

Report on the

Dale County Board of Education

Dale County, Alabama

October 1, 2013 through September 30, 2014

Filed: October 2, 2015



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



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

Dear Sir:

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

Sworn to and subscribed before me this
the 10th day of September, 2015.

Anisa Pamela Mekiji
Notary Public

Sworn to and subscribed before me this
the 10th day of September, 2015.

Anisa Pamela Mekiji
Notary Public

rb

**My Commission Expires
June 16, 2019**

Respectfully submitted,

Glenda N. Bowens

Glenda N. Bowens
Examiner of Public Accounts

Lori Vanarsdall

Lori Vanarsdall
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

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

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

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

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

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

A problem was found with the Board’s internal controls over financial reporting (Exhibit 13) and it is summarized below:

- ◆ 2014-001 relates to teacher receipts not being submitted to the school bookkeeper in a timely manner and local school deposits not being made on a timely basis.

The following officials/administrative personnel were invited to an exit conference to discuss the results of this report: Superintendent: Donald R. Bynum; Chief School Financial Officer: Jesse James; and Board Members: Braxton Bell, Larry Ezell, Bill McSween, Dale Sutton, and Don Williams. The following individuals attended the exit conference, held at the Board's offices: Donald R. Bynum, Superintendent; Jesse James, Chief School Financial Officer; Board Members: Braxton Bell and Larry Ezell; and representatives of the Department of Examiners of Public Accounts: Cherie Raffle, Audit Manager; Glenda Bowens and Lori Vanarsdall, Examiners of Public Accounts.

Independent Auditor's Report

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated September 2, 2015, on our consideration of the Dale County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Dale County Board of Education's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 2, 2015

Management's Discussion and Analysis
(Required Supplementary Information)

ACCREDITED BY



DALE COUNTY BOARD OF EDUCATION

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ACCREDITED BY



Management Discussion and Analysis September 30, 2014

This section of the Dale County School Board's annual financial report represents management's discussion and analysis of the School Board's overall financial position and operation results of the fiscal year that ended on September 30, 2014. Readers are encouraged to read it in conjunction with the School Board's financial statements, which follow this analysis.

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

Financial Highlights

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

On the government-wide financial statements:

1. The assets of the Board exceeded its liabilities and deferred inflows of resources at the close of the 2014 fiscal year by \$13.32 million (net position). Of this amount, there is \$3.34 million in unrestricted net position. The net investment in capital assets amounted to \$7.89 million. Restricted net position amounted to \$2.09 million. The government-wide financial statements are a long-term availability approach to analyzing the financial statements.
2. The total cost of the Board's programs for the year was \$27.47 million. After taking away a portion of these costs paid from with charges for services, intergovernmental aid, interest earnings and other miscellaneous sources, the net cost that required funding from Dale County taxpayers was \$5.12 million.

On the fund financial statements:

1. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2.7 million.
2. There was an overall increase of \$.57 million in fund balance in governmental funds.
3. The Board had a net decrease in its outstanding debt by \$.37 million due to debt payments.

Using the Financial Statements – An Overview for the User

The financial section consists of five parts – *management’s discussion and analysis* (this section), the *independent auditor’s report*, the *basic financial statements*, *required supplementary information*, and *supplementary information*.

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

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

Instruction includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instruction buildings, professional developments, 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, and 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 office 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 and printing costs.

Interest and Fiscal Charges includes interest 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, and extended day personnel. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for education 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. These statements report all assets, liabilities, and deferred inflows of resources perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Board's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector. The following *government-wide financial statements* report on all of the governmental activities of the Board as a whole.

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

The *statement of activities* (Exhibit #2) is most closely related to an income statement. It presents information showing how the Board's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net position for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. The change in net position may be financial or non-financial in nature. Non-financial factors which may have an impact on the Board's financial condition include: age and condition of facilities, mandated educational programs for which little or no funding is provided, and increases or decreases in funding from state and federal governments, to name a few.

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

Governmental Funds – Governmental *fund financial statements* begin with (Exhibit #3). These statements account for basically the same governmental activities reported in the *government-wide financial statements*. The *fund financial statements* presented herein display information on each of the Board's most important governmental funds as *major funds*. This is required in order to better assess the Board's accountability for significant governmental programs of certain dedicated revenue. The Board's *major funds* are the General Fund, Special Revenue Fund, and the Debt Service Fund.

The *fund financial statements* are measured on the modified-accrual basis of accounting, where revenues and expenditure 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 governmental funds reported in the *fund financial statements* are reconciled on Exhibits #4 and #6 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financial decisions.

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

After the presentation of the basic financial statements and notes to the financial statements, additional required supplementary information is presented. The required supplementary information provides a comparison of the original adopted budget to the final amended budget of the Board's General Fund and Special Revenue Fund, which is then further compared to the actual operation 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.

Government-Wide Financial Analysis

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to *Table 1* when reading the following analysis of net position. The Board's assets exceeded liabilities by \$13.32 million at September 30, 2014.

1. Of this figure, 59 percent or \$7.89 million reflects the Board's investment in capital assets (e.g., land, buildings, improvements, 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 position is not available for future spending for funding of operations.
2. Restricted net position accounts for 16 percent or \$2.09 million of total net position. This represents the dollars restricted for debt service, capital projects, child nutrition, and other purposes.
3. Unrestricted net position accounts for 25 percent or \$3.34 million at September 30, 2014.

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

	2013 Governmental Activities	2014 Governmental Activities	2014 Percent of Total
Current Assets	\$8.43	\$ 8.58	31.00
Non-current Assets	20.22	19.43	69.00
Total Assets	\$28.65	\$28.01	100.00
Current Liabilities	\$ 3.57	\$ 1.84	14.00
Long-term Liabilities	11.92	11.54	86.00
Total Liabilities	\$15.49	\$13.38	100.00
Deferred Inflows of Resources – Deferred Property Taxes		1.31	100.00
Net Position:			
Net Investment in Capital Assets	\$ 8.30	\$ 7.89	59.00
Restricted	1.70	2.09	16.00
Unrestricted	3.16	3.34	25.00
Total Net Position	\$13.16	\$13.32	100.00

At the end of the current fiscal year, the Board is able to report positive balances in each category of net position: net investment in capital assets, restricted, and unrestricted. Due to required restrictions on net position for capital projects, the Board does not have enough available resources to cover all outstanding non-capital obligations as of September 30, 2014. These obligations will be met with tax revenues received in subsequent fiscal years.

