

Report on the

Colbert County Board of Education

Colbert County, Alabama

October 1, 2014 through September 30, 2015

Filed: April 29, 2016



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

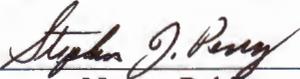
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Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

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, 2014 through September 30, 2015.

Sworn to and subscribed before me this
the 29th day of March, 2016.



Notary Public
MY COMMISSION EXPIRES OCT. 26, 2019

rb

Respectfully submitted,



Briana Hannah
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Colbert County Board of Education
October 1, 2014 through September 30, 2015**

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 12. 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, 2015.

Findings are numbered and reported by the fiscal year in which the finding originally occurred.

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and it is summarized below.

CURRENT FINDING

- ◆ 2015-001 relates to teacher receipts not being submitted to the bookkeeper in a timely manner.

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 Mitchell, Linda Evans, Brad Counce, Thomas Burgess, Mary Moore, Ricky Saint, and Nancy Parker. The following individuals attended the exit conference: Anthony Olivis, Superintendent; James Brumley, Chief School Financial Officer; Board Members: Carrie Mitchell, Linda Evans, Thomas Burgess, Mary Moore, and Nancy Parker; and representatives of the Department of Examiners of Public Accounts: Robin V. Lakey, Audit Manager and Briana Hannah, Examiner of Public Accounts.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2015

Ref. No.	Finding/Noncompliance
2015-001	<p><u>Finding:</u> The Colbert County Board of Education's Local School Finance Manual requires teachers to issue receipts to students for funds collected and remit the funds to the local school bookkeeper daily. At the local schools tested, teachers did not always submit their receipts to the local school bookkeeper daily or in a timely manner.</p> <p><u>Recommendation:</u> Teachers should submit monies collected to the local school bookkeeper in a timely manner.</p>

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

Emphasis of Matter

As discussed in Note 12 to the financial statements, during the fiscal year ended September 30, 2015, the Colbert County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 68, **Accounting and Financial Reporting for Pensions**, an amendment of GASB Statement Number 27. 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), the Schedule of the Employer's Proportionate Share of the Net Pension Liability, Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, (Exhibits 7 through 10), 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 11) 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 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 March 23, 2016, 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

March 23, 2016

*Management's Discussion and Analysis
(Required Supplementary Information)*

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2015**

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, 2015. 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 liabilities and deferred inflows of resources of the Board exceeded its assets and deferred outflows of resources at the close of the 2015 fiscal year by \$4.77 million. Of this amount, \$12.27 million represented the Board's net investment in capital assets. The Board maintains reserves of \$1.26 million for payment of current and future capital projects or other purposes.
- The Board held an unrestricted balance of (\$18,299,987.13) due to the booking of its pension liability per GASB 68.
- A negative net change in Total Net Position of \$23,016,082.57 is mainly due to the result of booking the Pension Liability due to the adoption of GASB 68 for the year ended September 30, 2015.

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:

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

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2015**

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, deferred outflows of resources, liabilities and deferred inflows of resources 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) deferred outflows of resources and liabilities and deferred inflows of resources (what it owes), 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, 2015**

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 more 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, 2015**

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 liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,744,353.68 at September 30, 2015.

- The Board's net investment in capital assets is represented by over \$12.27 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. \$966,379 is reserved for capital projects and \$288,694 for other purposes.
- The balance of unrestricted net position is (\$18.30) million due to the implementation of GASB 68.

**Table 1: Summary of Net Position
As of September 30, 2014 and 2015
(in millions)**

	2014 Governmental Activities	2015 Governmental Activities	2015 Percent of Total
Current and Other Assets	12.46	13.22	50.71%
Capital Assets	12.91	12.85	49.29%
Total Assets	25.37	26.07	100.00%
Deferred Outflows of Resources	0.00	1.86	100.00%
Current Liabilities	2.94	3.24	11.94%
Noncurrent Liabilities	0.71	23.90	88.06%
Total Liabilities	3.65	27.14	100.00%
Deferred Revenue/Inflows	3.48	5.56	100.00%
Net Position:			
Invested in Capital Assets, Net Related of Debt	12.20	12.27	(257.23%)
Restricted for Capital Projects	1.19	0.97	(20.34%)
Restricted for Other Purposes	0.39	0.29	(6.08%)
Unrestricted	4.46	(18.30)	383.65%
Total Net Position	18.24	(4.77)	100.00%

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2015**

Table 2
Summary of Changes in Net Position From Operating Results
Fiscal Year Ended September 30, 2014 and 2015
(in millions)

