

**ALEXANDER CITY BOARD  
OF EDUCATION  
GENERAL PURPOSE  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014**

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## **INDEPENDENT AUDITOR'S REPORT**

Dr. J. Darrell Cooper, Superintendent  
Alexander City Board of Education  
Alexander City, Alabama

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexander City Board of Education, a component unit of the City of Alexander City, Alabama, as of and for the year ended September 30, 2014, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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, I express no such opinion. An audit includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinion**

In my 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 Alexander City Board of Education, as of September 30, 2014,



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

### **Emphasis of Matter**

As discussed in Note 12 to the financial statements, for fiscal year ended September 30, 2014, the Alexander City Board of Education adopted Governmental Accounting Standards Board (GASB) Statement Number 65, *Items Previously Reported as Assets and Liabilities*. My opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information (Exhibit 1 and pages 32 and 34) 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alexander City Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A – 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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, I have also issued my report dated June 25, 2015, on my consideration of the Alexander City Board of Education's internal control over financial reporting and on my 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 my 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 Alexander City Board of Education's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dianne Naler CPA PC". The signature is written in a cursive style with a large, stylized "D" and "N".

Dianne Naler, CPA, PC  
Alexander City, Alabama

June 25, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Exhibit #1**

## **Alexander City Board of Education Management Discussion and Analysis (MD&A) September 30, 2014**

Our discussion and analysis of the Alexander City Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2014. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Alexander City Board of Education's financial performance.

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

### **Using the Financial Statements - An Overview for the User**

This discussion and analysis serves as an introduction to the Board's basic financial statements which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves. The financial section consists of five parts- *management's discussion and analysis* (this section), the *independent auditors' report*, the *basic financial statements*, *required supplementary information*, and *other supplementary information*.

**Government-wide financial statements** – The first two statements are government-wide financial statements – the *Statement of Net Assets* and the *Statement of Activities*. The focus of these statements is to provide readers with a broad overview of the Board's finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Board's overall financial status. It is important to note that all of the activities of the Board reported in the *government-wide financial statements* are classified as governmental activities. These *activities* include the following:

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

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

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

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

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



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

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

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

The *statement of net assets* (on page 1) is most closely related to a balance sheet. It presents information on all of the board's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net assets. The net assets reported in this statement represent the accumulation of changes in net assets for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net assets reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.

The *statement of activities* (on page 3) is most closely related to an income statement. It presents information showing how the Board's net assets changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net assets for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. The change in net assets may be financial or non-financial in nature. Non-financial factors which may have an impact on the Board's financial condition include: age and condition of facilities, mandated educational programs for which little or no funding is provided, and increases or decreases in funding from state and federal governments, to name a few.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The new reporting model still requires the School Board to present financial statements on a fund basis, but with some modifications. All of the funds of the School Board can be classified into two categories: governmental funds, and fiduciary funds.

**Governmental Funds** - Governmental fund financial statements begin on page 5. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. Until now, fund information has been reported in the aggregate by type of fund. As required under the new reporting model, the new *fund financial statements* presented herein displayed information on each of the Board's most important governmental funds or *major funds*. This is required in order to better assess the School Board's accountability for significant governmental programs or certain dedicated revenue. The Board's *major funds* are the General Fund, the Child Nutrition Program Fund, and the Capital Projects Fund.

The *fund financial statements* are still measured on the modified-accrual basis of accounting as reported in previous fiscal years, where revenues and expenditures are recorded when they become measurable and available. As a result, the *fund financial statements* focus more on the near term use and availability of spendable resources. The information provided in these statements is useful in determining the Board's immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements*, which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the *government-wide financial statements* and the governmental funds reported in the *fund financial statements* are reconciled on pages 7 and 10 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financing decisions.

**Fiduciary Funds** - The Board is the trustee, or fiduciary, for some of its booster and parent organization activity funds, which are under the control, and administration of its schools. Fiduciary funds also include the balances of agency funds, such as accounts payable clearing and payroll clearing funds. All of the Board's fiduciary activities are reported in a separate *Statement of Fiduciary Net Assets* on page 11 of this section. These funds are not available to the Board to finance its operations, and therefore are not included in the *government-wide financial statements*. The Board is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

**Notes to the Basic Financial Statements** - The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly represent the Board's financial position, and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *notes to the basic financial statements* begin on page 12 in this section.

After the presentation of the *basic financial statements*, the additional *required supplementary information* is presented following the notes to the basic financial statements. The required supplementary information beginning on page 31 provides a comparison of the original adopted budget to the final amended budget of the Board's General Fund, which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.

## Financial Analysis of the Board's as a Whole

As indicated earlier, over time net assets may serve as a useful indicator of a government's financial position. Refer to Table 1 when reading the following analysis of net position. The Board's assets exceeded liabilities by \$14.74 million at September 30, 2014.

- Of this figure, \$11.89 million reflects the Board's investment in capital assets (e.g. land, buildings, improvements other than buildings, furniture and equipment, and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net assets is not available for future spending or funding of operations.
- Restricted net assets are reported separately to show the external legal constraints from debt covenants and enabling legislation that limit the Board's ability to use those net assets for day-to-day operations. Approximately \$.31 million is restricted for food service needs and \$.19 million is restricted for capital projects
- The remaining balance of unrestricted net assets of \$2.26 million may be used at the Board's discretion to meet ongoing obligations to citizens and creditors and for future operations.