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities* on Exhibit #2. *Table 2* below condenses the results of operation for the fiscal year into a format where the reader can easily see the total revenues of the Board for the year. It also shows the impact the operation had on changes in net position as of September 30, 2014.

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

	2013 Governmental Activities	2014 Governmental Activities	2014 Percent of Total
Revenues			
Program Revenues:			
Charges for Services	\$2.42	\$2.63	9.52
Operating grants/contributions	17.83	18.54	67.10
Capital Grants/contributions	1.07	1.18	4.27
General Revenues:			
Local property taxes	1.66	1.64	5.94
Sales and use taxes	2.95	2.87	10.39
Other taxes	.03	.03	.11
Miscellaneous	.73	.74	2.67
Total Revenues	\$26.69	\$27.63	100.00
Expenses			
Instruction	\$15.08	\$15.96	58.10
Instructional support	3.39	3.11	11.32
Operation and maintenance	2.05	1.94	7.06
Auxiliary services	3.98	4.06	14.78
General administration and central support	1.53	1.35	4.91
Interest and fiscal charges	.69	.52	1.89
Other	.45	.53	1.94
Total Expenses	\$27.17	\$27.47	100.00
Increase/Decrease in Net Position	\$(.48)	\$.16	
Net Position – Beginning	\$13.64	\$13.16	
Net Position – Ending	\$13.16	\$13.32	

The Board's net position increased by \$.16 million during the current fiscal year. This is mainly attributed to:

1. An increase in Revenues

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 \$27.47 million. It is important to note that not all of these costs were borne by the taxpayers of Dale County.

1. Some of the cost, \$2.63 million, was paid by users who benefited from services provided during the year, such as school lunches, summer school, and driver’s education instruction.
2. State and federal government subsidized certain programs with operating and capital grants and contributions totaling \$19.72 million.
3. Other general revenue sources, such as interest earnings, sale of surplus property, etc., provided for \$.74 million in revenues.
4. \$4.54 million of the Board’s total cost of \$27.47 million was financed by district and state taxpayers, as follows: \$1.64 million in property taxes, \$2.87 million in sales and use taxes, \$.03 million in other taxes (business privilege tax, mineral lease documentary tax, helping-school vehicle tags, and manufactured home registration fees).

Table 3 is a condensed statement taken from the Statement of Activities on Exhibit #2 showing the total cost for providing identified services for five major Board activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the Board used to offset the program’s total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

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

	Total Cost of Services	Net Cost of Services
Instructional Services	\$15.96	(2.16)
Instructional Support Services	3.11	(.38)
Operation/maintenance Services	1.94	(1.00)
Auxiliary services	4.06	(.32)
General Administration and Central support	1.35	(.54)
Interest and Fiscal Charges	.52	(.52)
Other Expenses	.53	(.20)
Total Expenses	\$27.47	(\$5.12)

Fund Level Financial Analysis

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 begin with Exhibit #3.

Governmental Funds – The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on Exhibits #4 and #6. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$5.48 million.

1. Approximately \$2.71 million constitutes unassigned fund balance of the General Fund.
2. Special Revenue Fund, Debt Service Fund, and Other Governmental Funds ended the year with total fund balances of \$1.30 million, \$1.11 million, and \$.36 million, respectively.

General Fund – The general fund is the primary operating fund of the Board. The \$.12 million net increase in general fund balance was a result of completion of prior year's operations which included a construction of new classrooms at Ariton School which cost the General Fund approximately \$.71 million.

Overall, the Board's governmental funds had \$.35 million more revenue than expenditures at the end of the fiscal year. This combined with other financing sources resulted in a \$.57 million increase in the total fund balance. The increase is primarily due to the completion of expenditures for ongoing construction projects funded from bond issue proceeds which were received in a prior year.

Budgetary Highlights

As mandated by the State of Alabama, the Board submits to Alabama State Department of Education a balanced budget reflecting the projected Revenues and Expenditure plan for their uses prior to the fiscal year commencing October 1 of every year.

Capital Assets and Debt Administration

Capital Assets – The Board’s investment in capital assets for its governmental activities for the year ended September 30, 2014, amounted to \$19.43 million, net of accumulated depreciation. The Board’s investment in capital assets includes; land at estimated historical cost, buildings and improvements at estimated historical cost, equipment and furniture at estimated historical cost, and construction in progress, and is shown in *Table 4*.

Table 4: Capital Assets
Fiscal Year Ended September 30, 2014

	Balance 10/01/2013	Additions	Retirements	Balance 9/30/2014
<u>Governmental Activities:</u>				
Capital Assets, not being depreciated				
Land	\$ 198,371.94	\$	\$	\$ 198,371.94
Construction in Progress	1,805,633.30	104,425.52	(1,787,073.30)	122,985.52
Total Capital Assets, not being depreciated	2,004,005.24	104,425.52	(1,787,073.30)	321,357.46
Capital Assets being depreciated:				
Land Improvements	85,004.65			85,004.65
Buildings	12,636,463.55			12,636,463.55
Buildings Improvements	12,826,627.94	1,850,285.39		14,676,913.33
Equipment and Furniture	812,627.52	91,563.39		904,190.91
Vehicles	2,573,809.58	1,189,429.86	(391,626.91)	3,371,612.53
Equipment Under Capital Leases	1,008,585.86		(1,008,585.86)	
Total Capital Assets being depreciated	29,943,119.10	3,131,278.64	(1,400,212.77)	31,674,184.97
Less Accumulated Depreciation for:				
Land Improvements	(61,628.34)	(4,250.23)		(65,878.57)
Buildings	(6,288,587.51)	(246,649.39)		(6,535,236.90)
Buildings Improvements	(2,648,591.56)	(665,483.20)		(3,314,074.76)
Equipment and Furniture	(446,733.91)	(46,762.47)		(493,496.38)
Vehicles	(1,661,767.35)	(867,811.28)	372,045.54	(2,157,533.09)
Equipment Under Capital Lease	(622,802.31)		622,802.31	
Total Accumulated Depreciation	(11,730,110.98)	(1,830,956.57)	994,847.85	(12,566,219.70)
Total Capital Assets, being depreciated, net	18,213,008.12	1,300,322.07	(405,364.92)	19,107,965.27
Governmental Activities Capital Assets, net	\$ 20,217,013.36	\$ 1,404,747.59	\$(2,192,438.22)	\$ 19,429,322.73

Long-Term Debt – At year-end, the Board had \$11.54 million in general obligation bonds and warrants and other long-term debt outstanding.

