

Report on the

Clarke County Board of Education

Clarke County, Alabama

October 1, 2013 through September 30, 2014

Filed: March 27, 2015



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

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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, we submit this report on the results of the audit of the Clarke County Board of Education, Clarke County, Alabama, for the period October 1, 2013 through September 30, 2014.

Sworn to and subscribed before me this
the 17 day of February, 20 15.

Brian C. Zitzon
Notary Public

Sworn to and subscribed before me this
the 22nd day of February, 20 15.

Valerie McDonald
Notary Public

Respectfully submitted,

Cindy R. Wilson
Cindy R. Wilson
Examiner of Public Accounts

Meagan McDonald
Meagan McDonald
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

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

The Clarke County Board of Education (the "Board") is governed by a five-member body elected by the citizens of Clarke County. The members and administrative personnel in charge of governance of the Board are listed in Exhibit 10. The Board is the governmental agency that provides general administration and supervision for the Clarke County public schools, preschool through high school, with the exception of schools administered by the Thomasville City Board of Education.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Board complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

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

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

The following officials/administrative personnel were invited to an exit conference to discuss this report: Superintendent: Larry Bagley; Chief School Financial Officer: Carmen Rotch; and Board Members: Charlton Anderson, Clinton Hawkins, Thamus Douglas, Sherry Barnes, and Barry Chancey. The following individuals attended the exit conference, held at the Clarke County Board of Education: Larry Bagley, Superintendent; Carmen Rotch, Chief School Financial Officer; and a representative of the Department of Examiners of Public Accounts: Cindy R. Wilson, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

To: Members of the Clarke 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, each major fund, and the aggregate remaining fund information of the Clarke County Board of Education, as of and for the year ended September 30, 2014, and related notes to the financial statements, which collectively comprise the Clarke 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

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, during the fiscal year ended September 30, 2014, the Clarke County Board of Education adopted Governmental Accounting Standards Board (GASB) Statement Number 65, ***Items Previously Reported as Assets and Liabilities***. Our opinion is not modified with respect to this matter.

The Clarke County Board of Education has not presented a Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 February 9, 2015, on our consideration of the Clarke 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 Clarke 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

February 9, 2015

Basic Financial Statements

Statement of Net Position

September 30, 2014

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 7,556,726.09
Investments	211,356.07
Ad Valorem Property Taxes Receivable	3,180,872.83
Receivables (Note 4)	690,440.92
Inventories	78,476.60
Funding Agreement Receivable	1,525,870.00
Unearned Revenue - Funding Agreement Interest	(1,525,870.00)
Capital Assets:	
Nondepreciable	3,493,397.85
Depreciable, Net	21,571,406.93
Total Assets	<u>36,782,677.29</u>
<u>Deferred Outflows of Resources</u>	
Loss on Refunding of Debt	143,006.77
Total Deferred Outflows of Resources	<u>143,006.77</u>
<u>Liabilities</u>	
Accounts Payable	20,412.28
Unearned Revenue	40,727.54
Salaries and Benefits Payable	1,514,067.79
Accrued Interest Payable	102,587.16
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Warrants Payable	390,000.00
Note Payable	131,113.83
Capital Lease Contract Payable	271,224.96
Funding Agreement	140,000.00
Less: Unamortized Discount	(18,714.49)
Portion Due or Payable After One Year:	
Warrants Payable	15,855,000.00
Capital Lease Contract Payable	738,339.47
Funding Agreement	2,240,000.00
Less: Unamortized Discount	(149,715.92)
Total Liabilities	<u>21,275,042.62</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	3,180,872.83
Total Deferred Inflows on Resources	<u>\$ 3,180,872.83</u>

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

	Governmental Activities
<hr/>	
<u>Net Position</u>	
Net Investment in Capital Assets	\$ 11,513,789.30
Restricted for:	
Capital Projects	333,356.35
Other Purposes	543,642.44
Unrestricted	<u>78,980.52</u>
Total Net Position	<u><u>\$ 12,469,768.61</u></u>

Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities</u>			
Instruction	\$ 15,223,795.90	\$ 387,287.94	\$ 11,493,504.28
Instructional Support	4,807,882.71	261,618.64	3,731,116.39
Operation and Maintenance	2,018,885.46	85,015.13	1,026,296.39
Auxiliary Services:			
Student Transportation	2,717,595.09	86,331.62	2,039,621.88
Food Service	2,698,685.80	1,960,670.87	206,322.92
General Administrative and Central Support	1,571,249.09		771,780.91
Other Expenses	953,968.49	265,846.73	469,661.16
Interest and Fiscal Charges	894,683.32		
Total Governmental Activities	<u>\$ 30,886,745.86</u>	<u>\$ 3,046,770.93</u>	<u>\$ 19,738,303.93</u>

General Revenues:

Taxes:

Property Taxes for General Purposes

Sales Tax

Other Taxes

Investment Earnings

Miscellaneous

Total General Revenues

Changes in Net Position

Net Position - Beginning of Year

Net Position - End of Year

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

		Net (Expenses) Revenues and Changes in Net Position	
Capital Grants and Contributions		Total Governmental Activities	
\$	664,594.96	\$	(2,678,408.72)
	6,536.97		(808,610.71)
	33,848.67		(873,725.27)
	532,457.45		(59,184.14)
	68.68		(531,623.33)
	8,316.38		(791,151.80)
	6,536.97		(211,923.63)
			(894,683.32)
\$	1,252,360.08		(6,849,310.92)

