Additions	Retirements	Balance 09/30/2014
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 259,806.00	\$	\$	\$ 259,806.00
Construction in Progress	825,933.56		(825,933.56)	
Total Capital Assets, Not Being Depreciated	<u>1,085,739.56</u>		<u>(825,933.56)</u>	<u>259,806.00</u>
Capital Assets Being Depreciated:				
Land Improvements (Exhaustible)	119,962.00	167,038.71		287,000.71
Buildings and Improvements	19,642,597.01	884,548.21		20,527,145.22
Equipment and Furniture	5,233,522.12	18,952.54	(12,011.50)	5,240,463.16
Total Capital Assets Being Depreciated	<u>24,996,081.13</u>	<u>1,070,539.46</u>	<u>(12,011.50)</u>	<u>26,054,609.09</u>
Less Accumulated Depreciation for:				
Land Improvements	(15,595.06)	(6,396.06)		(21,991.12)
Buildings and Improvements	(9,242,681.32)	(404,157.58)		(9,646,838.90)
Equipment and Furniture	(3,379,351.54)	(364,849.89)	12,011.50	(3,732,189.93)
Total Accumulated Depreciation	<u>(12,637,627.92)</u>	<u>(775,403.53)</u>	<u>12,011.50</u>	<u>(13,401,019.95)</u>
Total Capital Assets Being Depreciated, Net	<u>12,358,453.21</u>	<u>295,135.93</u>		<u>12,653,589.14</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,444,192.77</u>	<u>\$ 295,135.93</u>	<u>\$(825,933.56)</u>	<u>\$ 12,913,395.14</u>
(*) Included in the Additions and Retirements columns are \$825,933.56 for Construction in Progress which was completed during the audit period and reclassified to Buildings and Building Improvements.				

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	\$362,716.65
Instructional Support	29,116.12
Operation and Maintenance	40,062.81
Auxiliary Services:	
Food Service	57,886.92
Transportation	271,740.20
General Administration and Central Support	2,978.56
Other	10,902.27
Total Depreciation Expense – Governmental Activities	<u>\$775,403.53</u>

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The Board contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the Board are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the Board. Benefits vest after 10 years of creditable service.

The provisions of Act Number 2012-377, Acts of Alabama, established a new defined benefit plan tier for employees (Tier 2). Tier 2 employees are those hired on or after January 1, 2013. Employees who were hired before January 1, 2013 are considered to be Tier 1 employees.

Vested Tier 1 employees may retire with full benefits at age 60 or after 25 years of creditable service. Vested Tier 2 employees may retire after completing at least 10 years of service at the age of 62. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method Tier 1 retirees are allowed 2.0125% of the average final salary (best three of the last ten years) for each year of service, whereas Tier 2 retirees are allowed 1.6500% of their average final salary (best five of the last ten years) for each year of service with a benefit cap of 80% of the average final salary. Retirees may also elect to receive a reduced retirement allowance (*Special Privileges at Retirement*) in order to provide an allowance to a designated beneficiary after the member's death. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the *Code of Alabama 1975*, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36130-2150.

Notes to the Financial Statements
For the Year Ended September 30, 2014

B. Funding Policy

Tier 1 employees are required to contribute 7.5 percent of their salary to the Teachers' Retirement System, whereas Tier 2 employees are required to contribute 6 percent of their salary. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30,	2014	2013	2012
Total Percentage of Covered Payroll (Tier 1)	19.21%	17.58%	17.25%
Total Percentage of Covered Payroll (Tier 2)	17.08%	15.44%	
Contributions:			
Percentage Contributed by the Board (Tier 1)	11.71%	10.08%	10.00%
Percentage Contributed by the Employees (Tier 1)	7.50%	7.50%	7.25%
Percentage Contributed by the Board (Tier 2)	11.08%	9.44%	
Percentage Contributed by the Employees (Tier 2)	6.00%	6.00%	
Contributed by the Board	\$1,902,048.52	\$1,640,695.64	\$1,615,726.34
Contributed by Employees	1,212,720.28	1,219,928.53	1,171,401.60
Total Contributions	<u>\$3,114,768.80</u>	<u>\$2,860,624.17</u>	<u>\$2,787,127.94</u>

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

B. Funding Policy

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

	Fiscal Year 2014
Individual Coverage – Non-Medicare Eligible	\$151.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$391.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$250.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$250.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$679.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$870.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$839.00
Surviving Spouse – Medicare Eligible	\$318.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$516.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$485.00

For employees that retire other than for disability on or after October 1, 2005 and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is \$28.00 per month for retired members that use tobacco.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2014	\$714.00	\$220.09	30.83%	\$1,042,962.01	100%
2013	\$714.00	\$216.90	30.38%	\$1,026,628.48	100%
2012	\$714.00	\$228.85	32.05%	\$1,079,126.90	100%