	2014 Governmental Activities	2015 Governmental Activities	2015 Percent of Total
Revenues:			
Program Revenues			
Charges for Services	\$ 2.74	\$ 2.56	8.50%
Operating Grants and Contributions	15.57	16.80	55.76%
Capital Grants and Contributions	0.76	0.85	2.82%
General Revenues:			
Taxes			
Property Taxes for General Purposes	3.27	4.43	14.70%
Sales and Use Tax for General Purposes	3.39	3.41	11.32%
Sales and Use Tax for Special Purposes	0.00	0.00	0.00%
Miscellaneous Taxes	0.08	0.08	2.49%
Grants and Contributions Not Restricted:			
State Grants not Restricted	0.00	0.00	0.00%
Interest	0.30	0.61	2.02%
Gain on disposition of capital assets	0.00	0.00	0.00%
Miscellaneous	1.34	1.39	2.39%
Total Revenues:	27.40	30.13	100.00%
Expenses:			
Governmental Activities			
Instruction	15.60	15.16	51.37%
Instructional Support	4.26	4.22	14.30%
Operation and Maintenance	2.85	2.83	9.59%
Auxiliary Services			
Auxiliary Services - Food Service	2.36	2.27	7.69%
Auxiliary Services - Transportation	2.40	2.22	7.52%
General Administration and Central Support	1.61	1.46	4.95%
Other	1.31	1.32	4.48%
Interest on Long-Term Debt	0.04	0.03	0.10%
Total Expenses	30.43	29.51	100.00%
Increase (Decrease) in Net Position	(3.03)	0.62	
Net Position - Beginning of Year, as restated	21.27	(5.39)	
Net Position - End of Year	\$18.24	\$(4.77)	

The Board's net position increased by \$615,917.43 during the current fiscal year.

Governmental Activities – As shown in *Exhibit #2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2015 was \$29.51 million. It is important to note that not all of these costs were borne by the taxpayers of Colbert County.

- Some of the cost, \$2.56 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 \$16.80 million.
- Other program revenue sources, such as capital grants, provided another \$0.85 million in revenues.

**Colbert County Board of Education
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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
Instructional Services	\$15,159,034	\$(3,610,648)
Instructional Support Services	4,218,062	(1,288,380)
Operation and Maintenance	2,830,853	(2,137,419)
Auxiliary Services:		
Food Service	2,266,146	(639,464)
Transportation	2,216,990	(91,334)
General Administration and Central Support	1,464,406	(1,143,062)
Other	1,323,106	(361,941)
Interest on Long-Term Debt	34,975	(34,975)
Total Expenses	\$29,513,572	\$(9,307,223)

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 \$6.43 million.

- \$2.660 million of this total is found in the fund balance of the General Fund.
- \$0.923 million represents the fund balance of the Special Revenue Fund.
- \$2.846 million represents the fund balance of the Capital Projects Fund.

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2015**

General Fund – The general fund is the primary operating fund of the Board. The Board incurred an increase in fund balance in the amount of \$225,167. 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 fund 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 2015 budget was adopted by the Board in a meeting held on September 11, 2014. Over the course of the year, the Board revised the annual operating Budgets to:

- (1) correct beginning balances to actual amounts at 09/30/2014.
- (2) identify and budget carryover amounts of federal funds.
- (3) add A+ College Ready Grant
- (4) add purchase of buses
- (5) corrected state allocations to revised amounts
- (6) add school safety grant
- (7) add CNP equipment grant

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2015, the Board had invested \$12,854,315.38 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	17,825
Land Improvements	287,000
Buildings and Improvements	20,527,145
Equipment and Vehicles	5,914,255
Less: Accumulated Depreciation	(14,151,717)
Total Capital Assets	\$12,854,314

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2015**

Long-Term Debt

At year-end, the Board had \$583,756.71 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, 2015
FY 2015 Schedule of Debt

Original Amount	Year Borrowed	Final Date	Principal Paid	Interest Paid	Balance 09/30/15	Fund Source
\$2,165,620	1999	05/01/2019	129,045.06	\$34,975.22	\$583,756.71	2120

Pension Liability

Due to the adoption of GASB 68, a pension liability of \$23,314,000 had to be booked. This liability has of course caused the Board to have a negative net position.

Economic Factors and Next Year's Budget

The following are currently known Colbert County economic factors considered as we move into the 2015-2016 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.
- Ad Valorem Property Taxes and Sales Taxes that are received from the collections in the County are pledged to meet the State's 10-mill requirement for participation in the Foundation Program. Here is a brief history or the Board's 10 mill match:

Fiscal Year	10 Mill Match
2012	\$2,803,480
2013	\$3,300,863
2014	\$4,009,839
2015	\$2,781,080
2016	\$3,001,960

- A decrease in ADM from FY 15 of 30.45 resulted in an actual increase of 1.04 State Funded units. This increase was because of a change in the divisors. The reduction in state funds 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.