3,557,332.96
504,559.41
244,142.32
52,891.73
935,893.24
5,294,819.66
(1,554,491.26)
14,024,259.87
\$ 12,469,768.61

Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Special Revenue Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 398,332.62	\$ 873,519.72
Investments		211,356.07
Ad Valorem Property Taxes Receivable	3,180,872.83	
Receivables (Note 4)	194,163.73	487,690.19
Due from Other Funds	292,010.57	3,613.61
Inventories		78,476.60
Funding Agreement Receivable		
Unearned Revenue - Funding Agreement Interest		
Total Assets	<u>4,065,379.75</u>	<u>1,654,656.19</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	685.22	231.68
Due to Other Funds	8,613.61	287,010.57
Unearned Revenues		40,727.54
Salaries and Benefits Payable	1,421,898.12	92,169.67
Total Liabilities	<u>1,431,196.95</u>	<u>420,139.46</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	3,180,872.83	
Total Deferred Inflows of Resources	<u>3,180,872.83</u>	
<u>Fund Balances</u>		
Nonspendable:		
Inventories		78,476.60
Restricted for:		
Debt Service		
Capital Projects		
Child Nutrition Program		464,079.14
Other Purposes		1,086.70
Assigned:		
Local Schools		691,182.51
Unassigned	(546,690.03)	(308.22)
Total Fund Balances	<u>(546,690.03)</u>	<u>1,234,516.73</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,065,379.75</u>	<u>\$ 1,654,656.19</u>

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

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 6,256,077.33	\$ 28,796.42	\$ 7,556,726.09
		211,356.07
		3,180,872.83
8,587.00		690,440.92
	8,587.00	304,211.18
		78,476.60
	1,525,870.00	1,525,870.00
	(1,525,870.00)	(1,525,870.00)
6,264,664.33	37,383.42	12,022,083.69
19,495.38		20,412.28
8,587.00		304,211.18
		40,727.54
		1,514,067.79
28,082.38		1,879,418.79
		3,180,872.83
		3,180,872.83
		78,476.60
	37,383.42	37,383.42
6,236,581.95		6,236,581.95
		464,079.14
		1,086.70
		691,182.51
		(546,998.25)
6,236,581.95	37,383.42	6,961,792.07
\$ 6,264,664.33	\$ 37,383.42	\$ 12,022,083.69

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 6,961,792.07

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	\$ 53,016.00	
Construction in Progress	1,193,817.45	
Land Improvements - Inexhaustible	2,246,564.40	
Land Improvements - Exhaustible	276,426.61	
Buildings	21,295,773.81	
Buildings (Projects) Under Lease	8,112,979.38	
Building Improvements	3,324,605.92	
Equipment and Furniture	5,270,950.97	
Equipment Under Capital Lease	1,651,204.75	
Accumulated Depreciation is	<u>(18,360,534.51)</u>	
		25,064,804.78

Losses on refunding of debt are reported as deferred outflows of resources and are not
available to pay for current-period expenditures and therefore, are deferred on the
Statement of Net Position. 143,006.77

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

Current Portion of Long-Term Debt	\$ 913,624.30	
Noncurrent Portion of Long-Term Debt	<u>18,683,623.55</u>	
		(19,597,247.85)

Interest on long-term debt is not accrued in the funds but rather is recognized as an
expenditure when due.

Accrued Interest Payable	<u>(102,587.16)</u>
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Total Net Position - Governmental Activities (Exhibit 1) \$ 12,469,768.61

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

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

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 16,777,838.42	\$ 178,757.83
Federal	169,753.54	4,327,035.13
Local	4,352,984.17	1,948,771.31
Other	340,596.56	61,281.27
Total Revenues	<u>21,641,172.69</u>	<u>6,515,845.54</u>
<u>Expenditures</u>		
Current:		
Instruction	12,184,264.90	2,246,391.04
Instructional Support	3,941,960.48	840,670.98
Operation and Maintenance	1,884,932.81	108,381.24
Auxiliary Services:		
Student Transportation	2,097,706.43	80,831.97
Food Service	1,626.60	2,836,999.66
General Administrative and Central Support	913,186.97	189,256.64
Other	243,171.77	710,796.72
Capital Outlay	91,919.64	15,356.00
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs		
Total Expenditures	<u>21,358,769.60</u>	<u>7,028,684.25</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>282,403.09</u>	<u>(512,838.71)</u>
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	244,873.38	
Long-Term Debt Issued		
Transfers In	272,241.00	482,005.40
Transfers Out	(847,360.77)	(272,241.00)
Discounts on Long-Term Debt Issued		
Payments to Refunding Escrow Agent		
Total Other Financing Sources (Uses)	<u>(330,246.39)</u>	<u>209,764.40</u>
Net Changes in Fund Balances	(47,843.30)	(303,074.31)
Fund Balances - Beginning of Year	<u>(498,846.73)</u>	<u>1,537,591.04</u>
Fund Balances - End of Year	<u>\$ (546,690.03)</u>	<u>\$ 1,234,516.73</u>