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

Note 8 – Long-Term Debt

During fiscal year 2010, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Bonds, Series 2009-B, 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 bonds provided funds for the purpose of refunding the Board's Capital Improvement Pool Bonds, Series 1999-D.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2014:

	Debt Outstanding 10/01/2013	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2014	Amounts Due Within One Year
<u>Bonds Payable:</u>					
PSCA Pool Bonds, Series 2009-B	\$835,623.74	\$	\$(122,821.97)	\$712,801.77	\$129,045.06
Total Bonds Payable	\$835,623.74	\$	\$(122,821.97)	\$712,801.77	\$129,045.06

Notes to the Financial Statements
For the Year Ended September 30, 2014

Payments on the PSCA Pool Bonds, Series 2009-B, are made by the Bonds and Warrants fund source with Public School Funds withheld from the Board's Allocation from the Alabama Department of Education.

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	Capital Outlay PSCA		Total Principal and Interest Requirements to Maturity
	Principal	Interest	
September 30, 2015	\$129,045.06	\$ 34,975.22	\$164,020.28
2016	135,073.13	29,187.84	164,260.97
2017	141,872.45	22,434.18	164,306.63
2018	149,017.48	15,340.56	164,358.04
2019	157,793.65	7,889.68	165,683.33
Totals	<u>\$712,801.77</u>	<u>\$109,827.48</u>	<u>\$822,629.25</u>

Pledged Revenues

The Board issued Series 2009-B Capital Improvement Pool Refunding Bonds which are pledged to be repaid from the Board's allocation of public school funds received from the State of Alabama. The proceeds were used for the purpose of refunding the Capital Improvement Pool Bonds, Series 1999-D. Future revenues in the amount of \$822,629.25 are pledged to repay the principal and interest on the bonds at September 30, 2014. Proceeds in the amount of \$410,824.00 of Public School Funds were received by the Board during the fiscal year ended September 30, 2014 of which \$163,938.29 was used to pay principal and interest on the bonds. This amount represents 60.10 percent of the pledged funds received by the Board. The Series 2009-B bonds will mature in fiscal year 2019.

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 9 – 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 state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Automobile liability insurance and errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the Board's coverage in any of the past three fiscal years.

The Board does not have insurance coverage of job-related injuries. Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama 1975*, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs which the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment.

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 10 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2014, were as follows:

	Interfund Receivables		Totals
	General Fund	Special Revenue Fund	
<u>Interfund Payables:</u>			
General Fund	\$	\$125.23	\$ 125.23
Special Revenue Fund	34,804.65		34,804.65
Totals	<u>\$34,804.65</u>	<u>\$125.23</u>	<u>\$34,929.88</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2014, were as follows:

	Transfers In		Total
	General Fund	Special Revenue Fund	
<u>Transfers Out:</u>			
General Fund	\$	\$708,997.55	\$708,997.55
Special Revenue Fund	29,798.25		29,798.25
Totals	<u>\$29,798.25</u>	<u>\$708,997.55</u>	<u>\$738,795.80</u>

The Board typically used transfers to fund ongoing operating subsidies and to recoup certain expenditures paid on-behalf of the local schools.

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 11 – Reclassification

During the fiscal year ended September 30, 2014, the Board adopted the GASB Statement Number 65, ***Items Previously Reported as Assets and Liabilities*** (GASB 65), which established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses/expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The implementation of GASB 65 resulted in the reclassification of certain items previously reported as liabilities.

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Required Supplementary Information