**Table 1: Summary of Net Position**

As of September 30, 2014

(in millions)

	Governmental Activities September 30, 2014	Governmental Activities September 30, 2013
<b>Assets</b>		
Current Assets	\$ 7.43	\$ 4.65
Non-current Assets	<u>16.35</u>	<u>16.78</u>
Total Assets	\$ 23.78	\$ 21.43
<b>Liabilities</b>		
Current Liabilities	\$ 2.86	\$ .17
Non-current Liabilities	<u>6.17</u>	<u>4.16</u>
Total Liabilities	\$ 9.03	\$ 4.33
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$ 11.89	\$ 12.50
Restricted:		
Capital Projects	0.19	0.64
Food Service	0.31	0.29
Debt Service	0.09	0.19
Unrestricted	<u>2.26</u>	<u>3.48</u>
Total Net Assets	\$ 14.74	\$ 17.10

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

**Table 2: Summary of Changes in Net Position from Operating Results**  
Fiscal Year Ended September 30, 2014  
(in millions)

	Governmental Activities September 30, 2014	Governmental Activities September 30, 2013
<b>Revenues</b>		
General Revenues:		
Taxes		
Property Taxes for General Purposes	\$ 2.62	\$ 2.73
Sales & Use Tax for General Purpose	1.43	1.47
Miscellaneous Taxes	0.15	0.14
Investments Earnings	0.02	0.02
Miscellaneous	1.09	0.63
City Council Appropriations/Payments	0.82	0.84
<b>Total General Revenues and Special Items</b>	<b>\$ 6.13</b>	<b>\$ 5.83</b>
<b>Expenses (Net)</b>		
Governmental Activities		
Instruction	\$ 1.52	\$ 0.75
Instructional Support	1.66	1.68
Operation and Maintenance	1.88	2.07
Auxiliary Services – Food Services	(0.02)	0.00
Auxiliary Services – Other	0.29	0.22
General Administration and Central Support	0.88	0.78
Capital Outlay	(0.10)	0.21
Interest on Long-Term Debt	0.00	0.00
Other	0.18	(0.23)
<b>Total Expenses</b>	<b>\$ 6.29</b>	<b>\$ 5.48</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (0.16)</b>	<b>\$ 0.35</b>
<b>Net Assets – September 30, 2013</b>	<b>14.90</b>	<b>14.55</b>
<b>Net Assets – September 30, 2014</b>	<b>14.74</b>	<b>14.90</b>

Governmental Activities – As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2014 was \$6.13 million. It is important to note that not all of these costs were borne by the taxpayers of Alexander City Schools.

- Some of the cost, \$2.29 million, was paid by users who benefited from services provided during the year, such as school lunches.
- State and federal governments subsidized certain programs with grants and contributions totaling \$21.24 million.
- Other general revenue sources, such as interest earnings, capital grants, donations from private sources, City Council appropriations, etc. provided for \$6.41 million in revenues.



Table 3 is a condensed statement taken from the *Statement of Activities* on pages 3 & 4 showing the total cost for providing identified services for seven major Board activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the School Board used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

**Table 3: Net Cost of Governmental Activities**  
Fiscal Year Ended September 30, 2014  
(in millions)

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 16.19	\$ 1.52
Instructional support services	4.09	1.65
Operation and maintenance services	2.09	1.88
Auxiliary services (Transportation & CNP)	3.18	0.27
General administration and central support	1.32	0.88
Capital Outlay	0.00	(0.10)
Interest on Long-term Debt	1.93	0.00
Other	.72	0.18
<b>Total</b>	<b>\$ 29.52</b>	<b>\$ 6.28</b>

## Financial Analysis of School Board Funds

As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Board's overall financial health. The following analysis of the Board's funds should be read in reference to the *fund financial statements*, which begins on page 5.

**Governmental Funds** - The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on pages 7 and 10.) At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$2.85 million.

- \$1.70 million of this amount constitutes the unreserved fund of the General Fund.
- \$.31 million of this amount constitutes the unreserved fund of the Child Nutrition Program Fund.
- \$.28 million of this amount constitutes the reserved fund of the Public School Fund-Capital Outlay to be used for capital projects.
- The remaining approximately \$.57 million is allocated to Local School Funds.

General Fund - The general fund is the primary operating fund of the Board. The \$.43 million net change in fund balance (net of salary accrual) this year was due an increase in State and Local revenues.

Child Nutrition Fund - The Child Nutrition Fund allows the Board to separately account for revenues and expenditures for our school lunch program. The positive net change in fund balance from the prior year was due to an increase in paid lunch prices and an increase in the USDA meal reimbursement rate.

Capital Projects-State Fund - The Capital Projects-State Fund is used to account for state financial resources paid on behalf of the Board for the acquisition or construction of major capital facilities. Specifically, this fund accounts for the proceeds of the Public School and College Authority (PSCA) Capital Improvement Pool Bonds, Series 1999D ("state leveraged funds") which were recognized as revenue in the year 2000, but are expended as the funds are disbursed by PSCA on building projects. The increase in the fund balance was due to unspent State revenues for capital projects held over for the next fiscal year.

Other Governmental Funds - This is a combined total of several funds, none of which are considered major funds. This included mostly local school funds. There was a slight increase in fund balance from the prior year.

## Capital Assets and Debt Administration

**Capital Assets** - At September 30, 2014, the Board had approximately \$35.42 million invested in capital assets including land, buildings, equipment costing \$5,000 or more, maintenance vehicles, and school buses. Table 4 provides additional information on these assets

**Table 4: Capital Assets (net of accumulated depreciation)**  
Fiscal Year Ended September 30, 2014  
(in millions)

	<u>2014</u>	<u>2013</u>	<u>Increase (decrease)</u>
Land and Land Improvements	\$ .39	\$ .39	\$ .00
Buildings and Improvements	14.39	15.07	(0.68)
Vehicles	.56	.19	0.37
Equipment & Furniture	0.88	1.00	(0.12)
Construction In Progress	0.00	0.00	(0.00)
	<u>\$ 16.22</u>	<u>\$ 16.65</u>	<u>\$ (0.43)</u>

**Long-Term Debt** - At year-end, the Board had \$4.22 million in long-term debt payable, an increase of \$.16 million. Table 5 provides a summary of general long-term debt transactions for the year.

**Table 5: Outstanding Long-Term Debt**  
Fiscal Year Ended September 30, 2014  
(in millions)

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Governmental Activities			
General Obligation Warrants – 1998 Series	\$ 2.56	\$ (0 .22)	\$ 2.34
Governmental Activity			
Long-Term Liabilities	\$ 0.60	\$ 0.28	\$ 0.88
Governmental Activity			
Certificate of Participation	<u>\$ 1.00</u>	<u>\$ 0.00</u>	<u>\$ 1.00</u>
	<u>\$ 4.16</u>	<u>\$ 0.06</u>	<u>\$ 4.22</u>

## **Budgetary Highlights of Major Funds**

On or before October 1 of each year, the Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The original fiscal year 2014 budget was adopted by the Board on September 10, 2013. Over the course of the year, the Board revised the annual operating budget once to include many federal grants that were not available at the time of the original budget approval and to adjust for a reduction in State funding due to a declaration of proration by the Governor.