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

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,008,973.00	\$	\$ 17,965,569.25
		4,496,788.67
11,841.46	149,724.94	6,463,321.88
4,696.97		406,574.80
1,025,511.43	149,724.94	29,332,254.60
		14,430,655.94
		4,782,631.46
		1,993,314.05
245,000.00		2,423,538.40
		2,838,626.26
		1,102,443.61
		953,968.49
1,608,764.45		1,716,040.09
864,183.72	23,384.12	887,567.84
158,737.49	454,312.77	613,050.26
228,554.47		228,554.47
3,105,240.13	477,696.89	31,970,390.87
(2,079,728.70)	(327,971.95)	(2,638,136.27)
		244,873.38
9,769,947.00		9,769,947.00
	365,355.37	1,119,601.77
		(1,119,601.77)
(187,144.90)		(187,144.90)
(1,839,300.63)		(1,839,300.63)
7,743,501.47	365,355.37	7,988,374.85
5,663,772.77	37,383.42	5,350,238.58
572,809.18		1,611,553.49
\$ 6,236,581.95	\$ 37,383.42	\$ 6,961,792.07

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

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 5,350,238.58

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

Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,210,409.15) differed from capital outlays (\$1,716,040.09) in the current period. 505,630.94

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (414,947.00)

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. 887,567.84

Discounts on debt issuance are recorded as financing uses in the governmental funds, but are deferred and amortized in the Statement of Activities. 187,144.90

Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,839,300.63

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (9,355,000.00)

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by this amount.

Loss on Disposition of Capital Assets (272,794.09)

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.

Amortization of Discount on Debt Issued	\$	(45,457.44)	
Amortization of Loss on Debt Refunding		(133,588.46)	
Net Increase in Accrued Interest Payable		(102,587.16)	
Total		(281,633.06)	(281,633.06)

Change in Net Position of Governmental Activities (Exhibit 2) \$ (1,554,491.26)

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Clarke 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 five 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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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. All remaining governmental funds are aggregated and reported as nonmajor funds in the other governmental funds' 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.

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

- ◆ **Debt Service Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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

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

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

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

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledged of the three-mill school tax and certificates of deposit.

2. Receivables

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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

Funding agreement receivable consists of amounts due from the City of Jackson pertaining to the construction of a new elementary school. Also associated with this receivable is Unearned Revenue - Funding Agreement Interest.

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 restricted funds received from the Alabama Department of Education for capital projects and improvements are included in cash on the balance sheet. The Public School Fund Capital Projects and Fleet Renewal funding sources are restricted for use in various construction projects and the purchase of school buses.

5. Capital Assets

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

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	\$50,000	20 years
Buildings	\$50,000	25 – 50 years
Buildings Under Capital Lease/Funding Agreement	\$50,000	25 – 50 years
Building Improvements	\$50,000	5 – 30 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 – 10 years

Notes to the Financial Statements

For the Year Ended September 30, 2014

6. Deferred Outflows of Resources

Deferred outflow of resources is reported in the statement of financial position. 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. Warrant discounts are deferred and amortized over the life of the debt. Warrants payable are reported net of the applicable warrant discount. Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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.

8. Deferred Inflows of Resources

Deferred inflows of resources are reported in the statement of financial position. Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

9. Net Position/Fund Equity

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

- ◆ **Unrestricted** – is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the school system for specific purposes. The Board or its designee makes 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, the Board shall consider restricted amounts to be reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, the Board shall consider committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund 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.

B. Deficit Fund Balances/Net Position of Individual Funds

At September 30, 2014, the following governmental fund had a deficit fund balance:

General Fund	<u>\$546,690.03</u>
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The deficit in the General Fund is a result of the salary accrual adjustment. Salaries and benefits payable at September 30, 2014, are funded with an appropriation from the State of Alabama that is not legally available to the Board until October 1 and therefore, is not reflected as revenue in the Board's financial statements as of September 30, 2014.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 3 – Deposits

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

Note 4 – Receivables

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
<u>Receivables:</u>				
Accounts	\$ 51,024.14	\$ 2,224.00	\$	\$ 53,248.14
Intergovernmental	143,139.59	485,466.19	8,587.00	637,192.78
Total Receivables	<u>\$194,163.73</u>	<u>\$487,690.19</u>	<u>\$8,587.00</u>	<u>\$690,440.92</u>

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 5 – Capital Assets

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

	Balance 10/01/2013	Additions	Retirements	Balance 09/30/2014
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 53,016.00	\$	\$	\$ 53,016.00
Construction in Progress		1,193,817.45		1,193,817.45
Land Improvements – Inexhaustible	2,286,564.40		(40,000.00)	2,246,564.40
Total Capital Assets, Not Being Depreciated	2,339,580.40	1,193,817.45	(40,000.00)	3,493,397.85
Capital Assets Being Depreciated:				
Land Improvements – Exhaustible	306,426.61		(30,000.00)	276,426.61
Buildings	21,498,066.23		(202,292.42)	21,295,773.81
Buildings (Projects) Under Lease	8,112,979.38			8,112,979.38
Buildings Improvements	3,589,605.92		(265,000.00)	3,324,605.92
Equipment and Furniture	5,239,365.29	107,275.64	(75,689.96)	5,270,950.97
Equipment Under Capital Lease	1,236,257.75	414,947.00		1,651,204.75
Total Capital Assets Being Depreciated	39,982,701.18	522,222.64	(572,982.38)	39,931,941.44
Less Accumulated Depreciation for:				
Land Improvements – Exhaustible	(213,048.84)	(8,133.85)	30,000.00	(191,182.69)
Buildings	(9,634,671.36)	(403,288.15)	170,172.42	(9,867,787.09)
Buildings (Projects) Under Lease	(2,302,036.31)	(146,063.31)	71,991.55	(2,376,108.07)
Buildings Improvements	(1,197,601.92)	(160,995.11)	68,024.32	(1,290,572.71)
Equipment and Furniture	(3,879,329.40)	(362,069.54)		(4,241,398.94)
Equipment Under Capital Lease	(263,625.82)	(129,859.19)		(393,485.01)
Total Accumulated Depreciation	(17,490,313.65)	(1,210,409.15)	340,188.29	(18,360,534.51)
Total Capital Assets Being Depreciated, Net	22,492,387.53	(688,186.51)	(232,794.09)	21,571,406.93
Governmental Activities Capital Assets, Net	\$ 24,831,967.93	\$ 505,630.94	\$(272,794.09)	\$ 25,064,804.78