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2015**

- 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 2015-2016 ADM 2,630.80 loss of 30.45
- 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 sixteen years of 828.24 students represents a loss of 47.89 state funded units from 221.94 in 1999-2000, to 174.05 in 2015-2016.

- Our locally funded teacher units for the 2015-2016 School Year total over thirteen (13). 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.

**Colbert County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2015**

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.al.us.

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Basic Financial Statements

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Statement of Net Position
September 30, 2015

	Governmental Activities
<u>Assets</u>	
Cash	\$ 8,106,054.11
Ad Valorem Property Taxes Receivable	3,537,526.56
Receivables (Note 4)	1,489,600.06
Inventories	80,324.58
Capital Assets (Note 5):	
Nondepreciable	277,631.81
Depreciable, Net	12,576,683.57
Total Assets	<u>26,067,820.69</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contribution	<u>1,857,831.48</u>
Total Deferred Outflows of Resources	<u>1,857,831.48</u>
<u>Liabilities</u>	
Payables	347,572.35
Unearned Revenue	4,220.10
Salaries and Benefits Payable	2,893,930.13
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Bonds Payable	135,073.13
Portion Due or Payable After One Year:	
Bonds Payable	448,683.58
Net Pension Liability	23,314,000.00
Total Liabilities	<u>27,143,479.29</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	3,537,526.56
Proportionate Share of Collective Deferred Inflows Related to Defined Benefit Pension Plans	<u>2,019,000.00</u>
Total Deferred Inflows of Resources	<u>5,556,526.56</u>
<u>Net Position</u>	
Net Investment in Capital Assets	12,270,558.67
Restricted for:	
Capital Projects	966,379.93
Other Purposes	288,694.85
Unrestricted	<u>(18,299,987.13)</u>
Total Net Position	<u>\$ (4,774,353.68)</u>

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

Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>			
Instruction	\$ 15,159,034.62	\$ 433,384.01	\$ 10,846,977.45
Instructional Support	4,218,062.59	140,783.22	2,708,955.07
Operation and Maintenance	2,830,853.65	199,230.49	380,366.53
Auxiliary Services:			
Student Transportation	2,216,990.33	40,253.93	1,736,459.33
Food Service	2,266,146.37	1,435,670.81	191,011.30
General Administration and Central Support	1,464,406.23	3,354.17	281,736.91
Interest and Fiscal Charges	34,975.22		
Other Expenses	1,323,106.73	304,753.33	656,411.60
Total Governmental Activities	<u>\$ 29,513,575.74</u>	<u>\$ 2,557,429.96</u>	<u>\$ 16,801,918.19</u>

General Revenues:

Taxes:

Property Taxes for General Purposes

Sales Tax

Alcohol Beverage Tax

Other Taxes

Investment Earnings

TVA in Lieu of Taxes

Miscellaneous

Total General Revenues

Changes in Net Position

Net Position - Beginning of Year, as Restated (Note 12)

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	
Capital Grants and Contributions		Total Governmental Activities	
\$	268,025.09	\$	(3,610,648.07)
	79,943.97		(1,288,380.33)
	113,837.42		(2,137,419.21)
	348,942.94		(91,334.13)
			(639,464.26)
	36,252.32		(1,143,062.83)
			(34,975.22)
			(361,941.80)
<u>\$</u>	<u>847,001.74</u>		<u>(9,307,225.85)</u>

4,428,319.12
3,413,392.41
26,875.57
55,001.22
611,952.30
668,627.96
718,974.70
<u>9,923,143.28</u>
615,917.43
<u>(5,390,271.11)</u>
<u>\$ (4,774,353.68)</u>

Balance Sheet
Governmental Funds
September 30, 2015

	General Fund	Special Revenue Fund
<u>Assets</u>		
Cash	\$ 4,464,725.74	\$ 794,529.82
Ad Valorem Property Taxes Receivable	3,537,526.56	
Receivables (Note 4)	1,075,315.96	414,245.86
Interfund Receivables	234,747.28	
Inventories		80,324.58
Total Assets	<u>9,312,315.54</u>	<u>1,289,100.26</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Payables	347,456.60	115.75
Interfund Payables		234,747.28
Unearned Revenue		4,220.10
Salaries and Benefits Payable	2,766,963.68	126,966.45
Total Liabilities	<u>3,114,420.28</u>	<u>366,049.58</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	3,537,526.56	
Total Deferred Inflows of Resources	<u>3,537,526.56</u>	
<u>Fund Balances</u>		
Nonspendable:		
Inventories		80,324.58
Restricted:		
Child Nutrition		208,370.27
Capital Projects		
Fleet Renewal		
Assigned to:		
Capital Projects		
Local Schools		634,355.83
Unassigned	2,660,368.70	
Total Fund Balances	<u>2,660,368.70</u>	<u>923,050.68</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,312,315.54</u>	<u>\$ 1,289,100.26</u>