**Economic Factors and Next Year's Budget**

The following are currently known Alexander City economic factors considered as we move into the 2014-2015 fiscal year:

- The economic forecast for Alexander City continues to be uncertain. Very few new businesses are opening in our area with employment opportunities to equate to those lost due to the downsizing Russell Corporation in prior years.
- The economy continues to be a question. It is uncertain how the implementation of the health care plan will affect the School System.
- Community support of the school system continues to be strong. The City of Alexander City increased their allocation in order to implement a fine arts program in the school system. The Alexander City Schools Foundation continues to implement plans for additional local funding which will hopefully bring new income into the school system.

**Contacting the School Board's Financial Management**

The financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the School Board's finances and to show the School Board's accountability for the money it receives. If you have any questions about this report or need additional financial information contact one of the following during the regular work hours Monday – Friday; 7:30 a.m. to 4:00 p.m. central time.

Rhonda A. Blythe, Chief School Finance Officer  
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**Alexander City Board of Education**  
**Statement of Net Position**  
**September 30, 2014**

	<b><u>Governmental</u></b> <b><u>Activities</u></b>
<b><u>Assets</u></b>	
<b><u>Current Assets</u></b>	
Cash and Cash Equivalents	\$ 4,429,465
Ad Valorem Property Taxes Receivable	2,319,447
Accounts Receivable	625,011
Due from Other Governments	-
Inventories	52,854
Other Assets	-
Total Current Assets	<u>7,426,777</u>
 <b><u>Noncurrent Assets</u></b>	
Investments	<u>126,340</u>
Capital Assets:	
Land Improvements	411,146
Building Improvements	31,112,908
Equipment and Furniture	4,255,174
Construction in Progress	-
Less: Accumulated Depreciation	<u>(19,559,412)</u>
Total Capital Assets, Net of Depreciation	16,219,816
Total Noncurrent Assets	<u>16,346,156</u>
 Total Assets	 <u><u>\$ 23,772,933</u></u>

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

	<b><u>Governmental Activities</u></b>
<b><u>Liabilities</u></b>	
<b><u>Current Liabilities</u></b>	
Accounts Payable	\$ 141,633
Tax Overpayment	36,260
Salaries and Benefits Payable	2,238,759
Unearned Revenue	79
Accrued Interest Payable	33,327
Current Maturity of Notes Payable	213,031
Warrants Payable	195,658
Total Current Liabilities	<u>2,858,747</u>
 <b><u>Noncurrent Liabilities</u></b>	
Notes Payable	668,094
Tax Payable	36,259
Warrants payable	2,146,339
Certificate of Participation Payable	1,000,000
Total Noncurrent Liabilities	<u>3,850,692</u>
 Total Liabilities	<u>6,709,439</u>
 <b><u>Deferred Inflows of Resources</u></b>	
Deferred Property Taxes	2,319,447
Total Deferred Inflows of Resources	<u>2,319,447</u>
 <b><u>Net Position</u></b>	
Invested Capital Assets	
Net of Related Debt	11,890,846
Restricted for:	
Capital Projects	186,733
Food Services	307,450
Debt Service	94,854
Unrestricted	2,264,164
Total Net Position	<u>\$ 14,744,047</u>

**Alexander City Board of Education**  
**Statement of Activities**  
**For the Year Ended September 30, 2014**

**Program Revenues**

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Charges For Services</u></b>	<b><u>Operating Grants and Contributions</u></b>
<b><u>Governmental Activities</u></b>			
Instruction	\$ 16,194,977	\$ 338,530	\$ 14,277,791
Instructional Support	4,094,084	137,084	2,306,450
Operation and Maintenance	2,094,002	-	68,959
Auxiliary Services:			
Food Service	1,543,605	1,469,857	93,997
Transportation	1,632,266	102,321	784,574
General Administration and Central Support	1,316,054	53,737	146,556
Capital Outlay	-	-	-
Other	718,009	173,436	299,552
Interest/Long-Term Debt	1,929,833	-	-
Total Governmental Activities	<u>\$ 29,522,830</u>	<u>\$ 2,274,965</u>	<u>\$ 17,977,879</u>

**General Revenues**

**Taxes**

Property For General Purpose  
Sales and Use for General Purpose  
Miscellaneous Taxes  
City Council Appropriations/Payments  
Investments Earnings  
Alexander City Schools Education Foundation  
Russell Foundation  
Russell Medical Center

**Special Items**

Gain on Sale of Capital Assets  
Insurance Recoveries

**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)  
Revenue and Changes  
in Net Position**

<b>Capital Grants and <u>Contributions</u></b>	<b>Total Governmental <u>Activities</u></b>
\$ 60,602	\$ (1,518,054)
-	(1,650,550)
143,787	(1,881,256)
-	20,249
450,887	(294,484)
236,262	(879,499)
96,694	96,694
62,168	(182,853)
<u>1,929,883</u>	<u>50</u>
<u><u>\$ 2,980,283</u></u>	<u><u>(6,289,703)</u></u>

2,617,936
1,429,290
154,869
821,180
17,509
120,490
193,025
50,000
28,000
4,704
<u>697,267</u>
<u>6,134,270</u>
(155,433)
<u>14,899,480</u>
<u><u>\$ 14,744,047</u></u>

**Alexander City Board of Education**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2014**

	<b><u>General Funds</u></b>	<b><u>Child Nutrition Program Fund</u></b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 3,773,172	\$ 131,120
Investments	-	-
Ad Valorem Property Taxes Receivable	2,319,447	-
Accounts Receivable, Net	181,853	227,926
Due from Other Governments	-	-
Inventories	-	52,854
Other Assets	-	-
Total Assets	<u>6,274,472</u>	<u>411,900</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	19,935	104,449
Deferred Revenue	-	-
Other Payable	2,238,759	-
Total Liabilities	<u>2,258,694</u>	<u>104,449</u>
<b><u>Deferred Inflow of Resources</u></b>		
Deferred Property Taxes	<u>2,319,447</u>	-
Total Deferred Inflows of Resources	<u>2,319,447</u>	-
<b><u>Fund Balances</u></b>		
Nonspendable	-	52,854
Restricted	250,000	-
Committed	-	-
Assigned	246,555	254,596
Unassigned	<u>1,199,779</u>	-
Total Fund Balance	<u>1,696,334</u>	<u>307,450</u>
Total Liabilities and Fund Balances	<u>\$ 3,955,028</u>	<u>\$ 411,899</u>