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
Instruction	\$ 793,139.96
Instructional Support	25,251.25
Operation and Maintenance	25,571.41
Auxiliary Services:	
Student Transportation	294,056.69
Food Service	61,541.29
General Administration and Central Support	10,848.55
Total Depreciation Expense – Governmental Activities	<u>\$1,210,409.15</u>

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

B. Funding Policy

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

Fiscal Year Ended September 30,	2014	2013	2012
Total Percentage of Covered Payroll (Tier 1)	19.21%	17.58%	17.25%
Total Percentage of Covered Payroll (Tier 2)	17.08%	15.44%	
Contributions:			
Percentage Contributed by the Board (Tier 1)	11.71%	10.08%	10.00%
Percentage Contributed by the Employees (Tier 1)	7.50%	7.50%	7.25%
Percentage Contributed by the Board (Tier 2)	11.08%	9.44%	
Percentage Contributed by the Employees (Tier 2)	6.00%	6.00%	
Contributed by the Board	\$1,841,030.66	\$1,577,732.64	\$1,574,121.97
Contributed by Employees	1,174,578.74	1,173,497.87	1,141,230.59
Total Contributions	\$3,015,609.40	\$2,751,230.51	\$2,715,352.56

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

B. Funding Policy

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

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

For employees that retire other than for disability on or after October 1, 2005 and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees who retire on or after January 1, 2012 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 smoke.

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

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid by Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2014	\$714.00	\$220.09	30.83%	\$1,072,416.93	100%
2013	\$714.00	\$216.90	30.38%	\$1,064,718.44	100%
2012	\$714.00	\$228.85	32.05%	\$1,136,404.54	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 – Construction and Other Significant Commitments

As of September 30, 2014, the Board was obligated under the following significant construction contract:

Joe M. Gillmore Elementary School	<u>\$6,116,009.00</u>
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Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 9 – Lease Obligations

Capital Leases

The Board is obligated under certain capital leases accounted for as an obligation under a funding agreement accounted for as a capital lease agreement. Buildings (Projects) under lease totaled \$8,112,979.38 at September 30, 2014. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased assets will be identified separately. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2014.

Fiscal Year Ending	Governmental Activities
September 30, 2015	\$ 239,253.76
2016	239,230.01
2017	91,656.26
2018	91,656.26
2019	91,656.26
2020-2024	458,281.30
2025-2029	1,117,890.66
2030-2034	1,547,500.03
Total Minimum Lease Payments	3,877,124.54
Less: Amount Representing Interest	1,497,124.54
Present Value of Net Minimum Lease Payments	<u>\$2,380,000.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2014

The Board is obligated under certain leases accounted for as capital leases. Equipment under capital lease totaled \$1,651,204.75 at September 30, 2014. If the Board completes the lease payments according to the schedules below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following are schedules of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2014:

Fiscal Year Ending	Governmental Activities
September 30, 2015	\$ 302,114.70
2016	173,839.60
2017	173,839.60
2018	173,839.60
2019	173,839.60
2020-2021	105,120.17
Total Minimum Lease Payments	1,102,593.27
Less: Amount Representing Interest	93,028.84
Present Value of Net Minimum Lease Payments	<u>\$1,009,564.43</u>

During the year, the Board entered into capital leases with Mercedes-Benz Financial Services USA LLC to purchase school buses.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 10 – Long-Term Debt