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

Capital Projects Fund	Total Governmental Funds
\$ 2,846,798.55	\$ 8,106,054.11
	3,537,526.56
38.24	1,489,600.06
	234,747.28
	80,324.58
2,846,836.79	13,448,252.59
	347,572.35
	234,747.28
	4,220.10
	2,893,930.13
	3,480,469.86
	3,537,526.56
	3,537,526.56
	80,324.58
	208,370.27
480,649.17	480,649.17
485,730.76	485,730.76
1,880,456.86	1,880,456.86
	634,355.83
	2,660,368.70
2,846,836.79	6,430,256.17
\$ 2,846,836.79	\$ 13,448,252.59

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2015

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 6,430,256.17

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	
Construction in Progress		17,825.81	
Land Improvements		287,000.71	
Buildings and Improvements		20,527,145.22	
Equipment and Furniture		5,914,255.59	
Less: Accumulated Depreciation		<u>(14,151,717.95)</u>	
Total Capital Assets			12,854,315.38

Long-term liabilities, including net pension obligations and 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	\$ 135,073.13	\$ 448,683.58	
Net Pension Liability		23,314,000.00	
Total Liabilities	<u>135,073.13</u>	<u>23,762,683.58</u>	(23,897,756.71)

Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflow Related to Defined Benefit Pension Plan	\$	1,857,831.48	
Deferred Inflow Related to Defined Benefit Pension Plan		<u>(2,019,000.00)</u>	
			<u>(161,168.52)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ (4,774,353.68)

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, 2015

	General Fund	Special Revenue Fund
Revenues		
State	\$ 14,572,592.26	\$
Federal	155,733.36	3,083,799.19
Local	8,549,761.73	2,003,768.65
Other	22,794.80	26,366.79
Total Revenues	23,300,882.15	5,113,934.63
Expenditures		
Current:		
Instruction	12,914,821.28	1,849,150.92
Instructional Support	3,559,348.02	535,065.70
Operation and Maintenance	2,327,471.76	292,459.42
Auxiliary Services:		
Student Transportation	1,693,494.46	146,310.34
Food Service		2,462,509.96
General Administration and Central Support	1,293,638.69	151,898.87
Other	700,487.92	615,835.65
Capital Outlay		90,051.43
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	22,489,262.13	6,143,282.29
Excess (Deficiency) of Revenues Over Expenditures	811,620.02	(1,029,347.66)
Other Financing Sources (Uses)		
Indirect Cost	269,917.06	
Transfers In	42,562.13	907,221.60
Other Financing Sources	8,289.92	
Transfers Out	(907,221.60)	(42,562.13)
Total Other Financing Sources (Uses)	(586,452.49)	864,659.47
Net Changes in Fund Balances	225,167.53	(164,688.19)
Fund Balances - Beginning of Year	2,435,201.17	1,087,738.87
Fund Balances - End of Year	\$ 2,660,368.70	\$ 923,050.68

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

Capital Projects Fund	Total Governmental Funds
\$ 845,101.74	\$ 15,417,694.00
	3,239,532.55
861,284.73	11,414,815.11
	49,161.59
<u>1,706,386.47</u>	<u>30,121,203.25</u>
114,254.00	14,878,226.20
119,950.70	4,214,364.42
176,348.32	2,796,279.50
145,452.47	1,985,257.27
	2,462,509.96
49,443.58	1,494,981.14
	1,316,323.57
608,275.81	698,327.24
129,045.06	129,045.06
34,975.22	34,975.22
<u>1,377,745.16</u>	<u>30,010,289.58</u>
<u>328,641.31</u>	<u>110,913.67</u>
	269,917.06
	949,783.73
	8,289.92
	(949,783.73)
	<u>278,206.98</u>
328,641.31	389,120.65
<u>2,518,195.48</u>	<u>6,041,135.52</u>
<u>\$ 2,846,836.79</u>	<u>\$ 6,430,256.17</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, 2015

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5)	\$	389,120.65
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 (\$756,512.52) exceeds capital outlay (\$698,327.24) in the period.		(58,185.28)
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.		129,045.06
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.		
Loss on Disposition of Capital Assets	\$	(894.48)
Net Decrease in Pension Expense		156,831.48
		<u>155,937.00</u>
Change in Net Position of Governmental Activities (Exhibit 2)	\$	<u>615,917.43</u>

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, 2015

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, 2015

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, 2015

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, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted 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.