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

<b>Capital Projects <u>Funds</u></b>	<b>Other Governmental <u>Funds</u></b>	<b>Total Governmental <u>Funds</u></b>
\$ 272,066	\$ 253,108	\$ 4,429,466
-	126,340	126,340
-	-	2,319,447
9,522	205,711	625,012
-	-	-
-	-	52,854
-	-	-
<u>281,588</u>	<u>585,159</u>	<u>7,553,119</u>
-	17,250	141,634
-	79	79
-	-	2,238,759
<u>-</u>	<u>17,329</u>	<u>2,380,472</u>
-	-	2,319,447
<u>-</u>	<u>-</u>	<u>2,319,447</u>
186,733	-	239,587
-	-	250,000
-	-	-
94,854	567,830	1,163,835
-	-	1,199,779
<u>281,587</u>	<u>567,830</u>	<u>2,853,201</u>
<u>\$ 281,587</u>	<u>\$ 585,159</u>	<u>\$ 5,233,673</u>

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

Total Fund Balances-Governmental Funds \$ 2,853,201

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land and Land Improvements	\$ 411,146	
Building and Improvements	31,112,908	
Equipment and Furniture	4,255,173	
Construction in Progress	-	
Less: Accumulated Depreciation	<u>(19,559,412)</u>	
Total Capital Assets		16,219,815

Current liabilities are not due and payable in the current period and Therefore are not reported liabilities in the funds. These liabilities at year-end consist of :

	<u>Due or Payable Within One Year Current Liabilities</u>	<u>Due or Payable After One Year Noncurrent Liabilities</u>	
Warrants Payable	\$ 195,658	\$ 2,146,340	
Notes Payable	213,031	668,094	
Taxes Payable	36,260	36,259	
Certificate of Participation	-	1,000,000	
Accrued Interest Payable	<u>33,327</u>	<u>-</u>	
Total Long-Term Liabilities	\$ 478,276	\$ 3,850,693	<u>(4,328,969)</u>
Total Net Position Governmental Activities			<u>\$ 14,744,047</u>

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



**Alexander City Board of Education**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended September 30, 2014**

<u>Revenues</u>	<u>General Fund</u>	<u>Child Nutrition Program Fund</u>
State	\$ 15,915,891	\$ -
Federal	68,179	1,194,883
Local	5,857,529	338,935
Other	165,064	47,463
Total Revenue	22,006,663	1,581,281
<u>Expenditures</u>		
Current		
Instruction	14,166,101	-
Instructional Support	3,622,052	-
Operation and Maintenance	1,898,223	-
Auxiliary Services:		
Food Service	-	1,543,605
Student Transportation Services	1,130,759	-
General and Administration and		
Central Support	861,998	-
Capital Outlay	-	-
Other Expenditures	215,961	17,429
Debt Service:		
Principal Retirement	-	-
Other	-	-
Interest	-	-
Total Expenditures	21,895,094	1,561,034
Excess(Deficiency) of revenues over Expenditures	111,569	20,247
<u>Other Financing Sources (Uses)</u>		
Transfers In	81,261	-
Indirect Cost	146,575	-
Transfers Out	(22,472)	-
Other Funding Sources	32,704	-
Total Other Funding Sources(Uses)	238,068	-
Net Changes in Fund Balances	349,637	20,247
Fund Balances-Beginning of Year	1,346,697	287,203
Fund Balances-End of Year	\$ 1,696,334	\$ 307,450

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

<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 864,936	\$ 1,800	\$ 16,782,627
-	1,919,070	3,182,132
11,572	910,802	7,118,838
1,438,198	30,358	1,681,083
<u>2,314,706</u>	<u>2,862,030</u>	<u>28,764,680</u>
3,540	1,730,370	15,900,011
-	381,892	4,003,944
84,755	68,959	2,051,937
-	-	1,543,605
450,887	20,573	1,602,219
236,262	187,747	1,286,007
-	-	-
-	472,601	705,991
1,594,538	-	1,594,538
-	-	-
335,346	-	335,346
<u>2,705,328</u>	<u>2,862,142</u>	<u>29,023,598</u>
(390,622)	(112)	(258,918)
276,557	196,099	553,917
-	-	146,575
(276,557)	(212,816)	(511,845)
450,887	-	483,591
<u>450,887</u>	<u>(16,717)</u>	<u>672,238</u>
60,265	(16,829)	413,320
<u>221,322</u>	<u>584,659</u>	<u>2,439,881</u>
<u>\$ 281,587</u>	<u>\$ 567,830</u>	<u>\$ 2,853,201</u>

**Alexander City Board of Education**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended September 30, 2014**

Reconciliation of the Statement of Revenues, Expenditures and Net Changes in Fund Balance-Total Governmental Funds	\$ 413,320
Amounts reported for governmental activities on the Statement of Activities are different because:	
Governmental funds reports capital outlays as expenditures. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$213,019) exceeded depreciation (\$955,905) in the current period.	(742,886)
Repayment of debt principal \$390,178 is an expenditure in the Governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position. Debt proceeds provides (\$450,887) current financial resources to Governmental funds, but increases liabilities in the Statement of Net Position.	(60,709)
Some expenses, such as interest expense , compensated absences and therefore are not reported as expenditures in the governmental funds.	234,842
Change in Net Position of Governmental Activities	<u>\$ (155,433)</u>

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

**Alexander City Board of Education  
Statement of Fiduciary Net Position  
Fiduciary Funds  
September 30, 2014**

	<b><u>Agency Funds</u></b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 301,225
Investments	2,015
Receivables	<u>20,672</u>
Total Assets	<u>323,912</u>
 <b><u>Liabilities</u></b>	
Account Payable	86
Due to Clubs and Class	<u>323,826</u>
Total Liabilities	<u>323,912</u>
 <b><u>Net Position</u></b>	 <u><u>\$ -</u></u>

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



**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

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

The financial statements of the Alexander City Board of Education (the "Board"), a component unit of the City of Alexander City, Alabama have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Governmental Accounting Standards Board establishes standards for defining reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up it legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial burdens on the primary government. There are no component units which should be included as part of the financial reporting entity of the Alexander City Board of Education.