	Debt Outstanding 10/01/2013	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2014	Amounts Due Within One Year
Governmental Activities:					
Warrants and Notes Payable:					
Warrants Payable:					
2011 QZAB Capital Outlay Pool Warrants	\$ 2,500,000.00	\$	\$	\$ 2,500,000.00	\$
2009B Capital Improvement Pool Refunding Bonds	742,776.66		(109,175.08)	633,601.58	114,706.72
2007 Capital Outlay Tax Anticipation Refunding Warrants	5,645,000.00		(175,000.00)	5,470,000.00	185,000.00
2008 Capital Outlay Tax Anticipation Warrants	3,015,000.00		(75,000.00)	2,940,000.00	75,000.00
Total Warrants Payable	11,902,776.66		(359,175.08)	11,543,601.58	374,706.72
Total Warrants and Notes Payable	11,902,776.66		(359,175.08)	11,543,601.58	374,706.72
Other Liabilities:					
Capital Leases Payable	14,875.71		(14,875.71)		
Governmental Activities Long-Term Liabilities	\$11,917,652.37	\$	\$(374,050.79)	\$11,543,601.58	\$374,706.72

Long term-debt activity for the year consisted of the following:

1. The Board's debt decrease of \$.37 million during the fiscal year was a result of regular principal payments.

Economic Factors

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

1. Medical and retirement cost have increased slightly for fiscal year 2015. Future costs are unknown at this time, however, fluctuation of these costs have a significant impact on the school systems finances. Retirement now has two separate percentages for Tier 1 and Tier 2 (employees new to the state retirement system after January 2013). Known costs are listed below.

		Retirement Percentage	PEEHIP Per month
FY 2005		7.03%	583.00
FY 2006		8.17%	684.00
FY 2007		9.36%	717.00
FY 2008		11.75%	775.00
FY 2009		12.07%	752.00
FY 2010		12.51%	752.00
FY 2011		12.51%	752.00
FY 2012		10.00%	714.00
FY 2013		10.08%	714.00
FY 2014	T-1	11.71%	714.00
	T-2	11.08%	714.00
FY 2015	T-1	11.71%	780.00
	T-2	11.05%	780.00

2. Cost of transportation will continue to rise for our school system due to the increasing cost of fuel, parts and insurance. Also complicating the issue, the state continues to underfund transportation forcing us to draw from reserves or find new revenue sources in order to transport students.
3. Student enrollment increased slightly in the current school year. The average daily membership is:
 - SY 2014-15 enrollment 3,042 up 16 students
 - SY 2013-14 enrollment 3,026 down 19 students
 - SY 2012-13 enrollment 3,045 up 103 students
 - SY 2011-12 enrollment 2,942 up 37 students
 - SY 2010-11 enrollment 2,905 up 32 students
 - SY 2009-10 enrollment 2,873 up 10 students
 - SY 2008-09 enrollment 2,863 down 12 students
 - SY 2007-08 enrollment 2,875 down 51 students
 - SY 2006-07 enrollment 2,924 up 67 students
 - SY 2005-06 enrollment 2,857 up 8 students
 - SY 2004-05 enrollment 2849 up 104 students
4. Sales taxes slightly decreased by \$.02 million this fiscal year. However, we expect sales taxes to slowly increase in the coming fiscal year in hopes of a recovering economy.

Overall, the economic condition of the Board remained constant financially in FY 2014. We expect our future financial condition to remain constant through FY 2014. Management is conservatively planning for increases in recurring costs to be realized in future periods, such as funding needed for capital needs and the increasing employer share of salary-related benefits. The future financial condition is greatly dependent on the state education budget for FY2016. Many systems in the state have depleted reserves and will be forced to cut jobs and/or borrow funds for operating expenses. We are stable financially; however, continued reduced funding could deplete our reserves if cost cutting measures are not implemented.

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jesse W. James, Chief School Finance Officer, at the Dale County Board of Education, 202 S Hwy 123, Suite E., Ozark, Alabama 36360, or by calling (334)774-2355 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:00 p.m., Central Standard Time.

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Basic Financial Statements

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Statement of Net Position
September 30, 2014

	Governmental Activities
<u>Assets</u>	
Cash	\$ 5,278,980.11
Cash With Fiscal Agent	1,105,678.15
Investments	48,901.69
Ad Valorem Property Taxes Receivable	1,310,920.42
Receivables (Note 4)	785,068.39
Inventories	55,033.10
Capital Assets (Note 5):	
Nondepreciable	321,357.46
Depreciable, Net	19,107,965.27
Total Assets	<u>28,013,904.59</u>
<u>Liabilities</u>	
Accounts Payable	11,883.89
Unearned Revenue	18,382.49
Salaries and Benefits Payable	1,766,048.39
Accrued Interest Payable	42,853.89
Long-Term Liabilities:	
Amounts Due or Payable Within One Year:	
Bonds and Warrants Payable	374,706.72
Amounts Due or Payable After One Year:	
Bonds and Warrants Payable	11,168,894.86
Total Liabilities	<u>13,382,770.24</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	<u>1,310,920.42</u>
<u>Net Position</u>	
Net Investment in Capital Assets	7,885,721.15
Restricted for:	
Debt Service	1,062,824.26
Capital Projects	356,773.95
Child Nutrition	626,178.75
Other Purposes	45,270.28
Unrestricted	<u>3,343,445.54</u>
Total Net Position	<u>\$ 13,320,213.93</u>