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

1. Deposits

Cash includes cash on hand and demand deposits.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2015

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.

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. Deferred Outflows of Resources

Deferred outflow of resources is reported in the government-wide financial statements. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

7. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

8. 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 balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

9. Pensions

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

10. Net Position/Fund Balances

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

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 intact. 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.
- D. Assigned fund balances consist of amounts that are intended to be used by the Board 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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 4 – Receivables

On September 30, 2015, receivables for the Board’s individual major funds are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Receivables:				
Accounts	\$	\$ 2,480.00	\$	\$ 2,480.00
Intergovernmental	1,075,315.96	411,765.86	38.24	1,487,120.06
Total Receivables	\$1,075,315.96	\$414,245.86	\$38.24	\$1,489,600.06

Note 5 – Capital Assets

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

	Balance 10/01/2014	Additions	Retirements	Balance 09/30/2015
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 259,806.00	\$	\$	\$ 259,806.00
Construction in Progress		17,825.81		17,825.81
Total Capital Assets, Not Being Depreciated	259,806.00	17,825.81		277,631.81
Capital Assets Being Depreciated:				
Land Improvements (Exhaustible)	287,000.71			287,000.71
Buildings and Improvements	20,527,145.22			20,527,145.22
Equipment and Furniture	5,240,463.16	680,501.43		5,914,255.59
Total Capital Assets Being Depreciated	26,054,609.09	680,501.43	(6,709.00)	26,728,401.52
Less Accumulated Depreciation for:				
Land Improvements	(21,991.12)	(10,392.88)		(32,384.00)
Buildings and Improvements	(9,646,838.90)	(411,348.95)		(10,058,187.85)
Equipment and Furniture	(3,732,189.93)	(334,770.69)	5,814.52	(4,061,146.10)
Total Accumulated Depreciation	(13,401,019.95)	(756,512.52)	5,814.52	
Total Capital Assets, Being Depreciated, Net	12,653,589.14	(76,011.09)	(894.48)	12,576,683.57
Total Governmental Activities Capital Assets, Net	\$ 12,913,395.14	\$ (58,185.28)	\$ (894.48)	\$ 12,854,315.38

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
Instruction	\$375,296.16
Instructional Support	28,679.53
Operation and Maintenance	41,419.99
<u>Auxiliary Services:</u>	
Food Service	56,749.55
Transportation	241,055.96
General Administration and Central Support	2,409.06
Other	10,902.27
Total Depreciation Expense – Governmental Activities	\$756,512.52

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The Teachers’ Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 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 the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

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

C. Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2015 was 11.71% of annual pay for Tier 1 members and 11.05% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$1,857,831.48 for the year ended September 30, 2015.

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

At September 30, 2015, the Board reported a liability of \$23,314,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the Board's proportion was 0.256628%, which was a decrease of 0.003446% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the Board recognized pension expense of \$1,701,000.00. At September 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$
Change of assumptions		
Net difference between projected and actual earnings on pension plan investments		1,748,000.00
Changes in proportion and differences between Employer Contributions and proportionate share of contributions		271,000.00
Employer contributions subsequent to the measurement date	1,857,831.48	
Total	<u>\$1,857,831.48</u>	<u>\$2,019,000.00</u>

\$1,857,831.48 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
September 30, 2016	\$(500,000.00)
2017	\$(500,000.00)
2018	\$(500,000.00)
2019	\$(500,000.00)
2020	\$ (19,000.00)
Thereafter	\$

Notes to the Financial Statements

For the Year Ended September 30, 2015

E. Actuarial Assumptions

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

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

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

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

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	
(*) Includes assumed rate of inflation of 2.50%		

Notes to the Financial Statements
For the Year Ended September 30, 2015

F. Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Board's proportionate share of collective net pension liability	\$31,760	\$23,314	\$16,154
(Dollar amounts in thousands)			

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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> under the Employers’ Financial Reports section.

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 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 2015
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	\$700.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$934.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$907.00
Surviving Spouse – Medicare Eligible	\$354.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$595.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$568.00

Notes to the Financial Statements

For the Year Ended September 30, 2015

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.

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2015	\$780.00	\$180.76	23.17%	\$ 833,067.05	100%
2014	\$714.00	\$220.09	30.83%	\$1,042,962.01	100%
2013	\$714.00	\$216.90	30.38%	\$1,026,628.48	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.