The Alexander City Board of Education (the "Board") is a legally separate agency of the State of Alabama (the "State"). However, for financial reporting the Board is considered a component unit of the City of Alexander City, Alabama (the "City") due to the following reasons:

- 1) The City appoints all members of the governing body of the Board.
- 2) The City issued bonds for the construction of facilities for the Board and the City is obligated for the debt.
- 3) The City makes annual appropriations to the Board.
- 4) The City levied a ¼ cent sales tax and 7-½ mil district ad valorem tax specifically for the operations of the Board.

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**B. Basis of Presentation, Basis of Accounting**

**Government-Wide Financial Statements**

The statement of net position and statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the programs. Revenues that are not classified as programs revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements**

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

The Board reports the following major governmental funds:

- **General Fund** – The general fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board's General Fund primarily receives revenue from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and local taxes. The State Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

- **Child Nutrition Program Fund** – This fund is used to account for revenue provided by the National School Lunch Program.
- **Capital Projects Fund** – This fund is used to account for revenue provided by local taxes. These revenues are used for the acquisition and construction of capital projects.

The Board reports the following fund types in the “Other Governmental Funds” column:

**Government Funds Types**

- **Special Revenue Funds** – These funds are used to account for the accumulation of resources for and the payment of, the Board’s principal and interest on governmental bonds.
- **Capital Projects Funds** - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the Board reports the following fund type:

**Fiduciary Fund Type**

- **Agency Funds** – These funds are used to report assets held by the Board in a purely custodial capacity. The Board collects these assets and transfers them to the proper individual, private organizations, or other government.



**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**C. Measurement Focus, Basis of Accounting and Financial Statements Presentation**

The government-wide and fiduciary fund 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 property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year for which all eligibility requirements have been satisfied. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within thirty (30) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted revenues first, then unrestricted resources as they are needed.



**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

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

**1. Deposits and Investments**

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

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

**2. Receivables**

Millage rates for property taxes are levied at first regular meeting of the Tallapoosa County Commission in February of each year. Property taxes are assessed for property as October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Receivables are reported as *Receivables and Due from other governments* in the government-wide financial statements and as *Receivables, Due from other funds* and *Due from other governments* in the fund financial statements. Receivables due from other governments include amounts due from grantors for grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

**3. Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than capitalized as an asset. GAAP requires only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund. Prepaid items, such as insurance premiums and rent, are recorded as expenditures in governmental funds when paid.

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

**Alexander City Board of Education  
Notes to the Financial Statement  
For Year Ended September 30, 2014**

**D. Assets, Liabilities and Net Position/Fund Balances-(continued)**

**4. Restricted Assets**

Included in cash on the balance sheet are certain assets which are restricted. Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, are restricted because they are maintained separately and their use is limited. The Public School Capital Projects, Fleet Renewal, Bond Issue Payments, Bonds and Warrants, and Qualified Zone Academy Bonds funds are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it becomes due.

**5. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., parking lots, stadium lights, and similar items), are reported in the applicable governmental activities column 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 of donation. 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. The Board has no general infrastructure assets.

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land Improvements	\$50,000	20 years
Buildings	\$50,000	25-50 years
Buildings Improvements	\$50,000	5-30 years
Equipment and Furniture	\$ 5,000	5-20 years
Vehicles	\$ 5,000	8-15 years
Equipment Under Capital Lease	\$ 5,000	5-20 years

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**6. Long-Term Obligations**

In government-wide financial statements, the unmatured principal of long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. The balance sheet does not reflect a liability for long-term debt.

**7. 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 net position categories:

- **Invested in Capital Assets, Net of Related Debt** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvements of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.
- **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- **Unrestricted** – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board.

Fund balance 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 the 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 authorized the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance.



**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

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

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

**8. Compensated Absences**

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

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

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

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

Professional and support personnel are provided 3 days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to 2 days of unused personal leave. Professional and support personnel may convert unused, unreimbursed personal leave to sick leave at the end of the scholastic year. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.



**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**8. Compensated Absences (continued)**

Certain employees are allowed 2-4 weeks of vacation per year with pay. Paid vacation time is based on years of service within the Alexander City School System. Because unused vacation leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statement.

**9. Deferred Outflows of Resources**

Deferred outflows of resources are 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.

**10. Deferred Inflows of Resources**

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

**Note 2 – Deposits and Investments**

The custodial 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 provisions contained in the **Code of Alabama 1975**, Sections 41 – 14A – 1 through 41 – 14A – 14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. 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.

**Alexander City Board**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2014**

**Note 3 – Capital Assets**

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

<u>Governmental Activities</u>	<u>Balance 9/30/2013</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance 9/30/2014</u>
Capital Assets, Not Being Depreciated				
Land	\$ 352,246	-	-	\$ 352,246
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	352,246	-	-	352,246
Capital Assets Being Depreciated				
Land Improvements	58,900	-	-	58,900
Building and Building Improvements	31,112,909	-	-	31,112,909
Equipment and Furniture	4,042,154	519,479	(306,460)	4,255,173
Total Capital Assets Being Depreciated	35,213,963	519,479	(306,460)	35,426,982
Less Accumulated Depreciation for				
Land Improvements	(17,922)	(3,045)	-	(20,967)
Building and Building Improvements	(16,042,924)	(679,492)	-	(16,722,416)
Equipment and Furniture	(2,849,121)	(273,368)	306,460	(2,816,029)
Total Accumulated Depreciation	(18,909,967)	(955,905)	306,460	(19,559,412)
Total Capital Assets, Being Depreciated, Net	16,303,996	(436,426)	-	15,867,570
Total Governmental Activities Capital Assets, Net	\$ 16,656,242	(436,426)	-	\$ 16,219,816

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

<u>Governmental Activities</u>	<u>Current Year Depreciation Expense</u>
Instruction	\$ 323,177
Instructional Support	347,499
Operation and Maintenance	57,098
Auxiliary Services	190,472
General Administration and Central Support	37,659
Total Depreciation Expense	\$ 955,905

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**Note 4– Receivables**

On September 30, 2014, receivables for the Board’s individual major funds and other governmental funds in the aggregate are as follows:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Receivables:				
Sales Tax	\$ 19,588	\$ -	\$ -	\$ 19,588
Advalorem Tax	22,753	-	-	22,753
Intergovernmental	25,448	227,745	-	253,193
Other	<u>114,064</u>	<u>-</u>	<u>236,085</u>	<u>350,149</u>
Total Receivables	<u>\$181,853</u>	<u>\$227,745</u>	<u>\$236,085</u>	<u>\$645,683</u>

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2014, the deferred revenue of \$79 reported in the governmental funds was for grant drawdowns prior to meeting all eligibility requirements.