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

Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 15,964,735.80	\$ 558,001.06	\$ 12,444,546.67
Instructional Support	3,107,624.09	24,244.64	2,701,285.44
Operation and Maintenance	1,938,908.54	154,239.53	651,711.17
Auxiliary Services:			
Student Transportation	2,152,607.78	86,748.07	1,821,170.43
Food Service	1,909,815.17	1,511,555.87	102,282.16
General Administration and Central Support	1,346,762.08	207.06	783,818.13
Interest and Fiscal Charges	515,752.54		
Other Expenses	530,573.14	294,228.82	31,567.34
Total Governmental Activities	<u>\$ 27,466,779.14</u>	<u>\$ 2,629,225.05</u>	<u>\$ 18,536,381.34</u>

General Revenues:

Taxes:
Property Taxes for General Purposes
Sales Tax
Other Taxes
Grants and Contributions Not Restricted for Specific Programs
Investment Earnings
Miscellaneous
Total General Revenues
Changes in Net Position
Net Position - Beginning of Year
Net Position - End of Year

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

		Net (Expenses) Revenues and Changes in Net Position	
Capital Grants and Contributions		Total Governmental Activities	
\$	802,839.87	\$	(2,159,348.20)
	3,369.96		(378,724.05)
	133,680.36		(999,277.48)
	222,000.00		(22,689.28)
			(295,977.14)
	18,542.29		(544,194.60)
			(515,752.54)
	97.78		(204,679.20)
\$	1,180,530.26		(5,120,642.49)

1,635,203.88
2,868,586.44
31,827.48
640.00
35,110.49
711,913.94
<u>5,283,282.23</u>
162,639.74
<u>13,157,574.19</u>
\$ 13,320,213.93

Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Special Revenue Fund
<u>Assets</u>		
Cash	\$ 3,974,603.30	\$ 955,770.94
Cash With Fiscal Agent		
Investments		48,901.69
Ad Valorem Property Taxes Receivable	1,310,920.42	
Receivables (Note 4)	427,490.51	349,409.80
Interfund Receivables	56,495.79	39,778.11
Inventories		55,033.10
Total Assets	<u>5,769,510.02</u>	<u>1,448,893.64</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	9,826.91	2,056.98
Interfund Payables	39,921.14	56,352.76
Unearned Revenue		18,382.49
Salaries and Benefits Payable	1,694,584.34	71,464.05
Total Liabilities	<u>1,744,332.39</u>	<u>148,256.28</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	<u>1,310,920.42</u>	
<u>Fund Balances</u>		
Nonspendable:		
Inventories		55,033.10
Restricted for:		
Debt Service		
Capital Projects		
Child Nutrition		571,145.65
Other Purposes		45,270.28
Assigned to:		
Local Schools		629,188.33
Unassigned	2,714,257.21	
Total Fund Balances	<u>2,714,257.21</u>	<u>1,300,637.36</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,769,510.02</u>	<u>\$ 1,448,893.64</u>

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

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,105,678.15	\$ 348,605.87	\$ 5,278,980.11
		1,105,678.15
		48,901.69
		1,310,920.42
	8,168.08	785,068.39
		96,273.90
		55,033.10
<u>1,105,678.15</u>	<u>356,773.95</u>	<u>8,680,855.76</u>
		11,883.89
		96,273.90
		18,382.49
		<u>1,766,048.39</u>
		<u>1,892,588.67</u>
		1,310,920.42
		55,033.10
1,105,678.15	356,773.95	1,105,678.15
		356,773.95
		571,145.65
		45,270.28
		629,188.33
		<u>2,714,257.21</u>
<u>1,105,678.15</u>	<u>356,773.95</u>	<u>5,477,346.67</u>
<u>\$ 1,105,678.15</u>	<u>\$ 356,773.95</u>	<u>\$ 8,680,855.76</u>

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

Total Fund Balances - Governmental Funds (Exhibit 3)				\$ 5,477,346.67
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:				
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds (Note 5).				19,429,322.73
Certain liabilities are not due and payable in the current year and therefore are not reported as liabilities in the funds. These liabilities at year-end consist of:				
	Portion Due or Payable Within One Year	Portion Due or Payable After One Year		
	<u> </u>	<u> </u>		
Bonds and Warrants Payable	\$ 374,706.72	\$ 11,168,894.86		(11,543,601.58)
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.				<u>(42,853.89)</u>
Total Net Position - Governmental Activities (Exhibit 1)				<u>\$ 13,320,213.93</u>

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

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

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 17,061,188.57	\$
Federal	91,552.29	2,500,308.30
Local	4,701,072.95	1,970,870.11
Other	82,228.24	79,096.55
Total Revenues	21,936,042.05	4,550,274.96
<u>Expenditures</u>		
Current:		
Instruction	13,220,925.32	1,894,742.95
Instructional Support	2,879,466.23	215,196.06
Operation and Maintenance	1,700,968.58	172,215.30
Auxiliary Services:		
Student Transportation	1,875,340.23	37,564.46
Food Service		2,033,645.76
General Administration and Central Support	1,197,689.61	147,579.27
Other	8,547.41	522,025.73
Capital Outlay	27,718.00	91,563.39
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs/Other Debt Service	3,633.50	
Total Expenditures	20,914,288.88	5,114,532.92
Excess (Deficiency) of Revenues Over Expenditures	1,021,753.17	(564,257.96)
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	187,722.31	
Transfers In	26,128.64	527,986.49
Other Financing Sources	3,657.12	
Sale of Capital Assets	26,976.00	
Transfers Out	(1,146,691.17)	(26,129.52)
Total Other Financing Sources (Uses)	(902,207.10)	501,856.97
Net Changes in Fund Balances	119,546.07	(62,400.99)
Fund Balances - Beginning of Year	2,594,711.14	1,363,038.35
Fund Balances - End of Year	\$ 2,714,257.21	\$ 1,300,637.36