Notes to the Financial Statements
For the Year Ended September 30, 2015

The following is a summary of general long-term debt transactions for the Board for the year ended September 30, 2015:

	Debt Outstanding 10/01/2014	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2015	Amounts Due Within One Year
Bonds Payable:					
PSCA Pool Bonds, Series 2009-B	\$ 712,801.77	\$	\$ (129,045.06)	\$ 583,756.71	\$135,073.13
Total Bonds Payable	712,801.77		(129,045.06)	583,756.71	135,073.13
Other Liabilities:					
Net Pension Liability	25,475,000.00		(2,161,000.00)	23,314,000.00	
Total	\$26,187,801.77	\$	\$(2,290,045.06)	\$23,897,756.71	\$135,073.13

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:

Year Ending	Capital Outlay PSCA		Total Principal and Interest Requirements to Maturity
	Principal	Interest	
September 30, 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
Total	\$583,756.71	\$74,852.26	\$658,608.97

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 \$658,608.97 are pledged to repay the principal and interest on the bonds at September 30, 2015. Proceeds in the amount of \$512,360.00 of Public School Funds were received by the Board during the fiscal year ended September 30, 2015 of which \$164,020.28 was used to pay principal and interest on the bonds. This amount represents 32.01 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, 2015

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, 2015

Note 10 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2015, were as follows:

	Interfund Receivables General Fund	Totals
Interfund Receivables:		
Special Revenue Fund	\$234,747.28	\$234,747.28
Totals	\$234,747.28	\$234,747.28

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2015, were as follows:

	Transfers In		
	General Fund	Special Revenue Fund	Totals
Transfers Out:			
General Fund	\$	\$907,221.60	\$907,221.60
Special Revenue Fund	42,562.13		42,562.13
Total	\$42,562.13	\$907,221.60	\$949,783.73

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

Note 11 – Subsequent Events

In January 2016, a Capital Lease was issued to purchase buses. The aggregate principal amount of \$1,090,050 has a stated interest rate of 2.27%.

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 12 – Restatements

In fiscal year 2015, the Board adopted Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions***. The provisions of this Statement establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Board’s financial statements. For fiscal year 2015, the Board made prior period adjustments due to the adoption of GASB Statement Number 68 which required the restatement of the September 30, 2014, net position in Governmental Activities. The result is a decrease in net position at October 1, 2014 of \$23,632,000.00.

The impact of the restatements on the fund balances/net position as previously reported is as follows:

	Governmental Funds
Net Position Balance, September 30, 2014, as Previously Reported	\$ 18,241,728.89
Net Pension Liability Due to Adoption of GASB 68	<u>(23,632,000.00)</u>
Governmental Activities Net Position, September 30, 2014, as Restated	<u>\$ (5,390,271.11)</u>

Required Supplementary Information

***Schedule of the Employer's Proportionate Share of the
Net Pension Liability
For the Year Ended September 30, 2015
(Dollar amounts in thousands)***

	2015
Employer's proportion of the net pension liability	0.256628%
Employer's proportionate share of the net pension liability	\$ 23,314
Employer's covered-employee payroll during the measurement period (*)	\$ 16,270
Employer's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	143.29%
Plan fiduciary net position as a percentage of the total collective pension liability	71.01%

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

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Contributions
For the Year Ended September 30, 2015
(Dollar amount in thousands)

	2015
Contractually required contribution	\$ 1,858
Contributions in relation to the contractually required contribution	<u>1,858</u>
Contribution deficiency (excess)	\$
Employer's covered-employee payroll	\$ 15,918
Contributions as a percentage of covered-employee payroll	11.67%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
State	\$ 14,474,965.00	\$ 14,573,875.00	\$ 14,572,592.26
Federal			155,733.36
Local	8,142,865.00	8,561,006.04	8,549,761.73
Other			22,794.80
Total Revenues	<u>22,617,830.00</u>	<u>23,134,881.04</u>	<u>23,300,882.15</u>
Expenditures			
Current:			
Instruction	13,055,519.55	13,013,832.27	12,830,734.25
Instructional Support	3,583,483.00	3,621,256.73	3,512,679.53
Operation and Maintenance	2,377,091.63	2,366,579.63	2,327,766.53
Auxiliary Services:			
Student Transportation	1,696,693.00	1,695,193.00	1,692,973.70
General Administration and Central Support	1,344,100.00	1,324,100.00	1,294,660.16
Other	659,402.00	669,902.00	682,080.90
Total Expenditures	<u>22,716,289.18</u>	<u>22,690,863.63</u>	<u>22,340,895.07</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(98,459.18)</u>	<u>444,017.41</u>	<u>959,987.08</u>
Other Financing Sources (Uses)			
Indirect Cost	355,733.00	355,148.96	269,917.06
Transfers In	300.00	300.00	42,562.13
Other Financing Sources			8,289.92
Transfers Out	(799,466.37)	(799,466.37)	(907,221.60)
Total Other Financing Sources (Uses)	<u>(443,433.37)</u>	<u>(444,017.41)</u>	<u>(586,452.49)</u>
Net Change in Fund Balances	(541,892.55)		373,534.59
Fund Balances - Beginning of Year	<u>4,831,577.26</u>	<u>4,831,577.26</u>	<u>5,053,769.79</u>
Fund Balances - End of Year	<u>\$ 4,289,684.71</u>	<u>\$ 4,831,577.26</u>	<u>\$ 5,427,304.38</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 14,572,592.26
		155,733.36
		8,549,761.73
		22,794.80
		<u>23,300,882.15</u>
(1)	84,087.03	12,914,821.28
(1)	46,668.49	3,559,348.02
(1)	(294.77)	2,327,471.76
(1)	520.76	1,693,494.46
(1)	(1,021.47)	1,293,638.69
(1)	18,407.02	700,487.92
	<u>148,367.06</u>	<u>22,489,262.13</u>
	(148,367.06)	811,620.02
		269,917.06
		42,562.13
		8,289.92
		<u>(907,221.60)</u>
		<u>(586,452.49)</u>
	(148,367.06)	225,167.53
(2)	<u>(2,618,568.62)</u>	<u>2,435,201.17</u>
	<u>\$ (2,766,935.68)</u>	<u>\$ 2,660,368.70</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2015***