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2014***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
State	\$ 13,114,214.00	\$ 13,149,456.00	\$ 13,175,782.93
Federal	1,100.00	1,100.00	150,469.61
Local	6,824,561.00	6,851,561.00	7,461,001.09
Other			34,350.57
Total Revenues	<u>19,939,875.00</u>	<u>20,002,117.00</u>	<u>20,821,604.20</u>
<u>Expenditures</u>			
Current:			
Instruction	12,961,026.82	13,001,223.82	12,941,591.80
Instructional Support	3,630,166.00	3,652,211.00	3,579,929.95
Operation and Maintenance	2,428,985.00	2,428,985.00	2,314,571.61
Auxiliary Services:			
Student Transportation	1,711,492.53	1,711,492.53	1,738,891.96
General Administration and Central Support	1,396,901.84	1,396,901.84	1,293,995.51
Other	668,551.00	668,551.00	633,350.35
Capital Outlay			13,724.00
Total Expenditures	<u>22,797,123.19</u>	<u>22,859,365.19</u>	<u>22,516,055.18</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,857,248.19)</u>	<u>(2,857,248.19)</u>	<u>(1,694,450.98)</u>
<u>Other Financing Sources (Uses)</u>			
Indirect Cost	272,923.00	279,788.00	219,640.54
Transfers In	4,510.00	19,305.00	29,798.25
Other Financing Sources	6,438.00	6,438.00	22,028.44
Sale of Capital Assets			1,462.50
Transfers Out	(769,344.63)	(768,344.63)	(708,997.55)
Total Other Financing Sources (Uses)	<u>(485,473.63)</u>	<u>(462,813.63)</u>	<u>(436,067.82)</u>
Net Change in Fund Balances	(3,342,721.82)	(3,320,061.82)	(2,130,518.80)
Fund Balances - Beginning of Year	<u>5,985,841.77</u>	<u>7,184,288.59</u>	<u>7,184,288.59</u>
Fund Balances - End of Year	<u>\$ 2,643,119.95</u>	<u>\$ 3,864,226.77</u>	<u>\$ 5,053,769.79</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 13,175,782.93
		150,469.61
		7,461,001.09
		34,350.57
		<u>20,821,604.20</u>
(1)	370,589.98	13,312,181.78
(1)	182,720.18	3,762,650.13
(1)	106,729.85	2,421,301.46
(1)	80,609.74	1,819,501.70
(1)	114,455.00	1,408,450.51
(1)	15,697.37	649,047.72
		13,724.00
	<u>870,802.12</u>	<u>23,386,857.30</u>
	<u>(870,802.12)</u>	<u>(2,565,253.10)</u>
		219,640.54
		29,798.25
		22,028.44
		1,462.50
		<u>(708,997.55)</u>
		<u>(436,067.82)</u>
	(870,802.12)	(3,001,320.92)
(2)	<u>(1,747,766.50)</u>	<u>5,436,522.09</u>
	<u>\$ (2,618,568.62)</u>	<u>\$ 2,435,201.17</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2014***

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

The Board budgets on the modified accrual basis of accounting except as shown below:

- (1) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.

Net Decrease in Fund Balance - Budget to GAAP

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) because of the cumulative effect of transactions such as those described above.

\$ (870,802.12)

\$ (870,802.12)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2014***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Federal	\$ 3,233,166.00	\$ 3,349,417.48	\$ 3,178,714.83
Local	3,803,962.90	3,803,962.90	2,065,349.35
Other	45,000.00	45,000.00	68,481.10
Total Revenues	<u>7,082,128.90</u>	<u>7,198,380.38</u>	<u>5,312,545.28</u>
Expenditures			
Current:			
Instruction	2,575,299.85	2,647,191.68	1,843,582.81
Instructional Support	682,268.00	716,786.48	467,405.79
Operation and Maintenance	434,130.00	434,130.00	235,556.32
Auxiliary Services:			
Student Transportation	180,019.00	180,019.00	135,776.63
Food Service	2,500,688.38	2,500,065.38	2,450,941.08
General Administration and Central Support	216,015.90	217,149.97	181,419.09
Other	1,506,350.10	1,515,057.20	647,019.62
Capital Outlay			20,918.49
Total Expenditures	<u>8,094,771.23</u>	<u>8,210,399.71</u>	<u>5,982,619.83</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,012,642.33)</u>	<u>(1,012,019.33)</u>	<u>(670,074.55)</u>
Other Financing Sources (Uses)			
Transfers In	1,052,019.63	1,052,019.63	708,997.55
Sale of Capital Assets			96.00
Transfers Out	(299,980.00)	(302,980.00)	(29,798.25)
Total Other Financing Sources (Uses)	<u>752,039.63</u>	<u>749,039.63</u>	<u>679,295.30</u>
Net Change in Fund Balances	(260,602.70)	(262,979.70)	9,220.75
Fund Balances - Beginning of Year	<u>2,590,870.43</u>	<u>1,451,988.87</u>	<u>1,220,880.02</u>
Fund Balances - End of Year	<u>\$ 2,330,267.73</u>	<u>\$ 1,189,009.17</u>	<u>\$ 1,230,100.77</u>



Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 3,178,714.83
	2,065,349.35
	68,481.10
	<u>5,312,545.28</u>
	1,843,582.81
	467,405.79
	235,556.32
	135,776.63
(1) 55,312.20	2,506,253.28
	181,419.09
	647,019.62
	20,918.49
55,312.20	<u>6,037,932.03</u>
<u>(55,312.20)</u>	<u>(725,386.75)</u>
	708,997.55
	96.00
	<u>(29,798.25)</u>
	<u>679,295.30</u>
(55,312.20)	(46,091.45)
(2) <u>(87,049.70)</u>	<u>1,133,830.32</u>
<u>\$ (142,361.90)</u>	<u>\$ 1,087,738.87</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2014***

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

The Board budgets on the modified accrual basis of accounting except as shown below:

- (1) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.

Net Decrease in Fund Balance - Budget to GAAP

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) because of the cumulative effect of transactions such as those described above.