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

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 385,961.95	\$ 717,159.05	\$ 18,164,309.57
		2,591,860.59
28,929.12		6,700,872.18
		161,324.79
<u>414,891.07</u>	<u>717,159.05</u>	<u>27,618,367.13</u>
		15,115,668.27
		3,094,662.29
	24,687.74	1,897,871.62
		1,912,904.69
		2,033,645.76
		1,345,268.88
		530,573.14
	320,763.61	440,045.00
359,175.08	14,875.71	374,050.79
515,202.22	58.04	515,260.26
		3,633.50
<u>874,377.30</u>	<u>360,385.10</u>	<u>27,263,584.20</u>
<u>(459,486.23)</u>	<u>356,773.95</u>	<u>354,782.93</u>
		187,722.31
618,705.56		1,172,820.69
		3,657.12
		26,976.00
		(1,172,820.69)
<u>618,705.56</u>		<u>218,355.43</u>
159,219.33	356,773.95	573,138.36
946,458.82		4,904,208.31
<u>\$ 1,105,678.15</u>	<u>\$ 356,773.95</u>	<u>\$ 5,477,346.67</u>

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

Total Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 573,138.36

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differed from capital outlays in the current period.

Capital Outlays	\$ 440,045.00	
Depreciation Expense	<u>(1,208,154.26)</u>	(768,109.26)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 374,050.79

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

Proceeds from Sale of Capital Assets	\$ (26,976.00)	
Gain on Disposition of Capital Assets	<u>7,394.63</u>	(19,581.37)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These items consist of:

Net Change in Accrued Interest Payable	<u>3,141.22</u>
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Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ 162,639.74</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

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

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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

Fund Financial Statements

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column.

The Board reports the following major governmental funds:

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

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

Governmental Fund Type

- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

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

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

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

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

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

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

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

1. Deposits and Investments

Cash includes cash on hand and demand deposits.

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

Investments consist of certificate of deposits and are reported at cost. Amounts invested with fiscal agent are reported at fair value.

2. Receivables

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

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

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

3. Inventories

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

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

4. Restricted Assets

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, included in cash on the balance sheet, are considered restricted assets because they are maintained separately and their use is limited. The Public School Capital Projects, Fleet Renewal, and Qualified Zone Academy Bonds fund sources 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 and equipment, are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements	\$50,000	20 years
Buildings	\$50,000	25 – 50 years
Building Improvements	\$50,000	7 – 30 years
Equipment and Furniture	\$ 5,000	5 – 15 years
Vehicles	\$ 5,000	8 – 10 years
Equipment Under Capital Lease	\$ 5,000	5 – 15 years

Notes to the Financial Statements

For the Year Ended September 30, 2014

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

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

7. Deferred Inflows of Resources

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

8. Net Position/Fund Balances

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

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

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

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

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.

- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

- D. Assigned fund balances consist of amounts that are intended to be used by the school system for specific purposes. The Board authorized the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

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

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

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

The Board has established a minimum fund balance policy. The Board's policy states that a General Fund reserve fund balance be maintained of an amount not less than one month's operating expenditures. Operating expenditures shall include all funds necessary to support the normal operations of the school district for one month. The Superintendent or Chief School Finance Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or the budget amendment will prevent the establishment or maintenance of one month's operating balance. A one month operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by twelve. In determining the General Fund expenditures and transfers out, the proposed budget or budget amendment shall be used.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

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

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

Note 3 – Deposits and Investments

A. Deposits

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

All of the Board’s investments were in certificates of deposit. These certificates of deposit are classified as “Deposits” in order to determine insurance and collateralization. However, they are classified as “Investments” on the financial statements.

B. Cash with Fiscal Agents

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by pledge of the three-mill school tax and other obligations as outlined in the *Code of Alabama 1975*, Section 19-3-120 and Section 19-3-120.1.

As of September 30, 2014, the Board’s cash with fiscal agents had the following investments and maturities:

Investments	Maturities	Rating	Fair Value
Dreyfus Treasury Prime Cash Management Funds	Various	S&P AAAm	\$ 661,667.95
U. S. Treasury Notes	Various		444,010.20
Total			<u>\$1,105,678.15</u>

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

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit rating, if applicable and available, is presented in the table of investments. The Board does not have an investment policy that addresses credit risk.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Board’s investment policy does not limit the amount of securities that can be held by counterparties.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Board does not have a formal investment policy that limits the amount the Board may invest in any one issuer.

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:				
Taxes	\$332,661.07	\$	\$	\$332,661.07
Accounts		7,788.88		7,788.88
Intergovernmental	94,829.44	341,620.92	8,168.08	444,618.44
Total Receivables	\$427,490.51	\$349,409.80	\$8,168.08	\$785,068.39

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

Note 5 – Capital Assets

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

	Balance 10/01/2013	Additions (*)	Retirements (*)	Balance 09/30/2014
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 198,371.94	\$	\$	\$ 198,371.94
Construction in Progress	1,805,633.30	104,425.52	(1,787,073.30)	122,985.52
Total Capital Assets, Not Being Depreciated	<u>2,004,005.24</u>	<u>104,425.52</u>	<u>(1,787,073.30)</u>	<u>321,357.46</u>
Capital Assets Being Depreciated:				
Land Improvements	85,004.65			85,004.65
Buildings	12,636,463.55			12,636,463.55
Buildings Improvements	12,826,627.94	1,850,285.39		14,676,913.33
Equipment and Furniture	812,627.52	91,563.39		904,190.91
Vehicles	2,573,809.58	1,189,429.86	(391,626.91)	3,371,612.53
Equipment Under Capital Lease	1,008,585.86		(1,008,585.86)	
Total Capital Assets Being Depreciated	<u>29,943,119.10</u>	<u>3,131,278.64</u>	<u>(1,400,212.77)</u>	<u>31,674,184.97</u>
Less Accumulated Depreciation for:				
Land Improvements	(61,628.34)	(4,250.23)		(65,878.57)
Buildings	(6,288,587.51)	(246,649.39)		(6,535,236.90)
Buildings Improvements	(2,648,591.56)	(665,483.20)		(3,314,074.76)
Equipment and Furniture	(446,733.91)	(46,762.47)		(493,496.38)
Vehicles	(1,661,767.35)	(867,811.28)	372,045.54	(2,157,533.09)
Equipment Under Capital Lease	(622,802.31)		622,802.31	
Total Accumulated Depreciation	<u>(11,730,110.98)</u>	<u>(1,830,956.57)</u>	<u>994,847.85</u>	<u>(12,566,219.70)</u>
Total Capital Assets Being Depreciated, Net	<u>18,213,008.12</u>	<u>1,300,322.07</u>	<u>(405,364.92)</u>	<u>19,107,965.27</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,217,013.36</u>	<u>\$ 1,404,747.59</u>	<u>\$(2,192,438.22)</u>	<u>\$ 19,429,322.73</u>
(*) The Additions and Retirements include reclassifications from Construction in Progress to Building Improvements in the amount of \$1,787,073.30; and reclassifications from Equipment Under Capital Leases to Vehicles in the amount of \$1,008,585.86.				