**Note 5– 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.



**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**Note 5– Defined Benefit Pension Plan-(continued)**

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, Act 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). Benefits 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 may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

**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 amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:



**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**Note 5– Defined Benefit Pension Plan-(continued)**

<u>Fiscal Year Ended September 30</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Percentage of Covered Payroll (Tier 1)	19.21%	17.58%	17.25%
Total Percentage of Covered Payroll (Tier 2)	17.08%	15.44%	
<u>Contributions</u>			
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	\$ 1,736,386	\$ 1,468,216	\$ 1,905,327
Contributed by Employees	<u>1,105,816</u>	<u>1,091,569</u>	<u>1,472,079</u>
Total Contributions	\$ <u>2,842,202</u>	\$ <u>2,559,785</u>	\$ <u>3,377,406</u>

**Note 6 – Other Postemployment Benefits (OPEB)**

**A. Plan Description**

The Board contributes to the Alabama Retired Education Employees' Health Care Trust (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 the 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 for the plan. 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.

**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:

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**Note 6 – Other Postemployment Benefits (OPEB)-(continued)**

*Retired Member Rates*

Individual Coverage/Non-Medicare Eligible - \$151

Family Coverage/Both Retired Member and Dependent(s) are Non-Medicare Eligible-\$391

Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible-\$250

Individual Coverage/Medicare Eligible Retired Member - \$10

Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependents-\$250

Family Coverage/Both Retired Member and Dependent are Medicare Eligible - \$109

*Surviving Spouse Rates*

Surviving Spouse Non-Medicare Eligible - \$679

Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible - \$870

Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible - \$839

Surviving Spouse Medicare Eligible - \$318

Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible - \$516

Surviving Spouse Medicare Eligible and Dependent Medicare Eligible - \$485

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.

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 for that amount contributed for Board retirees:

<u>Fiscal Year Ended September 30</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Active Health Insurance Premiums Paid By Board	\$714	\$714	\$714
Amount of Premium Attributable to Retirees	\$220.09	\$216.90	\$228.85
Percentage of Active Employee Premiums Attributable to Retirees	30.83%	30.38%	32.05%
Total Amount Paid Attributable to Retirees	\$1,071,559	\$1,103,335	\$1,107,800
Percentage of Required Amount Contributed	100%	100%	100%

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**Note 6 – Other Postemployment Benefits (OPEB)-(continued)**

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 7 – Long – Term Debt**

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

	<u>Principal Balance 10/01/2013</u>	<u>Issued/ Increased</u>	<u>Repaid/ Decreased</u>	<u>Debt Outstanding 09/30/2014</u>	<u>Amount Due Within One Year</u>
<b><u>Governmental Activities</u></b>					
Warrants					
General Obligation					
Warrants 2011 Series	\$ 2,561,577	\$ -	\$ 219,580	\$ 2,341,997	\$ 195,658
Note Payable	600,836	450,887	170,598	881,125	213,031
Certificate of Participation	<u>1,000,000</u>	-	-	<u>1,000,000</u>	-
Governmental Activity					
Long- Term Liabilities	\$ <u>4,162,413</u>	\$ <u>450,887</u>	\$ <u>390,178</u>	\$ <u>4,223,123</u>	\$ <u>408,689</u>

The City of Alexander City entered into a general Obligation Warrant Issue with Compass Bank of the South. These warrants were issued for the purpose of providing funds to construct and acquire capital improvements for the public schools in the City (including a major expansion of Benjamin Russell High School). These warrants are parity warrants with the Series of General Obligation Warrants previously issued.

Beginning May 1, 1996, the City increased its commitment to pay principal and interest on the various previous school issues out of the sources used currently to pay the 1988, 1991, 1993, and 1996. Those sources are Board's ¼ cent City sales tax, the 7.5 mill school tax, the city's contribution of \$75,000/year from the city's \$90,000 year contribution and the city's \$60,000/year contribution (that accretes 3% per year beginning 1988). The city's obligation to pay this amount will continue until 5/1/2026.

The Alexander City School Board had previously entered into an agreement with the City of Alexander City to pay all principal and interest payments totaling approximately \$350,000 per year until May 1, 2013, at which time the City of Alexander City would pay all principal and interest (approximately \$1,240,000 per annum), relative to issues.



**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**Note 7 – Long – Term Debt-(continued)**

The City of Alexander City issued Series 1998 General Obligation Warrants on May 1, 1998 for the purpose of advanced refunding of the City's Series 1996 Warrants and financing improvements to the schools operated by Alexander City Board of Education. This issue resulted in "other sources" of funds totaling \$341,493 for the Board during F.Y.E. 9/30/98. The Board's debt service requirements however, remained as previously listed as follows:

The Alexander City School Board entered into an agreement with the City of Alexander City to pay all principal and interest payments for each fiscal year on a monthly basis to the City of Alexander City relative to the 1996 and 1991 issues.

On May 10, 2011, the Alexander City Board of Education met and approved the refinancing of the Series 2003 bond held on their behalf by the City of Alexander City. The refinancing would result in a net savings of \$510, 439 over the remaining term of the bond. In lieu of a lump sum payment, the Board voted to receive the savings as an annual reduction in their debt payment obligation to the City of Alexander City for the remaining term of the bond.

On June 2, 2011, the Board entered into a special pool loan agreement for \$1,000,000 with the Alabama Public School and College Authority (the "PSCA"). The PSCA issued bonds known as "qualified zone academy bonds" under Section 54E of the Internal Revenue Code of 1986 in order to finance loans to various local Boards of Education throughout the State of Alabama. The proceeds of these bonds are limited to rehabilitating, repairing or equipping public school facilities. The interest rates on these bonds are 4.6%; however, the PSCA expects to receive subsidy payments from the United States Treasury in amounts equal to the interest due on the bonds making the effective interest payment due from the Board equal zero. Annual sinking fund deposits of \$50,095.61 are required beginning in fiscal year 2012, but there is only a single principle payment due at maturity on May 1, 2026.