In 1992, the Clarke County Commission issued the Series 1992 Limited Obligation School Warrants to provide funds for construction of school facilities (the “Project”). Simultaneously with the issuance of the warrants, the Clarke County Commission entered into a lease agreement with the Board. Under the terms of the agreement, the Board agreed to lease certain school facilities from the Commission. The Board agreed to pay principal and interest payments under the lease that would coincide with the principal and interest payments due on the warrants. In 1999, the Clarke County Commission issued the Series 1999 Limited Obligation School Warrants under the First Supplemental Indenture that amended and supplemented the Series 1992 Limited Obligation School Warrants. The warrant proceeds were used for the acquisition, construction and equipping of school facilities. Simultaneously with the issuance of the warrants, the Clarke County Commission entered into a First Supplemental Lease Agreement with the Board which amended and supplemented the 1992 lease agreement. Under the supplemental lease, the Commission leased the new school improvements as part of the original project to the Board for a term extending to the maturity of the Series 1999 Warrants (February 1, 2023). The Board agreed to pay principal and interest payments under the lease that would coincide with the principal and interest payments due on the Series 1999 Warrants issued by the Commission. In 2004, the Clarke County Commission issued the Series 2004 Limited Obligation School Warrants under the Second Supplemental Indenture that amended and supplemented the Series 1999 Limited Obligation School Warrants. The warrant proceeds were used to refund the Series 1999 Limited Obligation School Warrants, to construct various school improvements and to pay the costs of issuance of the Series 2004 Warrant. Simultaneously with the issuance of the warrants, the Clarke County Commission entered into a Second Supplemental Lease Agreement with the Board which amended and supplemented the 1999 and 1992 lease agreements. Under the supplemental lease, the Commission leased the new school improvements as part of the original project to the Board for a term extending to the maturity of the Series 2004 Warrants (February 1, 2034). The Board agreed to pay principal and interest payments under the lease that would coincide with the principal and interest payments due on the Series 2004 Warrants issued by the Commission. Certain Warrants having a stated maturity on February 1, 2034, will be subject to scheduled mandatory redemption prior to their maturity. At the end of the lease term, the Board can buy the Project for \$100.00. A portion of the 2004 debt was refunded by the 2013 Tax Anticipation Refunding Warrants.

On September 1, 2012, the Board issued \$7,665,000.00 in Tax Anticipation Refunding Warrants with interest rates of 2.00 to 3.10 percent. The purpose of the debt is for the refunding and retiring the Series 2006 Warrants.

Notes to the Financial Statements

For the Year Ended September 30, 2014

On November 1, 2013, the Board issued \$9,355,000.00 in Tax Anticipation Refunding Warrants with interest rates of 1.40 to 4.12 percent. The purpose of the debt is for the partial refunding of the Series 2004 Warrants and the construction of a new Joe M. Gillmore Elementary School. As part of this warrant issuance, the Board entered into a funding agreement [reflected as Funding Agreement Receivable] with the City of Jackson for amounts approximating one-half of the interest accruing on those 2013 warrants referable to financing the costs of the construction of the new school.

The Board used the proceeds of the 2007 Note Payable to purchase school buses.

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

	Debt Outstanding 10/01/2013	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2014	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Warrants Payable:					
Tax Anticipation Refunding Warrants, 2012	\$ 7,285,000.00	\$	\$ (365,000.00)	\$ 6,920,000.00	\$370,000.00
Tax Anticipation Warrants, 2013		9,355,000.00	(30,000.00)	9,325,000.00	20,000.00
Total Warrants Payable	7,285,000.00	9,355,000.00	(395,000.00)	16,245,000.00	390,000.00
Notes Payable:					
Note Payable, 2007	256,713.83		(125,600.00)	131,113.83	131,113.83
Total Notes Payable	256,713.83		(125,600.00)	131,113.83	131,113.83
Other Liabilities:					
Capital Lease Contract Payable	826,585.27	414,947.00	(231,967.84)	1,009,564.43	271,224.96
Obligations Under Capital Lease/Funding Agreement	4,300,000.00		(1,920,000.00)	2,380,000.00	140,000.00
Deferred Amounts:					
Unamortized Discount	(46,108.55)	(187,144.90)	64,823.04	(168,430.41)	(18,714.49)
Total Other Liabilities	5,080,476.72	227,802.10	(2,087,144.80)	3,221,134.02	392,510.47
Governmental Activities Long-Term Liabilities	\$12,622,190.55	\$9,582,802.10	\$(2,607,744.80)	\$19,597,247.85	\$913,624.30

Payments on the Warrants Payable and the Obligations Under Capital Lease/Funding Agreement are made by the debt service funds with Public School funds and local revenues. Payments on the Capital Lease Contract Payable and Notes Payable are made with fleet renewal funds and local revenues.

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

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

Fiscal Year Ending	Tax Anticipation Warrants		Obligations Under Capital Lease/Funding Agreement	
	Principal	Interest	Principal	Interest
September 30, 2015	\$ 390,000.00	\$ 550,505.00	\$ 140,000.00	\$ 99,253.76
2016	395,000.00	544,730.00	145,000.00	94,230.01
2017	550,000.00	539,530.00		91,656.26
2018	555,000.00	532,227.50		91,656.26
2019	560,000.00	523,152.50		91,656.26
2020-2024	3,020,000.00	2,418,132.50		458,281.30
2025-2029	2,800,000.00	2,002,317.50	705,000.00	412,890.66
2030-2034	1,510,000.00	1,656,818.75	1,390,000.00	157,500.03
2035-2039	3,255,000.00	1,157,093.75		
2040-2043	3,210,000.00	313,975.00		
Totals	\$16,245,000.00	\$10,238,482.50	\$2,380,000.00	\$1,497,124.54

Deferred Loss on Refunding and Discounts

The Board has deferred loss on refunding and discounts in connection with the issuance of its Series 2004 Limited Obligation School Warrants and Series 2013 Tax Anticipation Warrants, which are being amortized using the straight-line method over a period of ten years.