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	\$ 849,067.53
Instructional Support	12,961.80
Operation and Maintenance	41,036.92
Auxiliary Services:	
Food Service	63,891.72
Transportation	239,703.09
General Administration and Central Support	1,493.20
Total Depreciation Expense – Governmental Activities	<u>\$1,208,154.26</u>

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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

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

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

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

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

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

B. Funding Policy

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

Fiscal Year Ended September 30,	2014	2013	2012
Total Percentage of Covered Payroll (Tier 1)	19.21%	17.58%	17.25%
Total Percentage of Covered Payroll (Tier 2)	17.08%	15.44%	
Contributions:			
Percentage Contributed by the Board (Tier 1)	11.71%	10.08%	10.00%
Percentage Contributed by the Employees (Tier 1)	7.50%	7.50%	7.25%
Percentage Contributed by the Board (Tier 2)	11.08%	9.44%	
Percentage Contributed by the Employees (Tier 2)	6.00%	6.00%	
Contributed by the Board	\$1,625,217.56	\$1,358,680.05	\$1,348,776.49
Contributed by Employees	1,035,850.39	1,010,422.90	977,860.94
Total Contributions	<u>\$2,661,067.95</u>	<u>\$2,369,102.95</u>	<u>\$2,326,637.43</u>

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

B. Funding Policy

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

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

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

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

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2014	\$714.00	\$220.09	30.83%	\$932,361.85	100%
2013	\$714.00	\$216.90	30.38%	\$903,729.01	100%
2012	\$714.00	\$228.85	32.05%	\$938,689.37	100%

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

Note 8 – Long-Term Debt

The Board issued the Capital Outlay Tax Anticipation Warrants, Series 2008, to provide funds for the construction and renovation of G. W. Long Elementary and High Schools.

The Board issued the Capital Outlay Tax Anticipation Refunding Warrants, Series 2007, to refund the Capital Outlay Refunding Warrants, Series 1997, and to refund the Capital Outlay Tax Anticipation Warrants, Series 2002.

During fiscal year 2010, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Bonds, Series 2009-B, in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The proceeds from these warrants were used to refund on a current basis Series 1999D Capital Improvement Pool Bonds.

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

In June 2011, the Alabama Public School and College Authority (PSCA) issued Capital Improvement Pool Qualified Zone Academy Bonds, Series 2011, on behalf of various Boards of Education in the State. The Board's share of the bonds, issuance costs, and net proceeds were \$2,500,000.00, \$9,400.00, and \$2,490,600.00 respectively. The interest rates on these bonds are 4.60%, 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. The Board is required to make sinking fund deposits of \$125,239.03 on May 1 of each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds.

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

	Debt Outstanding 10/01/2013	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2014	Amounts Due Within One Year
Governmental Activities:					
Bonds/Warrants Payable:					
2011 QZAB Capital Outlay Pool Warrants	\$ 2,500,000.00	\$	\$	\$ 2,500,000.00	\$
2009B Capital Improvement Pool Refunding Bonds	742,776.66		(109,175.08)	633,601.58	114,706.72
2007 Capital Outlay Tax Anticipation Refunding Warrants	5,645,000.00		(175,000.00)	5,470,000.00	185,000.00
2008 Capital Outlay Tax Anticipation Warrants	3,015,000.00		(75,000.00)	2,940,000.00	75,000.00
Total Bonds/Warrants Payable	11,902,776.66		(359,175.08)	11,543,601.58	374,706.72
Other Liabilities:					
Capital Leases Payable Governmental Activities	14,875.71		(14,875.71)		
Long-Term Liabilities	\$11,917,652.37	\$	\$(374,050.79)	\$11,543,601.58	\$374,706.72

Payments on the Series 2007 and 2008 warrants payable are made from the debt service fund with sales and use taxes. Payments of the Capital Improvement Pool Refunding Bonds, Series 2009B, are made with Public School Funds withheld from the Board's allocation from the Alabama Department of Education. Payments on the 2011 QZAB issue will be made from the Public School Funds allocated by the State Department of Education.

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

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

Fiscal Year Ending	Capital Outlay Tax Anticipation Warrants, Series 2008		Capital Outlay Tax Anticipation Warrants, Series 2007	
	Principal	Interest	Principal	Interest
September 30, 2015	\$ 75,000.00	\$ 129,993.00	\$ 185,000.00	\$ 223,761.88
2016	80,000.00	126,970.00	220,000.00	215,887.50
2017	85,000.00	123,753.00	230,000.00	207,112.50
2018	85,000.00	120,438.00	240,000.00	197,827.50
2019	90,000.00	116,890.00	245,000.00	188,127.50
2020-2024	510,000.00	522,755.00	1,400,000.00	777,883.75
2025-2029	635,000.00	397,466.00	1,725,000.00	452,487.50
2030-2034	800,000.00	232,886.00	1,225,000.00	80,517.50
2035-2037	580,000.00	41,596.00		
Totals	\$2,940,000.00	\$1,812,747.00	\$5,470,000.00	\$2,343,605.63

Pledged Revenues

The Board issued Series 2009-B Capital Improvement Pool Refunding Bonds, which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used to pay the cost of refunding and retiring the Series 1999-D Capital Improvement Pool Bonds. Future revenues in the amount of \$731,226.04 are pledged to repay the principal and interest on the bonds at September 30, 2014. Pledged funds in the amount of \$145,722.92 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2014. The Series 2009-B bonds will mature in fiscal year 2019.