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

<u>Fiscal Year Ending</u>	<u>General Obligations Series 2011</u>		<u>Total Principal and Interest Requirements To Maturity</u>	<u>Certificate of Participation</u>
	<u>Principal</u>	<u>Interest</u>		
September 30, 2015	\$ 195,658	\$ 107,657	\$ 303,315	
2016	191,769	109,484	301,253	
2017	177,700	126,303	304,003	
2018	159,071	148,220	307,291	
2019	156,053	145,017	301,070	
2020-2024	1,461,746	130,900	1,592,646	\$1,000,000
2025-2026	-	-	-	
Totals	\$ <u>2,341,997</u>	\$ <u>767,581</u>	\$ <u>3,109,578</u>	<u>\$1,000,000</u>



**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**Note 7 – Long – Term Debt-(continued)**

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

<u>Fiscal Year Ending</u>	<u>Notes Payable</u>		<u>Total Principal and Interest Requirements To Maturity</u>
	<u>Principal</u>	<u>Interest</u>	
September 30, 2015	\$ 167,943	\$ 18,327	\$ 186,270
2016	175,333	10,937	186,270
2017	<u>96,698</u>	<u>4,172</u>	<u>100,870</u>
Totals	\$ <u>439,974</u>	\$ <u>33,436</u>	\$ <u>473,410</u>

On January 28, 2014, the Alexander City Board of Education obtained financing to purchase five buses for \$450,887. The note matures January 28, 2024 and is secured by the five buses. The note is payable in 9 annual consecutive principal payments of \$45,088.70 beginning January 28, 2015, plus interest at a rate of 2.75% and one final payment of principal and interest of \$46,345.86 on January 28, 2024.

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

<u>Fiscal Year Ending</u>	<u>Notes Payable</u>		<u>Total Principal and Interest Requirements To Maturity</u>
	<u>Principal</u>	<u>Interest</u>	
September 30, 2015	\$ 45,089	\$ 9,631	\$ 54,720
2016	45,089	11,314	56,403
2017	45,089	10,085	55,174
2018	45,089	8,800	53,889
2019	45,089	7,543	52,632
2020	45,089	6,286	51,375
2021	45,089	5,042	50,131
2022	45,089	3,771	48,860
2023	45,089	2,514	47,603
2017	<u>45,086</u>	<u>1,257</u>	<u>46,343</u>
Totals	\$ <u>450,887</u>	\$ <u>66,243</u>	\$ <u>517,130</u>

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**Note 8– Risk Management**

The Board is exposed to various risks of loss related to torts; thefts 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 boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$ 3.5 million. Errors and omissions insurance and vehicle liability insurance is purchased from the Alabama Risk Management for School (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases excess insurance for any amount coverage requested by pool participants in excess of the coverage provided by the pool.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self – sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee. 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.

**Note 9 – Pledged Revenues**

The Board has pledged the capital outlay funds allocated to the Board from the Public School Fund pursuant to Section 16-13-234, Code of Alabama (1975), as amended, for the payment of the principal, sinking fund deposits and interest payable on the Capital Outlay Pool Warrants, Series 2011-QZAB.

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2014**

**Note 10 – Interfund Transfers**

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

<u>Transfers In</u>	<u>Transfers Out</u>				
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Capital Projects</u>	<u>Agency</u>	<u>Total</u>
General Fund	\$ (22,471)	\$ 154,026	\$ -	\$ -	\$ 131,555
Other Governmental Funds	81,261	(212,816)	-	85,449	(46,106)
Agency Funds	-	-	-	(85,449)	(85,449)
Total	\$ <u>58,790</u>	\$ <u>(58,790)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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

**Note 11 – Tax Overpayment**

Revenue Discovery Systems (RDS) is a third party contracted with Tallapoosa County to collect and remit sales and use taxes to the County's respective recipients. RDS has remitted the taxes it collected incorrectly between the Board and Tallapoosa County Board of Education. The Board owes \$102,393 to the Tallapoosa County Board of Education as a result of this error. The Board remitted the first payment of \$29,874 which leaves a balance due of \$72,519. The following is a schedule of maturity:

<u>Fiscal Year Ending</u>	<u>Tax Payable</u>
September 30, 2015	\$ 36,260
2016	<u>36,259</u>
Totals	\$ <u>72,519</u>

**Note 12 – Reclassifications**

During the fiscal year ended September 30, 2014, the Alexander City Board of Education adopted the GASB Statement Number 65, Items Previously Reported as Assets and Liabilities, (GASB 65). GASB 65 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.



## **Required Supplementary Information**



**Alexander City Board of Education**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended September 30, 2014**

	<b>Budgeted Amounts</b>	
<b><u>Revenues</u></b>	<b><u>Original</u></b>	<b><u>Final</u></b>
State	\$ 15,744,007	\$ 15,751,853
Federal	56,933	56,933
Local	5,471,895	5,601,254
Other	141,088	141,088
Total Revenues	<u>21,413,923</u>	<u>21,551,128</u>
<b><u>Expenditures</u></b>		
Current:		
Instruction	13,797,301	13,978,791
Instructional Support	3,632,732	3,614,792
Operation and Maintenance	2,025,599	1,910,551
Auxiliary Services	1,008,936	1,026,528
General Administration and Central Support	837,725	881,952
Other	176,399	229,477
Capital Outlay	-	-
Debt Service	-	-
Total Expenditures	<u>21,478,692</u>	<u>21,642,091</u>
Excess(Deficiency) of Revenues Over Expenditures	<u>(64,769)</u>	<u>(90,963)</u>
<b><u>Other Financing Services(Uses)</u></b>		
Other Sources	235,525	243,616
Other Uses	<u>(2,000)</u>	<u>(8,000)</u>
Total Other Financing Sources(Uses)	233,525	235,616
Net Changes on Fund balances	168,756	144,653
Fund Balances at Beginning of Year	<u>3,293,105</u>	<u>3,293,105</u>
Fund Balances at End of Year	<u>\$ 3,461,861</u>	<u>\$ 3,437,758</u>

The accompanying Notes to the Required Supplementary Information are an integral part of this statement.