\$ (55,312.20)

\$ (55,312.20)

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
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U. S. Department of Education

Passed Through Alabama Department of Education

Career and Technical Education - Basic Grants to States	84.048	N/A
Title I Grants to Local Educational Agencies	84.010	N/A
Rural Education	84.358	N/A
Education for Homeless Children and Youth	84.196	N/A
Special Education Cluster:		
Special Education - Grants to States	84.027	N/A
Special Education - Preschool Grants	84.173	N/A
Sub-Total Special Education Cluster (M)		
Improving Teacher Quality State Grants	84.367	N/A
Total U. S. Department of Education		

U. S. Department of Agriculture

Passed Through Alabama Department of Education

Child Nutrition Cluster:		
School Breakfast Program	10.553	N/A
National School Lunch Program:		
Cash Assistance	10.555	N/A
Non-Cash Assistance (Commodities)	10.555	N/A
Sub-Total National School Lunch Program		
Total Child Nutrition Cluster (M)		
Fresh Fruit and Vegetable Program	10.582	N/A
Total U. S. Department of Agriculture		

Social Security Administration

Passed Through Alabama Department of Education

Social Security - Disability Insurance	96.001	N/A
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Total Expenditures of Federal Awards

(M) = Major Program

N/A = Not Applicable or Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2013-09/30/2014	\$ 46,914.00	\$ 46,914.00	\$ 46,914.00	\$ 46,914.00
10/01/2013-09/30/2014	1,125,618.93	1,125,618.93	1,003,365.91	1,003,365.91
10/01/2013-09/30/2014	50,900.72	50,900.72	50,900.72	50,900.72
10/01/2013-09/30/2014	10,000.00	10,000.00	10,000.00	10,000.00
10/01/2013-09/30/2014	721,677.43	721,677.43	721,677.43	721,677.43
10/01/2013-09/30/2014	18,036.00	18,036.00	18,036.00	18,036.00
	<u>739,713.43</u>	<u>739,713.43</u>	<u>739,713.43</u>	<u>739,713.43</u>
10/01/2013-09/30/2014	162,270.40	162,270.40	162,270.40	162,270.40
	<u>2,135,417.48</u>	<u>2,135,417.48</u>	<u>2,013,164.46</u>	<u>2,013,164.46</u>
10/01/2013-09/30/2014	281,417.63	281,417.63	281,417.63	281,417.63
10/01/2013-09/30/2014	857,481.63	857,481.63	857,481.63	857,481.63
10/01/2013-09/30/2014	113,354.04	113,354.04	113,354.04	113,354.04
	<u>970,835.67</u>	<u>970,835.67</u>	<u>970,835.67</u>	<u>970,835.67</u>
	1,252,253.30	1,252,253.30	1,252,253.30	1,252,253.30
10/01/2013-09/30/2014	63,006.75	63,006.75	63,006.75	63,006.75
	<u>1,315,260.05</u>	<u>1,315,260.05</u>	<u>1,315,260.05</u>	<u>1,315,260.05</u>
10/01/2013-09/30/2014	760.00	760.00	760.00	760.00
	<u>\$ 3,451,437.53</u>	<u>\$ 3,451,437.53</u>	<u>\$ 3,329,184.51</u>	<u>\$ 3,329,184.51</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2014***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Colbert County Board of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Additional Information

Board Members and Administrative Personnel
October 1, 2013 through September 30, 2014

Board Members **Term Expires**

Hon. Nancy Parker	President	2016
Hon. Carrie Greene	Vice-President	2018
Hon. Brad Counce	Member	2014
Hon. Thomas Burgess	Member	2018
Hon. Linda Evans	Member	2016
Hon. Joe Latham	Member	2013
Hon. Mary Moore	Member	2020

Administrative Personnel

Hon. Anthony Olivis	Superintendent	2016
Mr. James Brumley	Chief School Financial Officer	Indefinite

***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***

Independent Auditor's Report

To: Members of the Colbert County Board of Education, Superintendent and Chief School Financial Officer

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 and each major fund of the Colbert County Board of Education, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Colbert County Board of Education's basic financial statements and have issued our report thereon dated May 20, 2015.

Internal Control Over Financial Reporting

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

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

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

***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***

Compliance and Other Matters

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

Purpose of this Report

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 20, 2015

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

Independent Auditor's Report

To: Members of the Colbert County Board of Education, Superintendent and Chief School Financial Officer

Report on Compliance for Each Major Federal Program

We have audited the Colbert County Board of Education's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Colbert County Board of Education's major federal programs for the year ended September 30, 2014. The Colbert County Board of Education's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Colbert County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Colbert County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Program

In our opinion, the Colbert County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the Colbert County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Colbert County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Colbert County Board of Education's internal control over compliance.

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

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

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 20, 2015

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 and 10.555 84.027 and 84.173	Child Nutrition Cluster Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee? _____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reportable.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	