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.

\$ (148,367.06)

\$ (148,367.06)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Federal	\$ 3,187,869.00	\$ 3,418,962.02	\$ 3,083,799.19
Local	1,663,871.00	1,675,021.00	2,003,768.65
Other	45,000.00	45,000.00	26,366.79
Total Revenues	<u>4,896,740.00</u>	<u>5,138,983.02</u>	<u>5,113,934.63</u>
Expenditures			
Current:			
Instruction	1,643,286.57	1,765,538.85	1,849,150.92
Instructional Support	492,482.33	511,422.33	535,065.70
Operation and Maintenance	158,995.00	158,995.00	292,459.42
Auxiliary Services:			
Student Transportation	139,177.00	139,177.00	146,310.34
Food Service	2,590,170.00	2,696,459.96	2,478,074.41
General Administration and Central Support	212,729.00	212,729.00	151,898.87
Other	554,702.10	554,702.84	615,835.65
Capital Outlay	15,000.00	15,000.00	90,051.43
Total Expenditures	<u>5,806,542.00</u>	<u>6,054,024.98</u>	<u>6,158,846.74</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(909,802.00)</u>	<u>(915,041.96)</u>	<u>(1,044,912.11)</u>
Other Financing Sources (Uses)			
Transfers In	860,233.37	860,233.37	907,221.60
Transfers Out	(61,067.00)	(61,067.00)	(42,562.13)
Total Other Financing Sources (Uses)	<u>799,166.37</u>	<u>799,166.37</u>	<u>864,659.47</u>
Net Change in Fund Balances	(110,635.63)	(115,875.59)	(180,252.64)
Fund Balances - Beginning of Year	<u>1,526,809.18</u>	<u>1,452,293.30</u>	<u>1,230,100.77</u>
Fund Balances - End of Year	<u>\$ 1,416,173.55</u>	<u>\$ 1,336,417.71</u>	<u>\$ 1,049,848.13</u>



Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 3,083,799.19
	2,003,768.65
	26,366.79
	<u>5,113,934.63</u>
	1,849,150.92
	535,065.70
	292,459.42
	146,310.34
(1) (15,564.45)	2,462,509.96
	151,898.87
	615,835.65
	90,051.43
(15,564.45)	<u>6,143,282.29</u>
<u>15,564.45</u>	<u>(1,029,347.66)</u>
	907,221.60
	(42,562.13)
	<u>864,659.47</u>
15,564.45	(164,688.19)
(2) (142,361.90)	<u>1,087,738.87</u>
<u>\$ (126,797.45)</u>	<u>\$ 923,050.68</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2015***

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 Increase 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.

\$ 15,564.45

\$ 15,564.45

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of Education</u>		
Career and Technical Education - Basic Grants to States	84.048	N/A
Title I Grants to Local Educational Agencies (M)	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
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	N/A
Total U. S. Department of Education		
<u>U. S. Department of Agriculture</u>		
<u>Passed Through Alabama Department of Education</u>		
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		
Fresh Fruit and Vegetable Program	10.582	N/A
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A
State Administrative Expenses for Child Nutrition	10.560	N/A
Total U. S. Department of Agriculture		
<u>Social Security Administration</u>		
<u>Passed Through Alabama Department of Education</u>		
Social Security - Disability Insurance	96.001	N/A