<b>Budget to GAAP Differences Over (Under)</b>	<b>Actual Amounts GAAP Basis</b>
\$ -	\$ 15,915,891
-	68,179
-	5,857,529
-	165,064
-	22,006,663
475,045	14,166,101
90,140	3,622,052
42,065	1,898,223
30,047	1,130,759
-	-
30,047	861,998
12,019	215,961
-	-
679,363	21,895,094
679,363	111,569
-	260,540
-	(22,472)
-	238,068
679,363	349,637
3,293,105	3,293,105
\$ 3,972,468	\$ 3,642,742

**Alexander City Board of Education**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Special Fund**  
**For the Year Ended September 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Budgetary Basis</u></b>
<b><u>Revenues</u></b>			
Federal	\$ 1,242,346	\$ 1,234,389	\$ 1,194,883
Local	351,770	360,260	338,935
Other	22,500	32,100	47,463
Total Revenues	<u>1,616,616</u>	<u>1,626,749</u>	<u>1,581,281</u>
<b><u>Expenditures</u></b>			
Current			
Auxiliary Services:			
Food Services	1,559,606	1,622,024	1,561,034
Other	1,426	1,300	
Capital Outlay	-	-	-
Total Expenditures	<u>1,561,032</u>	<u>1,623,324</u>	<u>1,561,034</u>
Excess(Deficiency) of Revenues Over Expenditures	<u>55,584</u>	<u>3,425</u>	<u>20,247</u>
<b><u>Other Financing Services (Uses)</u></b>			
Transfers In	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	55,584	3,425	20,247
Fund Balances - Beginning of Year	<u>287,203</u>	<u>287,203</u>	<u>287,203</u>
Fund Balances - End of Year	<u>\$ 342,787</u>	<u>\$ 290,628</u>	<u>\$ 307,450</u>

The accompanying Notes to the Required Supplementary Information are an integral part of this statement.

**Alexander City Board of Education  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2014**

**Stewardship, Compliance, and Accountability**

**Budgets**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual 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 City Board of Education. The Superintendent or City Board of Education shall not approve any budget for operations of school for any fiscal year which shall show expenditures in excess of income estimated to be available any balances on hand.



## **Supplementary Information**

**Alexander City Board of Education**  
**Schedule of Expenditures of Federal Awards**  
**For Fiscal year Ended September 30, 2014**

	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Revenue</u>	<u>Federal Expenditures</u>
US Department of Education				
Passed Through State Department of Education				
Individual W/Disabilities (IDEA-Part B)	84.027	CLB – 102	\$ 689,872	\$ 607,758
Individual W/Disabilities (IDEA-Pre-School Part B)	84.173	CLB – 102	19,011	19,011
Vocational Education	84.048A	CLB – 102	38,996	38,996
Impact Aid	84.041	NA	29	29
Title I – Part A	84.010	CLB – 102	758,565	740,855
Title II – Training	84.367	CLB – 102	217,475	171,014
Title VI - Rural Ed	84.358	CLB – 102	68,171	60,798
Title III – English Language Acq	84.365	CLB – 102	18,283	17,515
HHS – Disability Determination	96.001	CLB – 102	2,340	2,340
Twenty First Century Community	84.287	CLB – 102	215,150	203,177
ROTC	12.357	CLB – 102	65,811	65,811
ARC - Home Instruction Parents Preschool	84.310	CLB – 102	60,000	59,947
Total US Dept. of Education			<u>2,153,703</u>	<u>1,987,251</u>
US Dept. of Agriculture				
Passed Through State Dept. of Education				
USDA Fresh Fruits and Vegetable Programs	10.582		11,189	6,152
Food Donation Program	10.565		87,845	87,845
USDA Severe Need Breakfast Program	10.553		218,543	218,543
National School Lunch Program	10.555		882,344	882,344
Total US Dept. of Agriculture			<u>1,199,921</u>	<u>1,194,884</u>
Total Expenditures of Federal Awards			<u>\$ 3,353,624</u>	<u>\$ 3,182,135</u>

The accompanying Notes to the Schedule of Expenditures are an integral part of this statement.

**Alexander City Board of Education  
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 Alexander 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 general purpose financial statements.



## **Additional Information**

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

Members of the Board  
Alexander City Board of Education  
Alexander City, AL 35010

I 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 Alexander City Board of Education, a component unit of the City of Alexander City, Alabama, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Alexander City Board of Education's basic financial statements and have issued my report thereon, dated June 25, 2015.

### Internal Control Over Financial Reporting

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

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

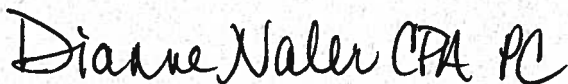
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weakness or significant deficiencies. Given these limitations, during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

### Compliance and Other Matters

As part of obtaining reasonable assurance, about whether the Alexander City Board of Education's financial statements are free from material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.



Dianne Naler CPA, PC  
Alexander City, Alabama  
June 25, 2015



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A – 133

Members of the Board  
Alexander City Board of Education  
Alexander City, AL 35010

### Report on Compliance for Each Major Federal Program

I have audited the Alexander City Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A – 133 Compliance Supplement* that could have a direct and material effect on each of the Alexander City Board of Education's major federal programs for the year ended September 30, 2014. Alexander City Board of Education's major federal programs are identified in the Summary of Auditor'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

My responsibility is to express an opinion on compliance with each of the Alexander City Board of Education's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 and Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Alexander City Board of Education's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

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

### Report on Internal Control Over Compliance

Management of the Alexander City Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Alexander City 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, I do not express an opinion on the effectiveness of Alexander City Board of Education's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

*Dianne Naler CPA PC*

Dianne Naler CPA, PC  
Alexander City, Alabama  
June 25, 2015

**Alexander City Board Of Education  
Schedule of Findings and Questioned Cost  
Year Ended September 30, 2014**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report 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 required to be  
reported in accordance with Circular A-133,  
Section .510(a)?

\_\_\_ Yes    X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program Cluster

84.010

Title I, Grants To Local Education Agencies

84.287

Twenty-First Century Community Learning  
Centers