	Deferred Loss on Refunding	Discount
Total Deferred Loss on Refunding and Discount	\$564,754.41	\$279,362.05
Amount Amortized Prior Years	202,929.00	46,108.60
Balance Deferred Loss on Refunding and Discount	361,825.41	233,253.45
Current Amount Amortized/Refunded	218,818.64	64,823.04
Balance Deferred Loss on Refunding and Discount	\$143,006.77	\$168,430.41

Notes to the Financial Statements

For the Year Ended September 30, 2014

Capital Lease Contracts Payable		Notes Payable		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	
\$ 271,224.96	\$30,889.74	\$131,113.83	\$5,755.90	\$ 1,618,743.19
152,863.91	20,975.69			1,352,799.61
157,136.65	16,702.95			1,355,025.86
161,529.70	12,309.90			1,352,723.36
166,046.45	7,793.15			1,348,648.36
100,762.76	4,357.41			6,001,533.97
				5,920,208.16
				4,714,318.78
				4,412,093.75
				3,523,975.00
\$1,009,564.43	\$93,028.84	\$131,113.83	\$5,755.90	\$31,600,070.04

Pledged Revenues

In 2004, the Board entered into funding agreements with the Clarke County Commission in which the Commission issued Series 2004 Limited Obligation School Warrants in the amount of \$4,430,000 for the purpose of refunding previously issued bonds and for the acquisition, construction and equipping of school facilities. The Commission simultaneously entered into a sale-leaseback agreement with the Board. The Board pledged to repay the debt from the special county tax as well as other local revenues. A portion of these warrants (\$1,785,000) were refunded by the Tax Anticipation Warrants, Series 2013. Future revenues of \$3,877,124.54 are pledged to repay the principal and interest on the 2004 warrants at September 30, 2014. Funds in the amount of \$238,930.42 were used to pay principal and interest on the debt during the 2014 fiscal year. The Series 2004 Limited Obligation School Warrants will mature in fiscal year 2034.

In 2012, the Board issued Tax Anticipation Refunding Warrants, Series 2012, in the amount of \$7,665,000.00 for the purpose of refunding previously issued bonds. The Board pledged to repay the warrants from the special county tax along with other ad valorem taxes received from the revenue commissioner. Future revenues of \$8,504,503.75 are pledged to repay the principal and interest on the 2012 warrants at September 30, 2014. Funds in the amount of \$533,338.45 were used to pay principal and interest on the debt during the 2014 fiscal year. The Tax Anticipation Refunding Warrants, Series 2012 will mature in fiscal year 2030.

Notes to the Financial Statements

For the Year Ended September 30, 2014

In 2013, the Board issued Tax Anticipation Warrants, Series 2013, in the amount of \$9,355,000.00 for the purposes of partially refunding previously issued bonds and the construction of a new Joe M. Gillmore Elementary School. The Board pledged to repay the warrants from the special county tax along with other ad valorem taxes received from the revenue commissioner. Future revenues of \$17,978,978.75 are pledged to repay the principal and interest on the 2013 warrants at September 30, 2014. Funds in the amount of \$322,280.64 were used to pay principal and interest on the debt during the 2014 fiscal year. The Tax Anticipation Warrants, Series 2013 will mature in fiscal year 2043.

Defeased Debt

On November 1, 2013, the Board issued \$1,905,000.00 in Tax Anticipation Warrants with interest rates of 1.40 to 4.12 percent to advance refund a portion of the Series 2004 Limited Obligation School Warrants with interest rates of 1.10 to 4.75 percent. The net proceeds of \$1,839,300.63 (after payment of \$52,508.75 in underwriting fees, insurance, and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Limited Obligation School Warrants. As a result, \$1,785,000.00 of the Series 2004 Limited Obligation School Warrants are considered to be defeased and the liability for those warrants has been removed.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$158,896.41. As a result of the advance refunding, the Commission reduced its total debt service requirements by \$116,510.75, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$98,049.94.

Prior Year Defeasance of Debt

In prior years, the Board defeased its Series 2006 Limited Obligation School Warrants, by placing the proceeds of the new warrants in an irrevocable trust to provide for all future debt service payments of the old warrants. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Commission's financial statements. At September 30, 2014, the total of \$6,485,000.00 of warrants outstanding is considered defeased.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 11 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for 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. 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. The Board purchases automobile liability insurance from a commercial firm. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 12 – Interfund Transactions

Interfund Receivables and Payables

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

	Interfund Receivables			Total
	General Fund	Special Revenue Fund	Other Governmental Fund	
<u>Interfund Payables</u>				
General Fund	\$ 5,000.00	\$3,613.61	\$	\$ 8,613.61
Special Revenue Fund	287,010.57			287,010.57
Capital Projects Fund			8,587.00	8,587.00
Totals	<u>\$292,010.57</u>	<u>\$3,613.61</u>	<u>\$8,587.00</u>	<u>\$304,211.18</u>

Interfund Transfers

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

	Transfers Out		Total
	General Fund	Special Revenue Fund	
<u>Transfers In:</u>			
General Fund	\$	\$272,241.00	\$ 272,241.00
Special Revenue Fund	482,005.40		482,005.40
Other Governmental Fund	365,355.37		365,355.37
Totals	<u>\$847,360.77</u>	<u>\$272,241.00</u>	<u>\$1,119,601.77</u>

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on-behalf of the local schools, and to transfer the portion from the general fund to the debt service fund to service current-year debt requirements.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 13 – Reclassifications

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

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Required Supplementary Information