The Board issued Series 2007 Tax Anticipation Refunding Warrants for the purpose of refunding the 2002 Tax Anticipation Warrants and the 1997 Refunding Warrants. The Board issued Series 2008 Tax Anticipation Warrants for the purpose of constructing classroom facilities and other capital improvements at G. W. Long Elementary and High Schools. The Board pledged to repay the tax anticipation warrants from the proceeds of a special sales tax levied by the Dale County Commission pursuant to Act Number 94-765, Acts of Alabama, of which the Board receives 100% of the proceeds. Future revenues of \$12,566,352.63 are pledged to repay the principal and interest on the warrants at September 30, 2014. Proceeds of the special sales tax in the amount of \$1,202,874.70 were received by the Board during the fiscal year ended September 30, 2014, of which \$613,654.38 was used to pay principal and interest on the Series 2007 and 2008 warrants. The Series 2007 and 2008 tax anticipation warrants will mature in fiscal years 2032 and 2037, respectively.

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

Capital Improvement Pool Refunding Bonds Series 2009-B		Capital Outlay Pool Warrants Series 2011 - QZAB		Total Principal and Interest Requirements To Maturity
Principal	Interest	Principal	Interest	
\$114,706.72	\$31,089.10	\$	\$ 115,000.00	\$ 874,550.70
120,065.01	25,944.74		115,000.00	903,867.25
126,108.84	19,941.50		115,000.00	906,915.84
132,459.99	13,636.06		115,000.00	904,361.55
140,261.02	7,013.06		115,000.00	902,291.58
			575,000.00	3,785,638.75
		2,500,000.00	230,000.00	5,939,953.50
				2,338,403.50
				621,596.00
\$633,601.58	\$97,624.46	\$2,500,000.00	\$1,380,000.00	\$17,177,578.67

The Board participated in the Capital Improvement Pool Qualified Zone Academy Bonds, Series 2011 issued by the Alabama Public School and College Authority (PSCA). The sinking fund deposits to be made by the Board are pledged to be paid from their allocation of public school funds received from the State of Alabama. The proceeds from the bonds are to be used to finance capital improvements at various local schools. Future revenues in the amount of \$1,502,868.36 are pledged for the payments of the sinking fund deposits on the bonds at September 30, 2014. The Series 2011 Qualified Zone Academy Bonds will mature in fiscal year 2026.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 9 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Automobile liability insurance and errors and omissions insurance are purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

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

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

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

Note 10 – Interfund Transactions

Interfund Receivables and Payables

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

	Interfund Receivables		Totals
	General Fund	Special Revenue Fund	
<u>Interfund Payables:</u>			
General Fund	\$ 143.03	\$39,778.11	\$39,921.14
Special Revenue Fund	56,352.76		56,352.76
Totals	\$56,495.79	\$39,778.11	\$96,273.90

Interfund Transfers

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

	Transfers In			Total
	General Fund	Special Revenue Fund	Debt Service Fund	
<u>Transfers Out:</u>				
General Fund	\$	\$527,986.49	\$618,704.68	\$1,146,691.17
Special Revenue Fund	26,128.64		.88	26,129.52
Totals	\$26,128.64	\$527,986.49	\$618,705.56	\$1,172,820.69

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

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

Note 11 – Reclassifications

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

Required Supplementary Information

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

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
State	\$ 16,941,456.00	\$ 16,941,456.00	\$ 17,061,188.57
Federal	900.00	900.00	91,552.29
Local	4,410,425.00	4,410,425.00	4,668,466.16
Other	29,764.00	29,764.00	82,228.24
Total Revenues	21,382,545.00	21,382,545.00	21,903,435.26
Expenditures			
Current:			
Instruction	12,517,802.75	12,605,722.22	13,058,913.31
Instructional Support	2,914,518.00	2,912,059.00	2,860,025.82
Operation and Maintenance	1,787,905.13	1,903,237.98	1,686,619.76
Auxiliary Services:			
Student Transportation	1,867,805.00	1,867,805.00	1,860,616.37
General Administration and Central Support	1,144,649.00	1,144,649.00	1,197,689.61
Other	7,210.00	7,210.00	9,999.21
Capital Outlay	27,718.00	27,718.00	27,718.00
Debt Service:			
Principal Retirement			
Other Debt Service	3,633.50	3,633.50	3,633.50
Total Expenditures	20,271,241.38	20,472,034.70	20,705,215.58
Excess (Deficiency) of Revenues Over Expenditures	1,111,303.62	910,510.30	1,198,219.68
Other Financing Sources (Uses)			
Indirect Cost	141,159.00	141,159.00	187,722.31
Transfers In	8,902.00	8,902.00	26,128.64
Other Financing Sources			3,657.12
Sale of Capital Assets			26,976.00
Transfers Out	(1,165,913.50)	(965,120.18)	(1,146,691.17)
Total Other Financing Sources (Uses)	(1,015,852.50)	(815,059.18)	(902,207.10)
Net Change in Fund Balances	95,451.12	95,451.12	296,012.58
Fund Balances - Beginning of Year	4,000,000.00	4,321,358.27	3,780,167.90
Fund Balances - End of Year	\$ 4,095,451.12	\$ 4,416,809.39	\$ 4,076,180.48