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		
10/01/2014-09/30/2015	\$ 54,896.91	\$ 54,896.91	\$ 54,896.91	\$ 54,896.91
10/01/2014-09/30/2015	1,105,984.02	1,105,984.02	976,091.06	976,091.06
10/01/2014-09/30/2015	53,365.00	53,365.00	53,365.00	53,365.00
10/01/2014-09/30/2015	10,000.00	10,000.00	10,000.00	10,000.00
10/01/2014-09/30/2015	730,431.00	730,431.00	730,431.00	730,431.00
10/01/2014-09/30/2015	18,066.00	18,066.00	18,066.00	18,066.00
	<u>748,497.00</u>	<u>748,497.00</u>	<u>748,497.00</u>	<u>748,497.00</u>
10/01/2014-09/30/2015	149,697.00	149,697.00	137,135.81	137,135.81
10/01/2014-09/30/2015	500.00	500.00	500.00	500.00
10/01/2014-09/30/2015	6,724.96	6,724.96	6,724.96	6,724.96
	<u>2,129,664.89</u>	<u>2,129,664.89</u>	<u>1,987,210.74</u>	<u>1,987,210.74</u>
10/01/2014-09/30/2015	267,150.04	267,150.04	267,150.04	267,150.04
10/01/2014-09/30/2015	803,439.54	803,439.54	803,439.54	803,439.54
10/01/2014-09/30/2015	80,961.27	80,961.27	80,961.27	80,961.27
	<u>884,400.81</u>	<u>884,400.81</u>	<u>884,400.81</u>	<u>884,400.81</u>
	<u>1,151,550.85</u>	<u>1,151,550.85</u>	<u>1,151,550.85</u>	<u>1,151,550.85</u>
10/01/2014-09/30/2015	52,955.08	52,955.08	52,955.08	52,955.08
10/01/2014-09/30/2015	70,500.00	70,500.00	51,691.00	51,691.00
10/01/2014-09/30/2015	5,244.75	5,244.75	5,244.75	5,244.75
	<u>1,280,250.68</u>	<u>1,280,250.68</u>	<u>1,261,441.68</u>	<u>1,261,441.68</u>
10/01/2014-09/30/2015	1,260.00	1,260.00	1,260.00	1,260.00
	<u>\$ 3,411,175.57</u>	<u>\$ 3,411,175.57</u>	<u>\$ 3,249,912.42</u>	<u>\$ 3,249,912.42</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2015***

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, 2014 through September 30, 2015

Board Members		Term Expires
Hon. Carrie Mitchell	President	2018
Hon. Thomas Burgess	Vice-President	2018
Hon. Brad Counce	Member	2014
Hon. Nancy Parker	Member	2016
Hon. Linda Evans	Member	2016
Hon. Ricky Saint	Member	2020
Hon. Mary Moore	Member	2020
<u>Administrative Personnel</u>		
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, 2015, 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 March 23, 2016.

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***. We noted a certain matter that we have reported to management of the Colbert County Board of Education in the Schedule of State and Local Compliance and Other Findings.

Colbert County Board of Education's Response to Findings

The Colbert County Board of Education's response to the finding identified in our audit is described in the accompanying Auditee Response. The Colbert County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

March 23, 2016

***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, 2015. 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 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, 2015.

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

March 23, 2016

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

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
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	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, 2015

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.	

Auditee Response



Colbert County Schools

Post Office Box 538
425 Highway 72 West
Tuscumbia, Alabama 35674
Phone 256-386-8565 • Fax 256-381-9375
www.colbert.k12.al.us

Superintendent
Anthony Olivis

Board Members
Thomas Burgess Linda Evans
Carrie Greene Ricky Saint
Mary Moore Nancy Parker

State of Alabama
Department of Examiners of
Public Accounts
Chief Examiner, Ronald L. Jones
P.O. BOX 302251
Montgomery, AL 36130-2251

Corrective Action Plan For the Year Ended September 30, 2015

As Required by the Office of Management and Budget (OMB) Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section .315(c), the Colbert County Board of Education has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2015.

**Finding
Ref. No.**

Corrective Action Plan Details

#2015-001

Finding: The Colbert County Board of Education's Local School Finance Manual requires teachers to issue receipts to students for funds collected and remit funds to the local school bookkeeper daily. At the local schools tested, teachers did not always submit their receipts to the local school bookkeeper daily or in a timely manner.

Response: Principals and Bookkeepers will be charged with instructing teachers who collect money from students to record all receipts in the teacher/individual receipt book assigned to them, and to turn in money and receipts to the school office on a daily basis. Any deviation from this procedure will require written explanation from the teacher which will be reviewed by the Principal and Bookkeeper. CSFO will further discuss this matter with Principals, Bookkeepers and Faculty.

Sincerely,

Anthony Olivis
Superintendent