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

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<u>Revenues</u>			
State	\$ 16,641,522.00	\$ 16,678,175.00	\$ 16,777,838.42
Federal	2,000.00	2,000.00	169,753.54
Local	4,282,276.00	4,154,276.00	4,352,984.17
Other	235,000.00	235,000.00	340,596.56
Total Revenues	21,160,798.00	21,069,451.00	21,641,172.69
<u>Expenditures</u>			
Current:			
Instruction	12,285,056.00	12,291,665.01	12,223,216.90
Instructional Support	3,683,270.00	3,750,399.00	3,937,913.36
Operation and Maintenance	1,786,115.00	1,748,182.99	1,884,775.43
Auxiliary Services:			
Student Transportation	2,059,345.00	2,068,345.00	2,099,192.46
Food Service			1,626.60
General Administrative and Central Support	882,784.00	897,784.00	913,186.97
Other	216,177.00	216,177.00	247,944.85
Capital Outlay			91,919.64
Total Expenditures	20,912,747.00	20,972,553.00	21,399,776.21
Excess (Deficiency) of Revenues Over Expenditures	248,051.00	96,898.00	241,396.48
<u>Other Financing Sources (Uses)</u>			
Indirect Cost	236,405.94	245,549.24	244,873.38
Transfers In	376,260.00	376,260.00	272,241.00
Transfers Out	(1,158,069.00)	(803,258.55)	(847,360.77)
Total Other Financing Sources (Uses)	(545,403.06)	(181,449.31)	(330,246.39)
Net Change in Fund Balances	(297,352.06)	(84,551.31)	(88,849.91)
Fund Balances - Beginning of Year	1,804,893.50	1,001,739.51	964,058.00
Fund Balances - End of Year	\$ 1,507,541.44	\$ 917,188.20	\$ 875,208.09

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 16,777,838.42
		169,753.54
		4,352,984.17
		340,596.56
		<u>21,641,172.69</u>
(1)	38,952.00	12,184,264.90
(1)	(4,047.12)	3,941,960.48
(1)	(157.38)	1,884,932.81
(1)	1,486.03	2,097,706.43
		1,626.60
		913,186.97
(1)	4,773.08	243,171.77
		91,919.64
	<u>41,006.61</u>	<u>21,358,769.60</u>
	41,006.61	282,403.09
		244,873.38
		272,241.00
		<u>(847,360.77)</u>
		<u>(330,246.39)</u>
	41,006.61	(47,843.30)
(2)	<u>(1,462,904.73)</u>	<u>(498,846.73)</u>
	<u>\$ (1,421,898.12)</u>	<u>\$ (546,690.03)</u>

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

**Explanation of Differences Between Actual Amounts on Budgetary
Basis and Actual Amounts GAAP Basis:**

The Board budgets on the modified accrual basis of accounting with the following exception:

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

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 because of the cumulative effect of transactions such as those described above.

\$ 41,006.61

\$ 41,006.61

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

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<u>Revenues</u>			
State	\$ 159,512.00	\$ 269,522.50	\$ 178,757.83
Federal	4,212,732.14	4,403,611.14	4,327,035.13
Local	1,691,980.00	1,691,980.00	1,948,771.31
Other	35,000.00	35,000.00	61,281.27
Total Revenues	6,099,224.14	6,400,113.64	6,515,845.54
<u>Expenditures</u>			
Current:			
Instruction	1,988,358.94	2,322,600.95	2,246,391.04
Instructional Support	760,277.56	808,694.27	840,670.98
Operation and Maintenance	81,960.00	81,960.00	108,381.24
Auxiliary Services:			
Student Transportation	58,385.00	59,385.00	80,831.97
Food Service	2,830,416.48	2,864,097.52	2,837,875.11
General Administrative and Central Support	179,953.11	188,806.86	189,256.64
Other	646,440.53	651,102.56	710,796.72
Capital Outlay			15,356.00
Total Expenditures	6,545,791.62	6,976,647.16	7,029,559.70
Excess (Deficiency) of Revenues Over Expenditures	(446,567.48)	(576,533.52)	(513,714.16)
<u>Other Financing Sources (Uses)</u>			
Transfers In	773,743.00	418,932.55	482,005.40
Transfers Out	(291,790.00)	(291,790.00)	(272,241.00)
Total Other Financing Sources (Uses)	481,953.00	127,142.55	209,764.40
Net Change in Fund Balances	35,385.52	(449,390.97)	(303,949.76)
Fund Balances - Beginning of Year	1,154,906.00	1,633,678.13	1,630,636.16
Fund Balances - End of Year	\$ 1,190,291.52	\$ 1,184,287.16	\$ 1,326,686.40

Budget to GAAP Differences		Actual Amounts GAAP Basis	
\$		\$	178,757.83
			4,327,035.13
			1,948,771.31
			61,281.27
			6,515,845.54
			2,246,391.04
			840,670.98
			108,381.24
			80,831.97
(1)	875.45		2,836,999.66
			189,256.64
			710,796.72
			15,356.00
			7,028,684.25
			(512,838.71)
			482,005.40
			(272,241.00)
			209,764.40
			(303,074.31)
(2)	(93,045.12)		1,537,591.04
\$	(92,169.67)	\$	1,234,516.73

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

**Explanation of Differences Between Actual Amounts on Budgetary
Basis and Actual Amounts GAAP Basis:**

The Board budgets on the modified accrual basis of accounting with the following exception:

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

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 because of the cumulative effect of transactions such as those described above.

\$ 875.45

\$ 875.45

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Supplementary Information

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

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

Passed Through Alabama Department of Education

Career and Technical Education - Basic Grants to States	84.048	N/A
Title I Grants to Local Educational Agencies	84.010	N/A
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		
Twenty-First Century Community Learning Centers	84.287	N/A
Rural Education	84.358	N/A
Improving Teacher Quality State Grants	84.367	N/A
Education Research, Development and Dissemination	84.305	N/A
Special Education - State Personnel Development	84.323	N/A
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	N/A
Total U. S. Department of Education		

U. S. Department of Agriculture

Passed Through Alabama Department of Education

Child Nutrition Cluster:		
National School Lunch Program:		
Cash Assistance	10.555	N/A
Non-Cash Assistance (Commodities)	10.555	N/A
Sub-Total National School Lunch Program		
School Breakfast Program - Cash Assistance	10.553	N/A
Sub-Total Child Nutrition Cluster (M)		
Fresh Fruit and Vegetable Program - Cash Assistance	10.582	N/A
Summer Food Service Program for Children	10.559	N/A
Total U. S. Department of Agriculture		

U. S. Department of Labor

Passed Through Alabama Department of Economic and Community Affairs

WIA Youth Activities	17.259	27230006
WIA Youth Activities	17.259	37230006
WIA Youth Activities	17.259	47230006
Total U. S. Department of Labor		

Social Security Administration

Passed Through Alabama Department of Education

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

(M) = Major Program

N/A = Not Available/Not Applicable

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2013 - 09/30/2014	\$ 53,590.00	\$ 53,590.00	\$ 53,590.00	\$ 53,590.00
10/01/2013 - 09/30/2014	1,510,307.01	1,510,307.01	1,368,987.05	1,368,987.05
10/01/2013 - 09/30/2014	719,020.00	719,020.00	719,020.00	719,020.00
10/01/2013 - 09/30/2014	28,335.00	28,335.00	28,335.00	28,335.00
	747,355.00	747,355.00	747,355.00	747,355.00
10/01/2013 - 09/30/2014	200,000.00	200,000.00	179,778.40	179,778.40
10/01/2013 - 09/30/2014	65,093.96	65,093.96	53,788.72	53,788.72
10/01/2013 - 09/30/2014	231,246.00	231,246.00	231,246.00	231,246.00
10/01/2013 - 09/30/2014	82,000.00	82,000.00	37,330.09	37,330.09
10/01/2013 - 09/30/2014	4,267.60	4,267.60	4,267.60	4,267.60
10/01/2013 - 09/30/2014	15,237.86	15,237.86	15,237.86	15,237.86
	2,909,097.43	2,909,097.43	2,691,580.72	2,691,580.72
10/01/2013 - 09/30/2014	1,109,356.72	1,109,356.72	1,109,356.72	1,109,356.72
10/01/2013 - 09/30/2014	135,712.71	135,712.71	135,712.71	135,712.71
	1,245,069.43	1,245,069.43	1,245,069.43	1,245,069.43
10/01/2013 - 09/30/2014	362,640.07	362,640.07	362,640.07	362,640.07
	1,607,709.50	1,607,709.50	1,607,709.50	1,607,709.50
10/01/2013 - 09/30/2014	69,876.93	69,876.93	69,876.93	69,876.93
10/01/2013 - 09/30/2014	5,597.11	5,597.11	5,597.11	5,597.11
	1,683,183.54	1,683,183.54	1,683,183.54	1,683,183.54
11/01/2012 - 10/31/2013	108,437.75	108,437.75	10,098.50	10,098.50
11/01/2013 - 06/30/2014	96,285.00	96,285.00	55,728.01	55,728.01
07/01/2014 - 06/30/2015	150,000.00	150,000.00	54,113.35	54,113.35
	354,722.75	354,722.75	119,939.86	119,939.86
10/01/2013 - 09/30/2014	1,598.00	1,598.00	1,598.00	1,598.00
	\$ 4,948,601.72	\$ 4,948,601.72	\$ 4,496,302.12	\$ 4,496,302.12

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

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Clarke 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 financial statements.

Additional Information

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

Board Members		Term Expires
Hon. Thamus Douglas	President	2014
Hon. Charlton F. Anderson	Vice-President	2016
Hon. Barry Chancey	Member	2014
Hon. Clinton Hawkins	Member	2016
Hon. Sherry Barnes	Member	2016
<u>Administrative Personnel</u>		
Hon. Larry Bagley	Superintendent	2016
Mrs. Carmen Rotch	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 Clarke 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, each major fund, and the aggregate remaining fund information of the Clarke County Board of Education as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Clarke County Board of Education's basic financial statements and have issued our report thereon dated February 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Clarke 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 Clarke County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clarke 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 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 over financial reporting 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 Clarke County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

Purpose of this Report

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

February 9, 2015

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

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited the Clarke 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 the Clarke County Board of Education's major federal programs for the year ended September 30, 2014. The Clarke 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 the Clarke 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 Clarke 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 the major federal programs. However, our audit does not provide a legal determination of the Clarke 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 the Major Federal Program

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

Report on Internal Control Over Compliance

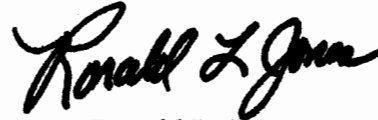
Management of the Clarke County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Clarke County Board of Education's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

February 9, 2015

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

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes No

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

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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