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 17,061,188.57
		91,552.29
(1)	32,606.79	4,701,072.95
		82,228.24
	<u>32,606.79</u>	<u>21,936,042.05</u>
(2)	(162,012.01)	13,220,925.32
(2)	(19,440.41)	2,879,466.23
(2)	(14,348.82)	1,700,968.58
(2)	(14,723.86)	1,875,340.23
		1,197,689.61
(2)	1,451.80	8,547.41
		27,718.00
		<u>3,633.50</u>
	<u>(209,073.30)</u>	<u>20,914,288.88</u>
	<u>(176,466.51)</u>	<u>1,021,753.17</u>
		187,722.31
		26,128.64
		3,657.12
		26,976.00
		<u>(1,146,691.17)</u>
		<u>(902,207.10)</u>
	(176,466.51)	119,546.07
(3)	<u>(1,185,456.76)</u>	<u>2,594,711.14</u>
	<u>\$ (1,361,923.27)</u>	<u>\$ 2,714,257.21</u>

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

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

- (1) The Board budgets sales and use taxes as collected, rather than on the modified accrual basis. (GAAP)
- (2) The Board budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis. (GAAP)

Net Decrease in Fund Balances - Budget to GAAP

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

\$ 32,606.79

(209,073.30)

\$ (176,466.51)

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

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
State	\$ 117,847.00	\$ 117,847.00	\$
Federal	2,442,269.00	2,525,738.70	2,500,308.30
Local	1,570,038.00	1,570,038.00	1,970,870.11
Other	94,121.00	94,121.00	79,096.55
Total Revenues	<u>4,224,275.00</u>	<u>4,307,744.70</u>	<u>4,550,274.96</u>
Expenditures			
Current:			
Instruction	1,658,249.33	1,708,545.26	1,894,742.95
Instructional Support	232,668.67	259,693.44	215,196.06
Operation and Maintenance	85,844.61	85,844.61	172,215.30
Auxiliary Services:			
Student Transportation	36,308.00	36,308.00	37,564.46
Food Service	1,956,994.00	1,956,994.00	2,028,129.54
General Administration and Central Support	177,834.00	177,834.00	147,579.27
Other	306,549.00	312,698.00	522,025.73
Capital Outlay	91,563.39	91,563.39	91,563.39
Total Expenditures	<u>4,546,011.00</u>	<u>4,629,480.70</u>	<u>5,109,016.70</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(321,736.00)</u>	<u>(321,736.00)</u>	<u>(558,741.74)</u>
Other Financing Sources (Uses)			
Transfers In	554,762.62	353,969.30	527,986.49
Transfers Out	(11,406.00)	(11,406.00)	(26,129.52)
Total Other Financing Sources (Uses)	<u>543,356.62</u>	<u>342,563.30</u>	<u>501,856.97</u>
Net Change in Fund Balances	221,620.62	20,827.30	(56,884.77)
Fund Balances - Beginning of Year	<u>700,086.00</u>	<u>1,428,986.18</u>	<u>1,428,986.18</u>
Fund Balances - End of Year	<u>\$ 921,706.62</u>	<u>\$ 1,449,813.48</u>	<u>\$ 1,372,101.41</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$
		2,500,308.30
		1,970,870.11
		79,096.55
		<u>4,550,274.96</u>
		1,894,742.95
		215,196.06
		172,215.30
		37,564.46
(1)	(5,516.22)	2,033,645.76
		147,579.27
		522,025.73
		91,563.39
	<u>(5,516.22)</u>	<u>5,114,532.92</u>
	<u>(5,516.22)</u>	<u>(564,257.96)</u>
		527,986.49
		<u>(26,129.52)</u>
		<u>501,856.97</u>
	(5,516.22)	(62,400.99)
(2)	<u>(65,947.83)</u>	<u>1,363,038.35</u>
	<u>\$ (71,464.05)</u>	<u>\$ 1,300,637.36</u>

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

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

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

Net Decrease in Fund Balances - Budget to GAAP

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

\$ (5,516.22)

\$ (5,516.22)

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Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Agriculture</u>		
<u>Passed Through Alabama Department of Education</u>		
Child Nutrition Cluster:		
School Breakfast Program - Cash Assistance	10.553	N/A
National School Lunch Program		
Cash Assistance	10.555	N/A
Non-Cash Assistance - Commodities	10.555	N/A
Sub-Total National School Lunch Program		
Sub-Total Child Nutrition Cluster (M)		
Total U. S. Department of Agriculture		
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of Education</u>		
Title I Grants to Local Educational Agencies	84.010	N/A
Special Education Cluster:		
Special Education - Grants to States	84.027	N/A
Special Education - Preschool Grants	84.173	N/A
Sub-Total Special Education Cluster (M)		
Career and Technical Education - Basic Grants to States	84.048	N/A
Rural Education	84.358	N/A
Improving Teacher Quality State Grants	84.367	N/A
Total U. S. Department of Education		
<u>Social Security Administration</u>		
<u>Passed Through Alabama Department of Education</u>		
Social Security - Disability Insurance	96.001	N/A
Total Expenditures of Federal Awards		

(M) = Major Program

N/A = Not Available or Not Applicable

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2013-09/30/2014	\$ 243,444.72	\$ 243,444.72	\$ 243,444.72	\$ 243,444.72
10/01/2013-09/30/2014	799,388.84	799,388.84	799,388.84	799,388.84
10/01/2013-09/30/2014	102,282.16	102,282.16	102,282.16	102,282.16
	<u>901,671.00</u>	<u>901,671.00</u>	<u>901,671.00</u>	<u>901,671.00</u>
	<u>1,145,115.72</u>	<u>1,145,115.72</u>	<u>1,145,115.72</u>	<u>1,145,115.72</u>
	<u>1,145,115.72</u>	<u>1,145,115.72</u>	<u>1,145,115.72</u>	<u>1,145,115.72</u>
10/01/2013-09/30/2014	632,710.93	632,710.93	571,952.15	571,952.15
10/01/2013-09/30/2014	644,393.00	644,393.00	644,393.00	644,393.00
10/01/2013-09/30/2014	10,236.00	10,236.00	10,236.00	10,236.00
	<u>654,629.00</u>	<u>654,629.00</u>	<u>654,629.00</u>	<u>654,629.00</u>
10/01/2013-09/30/2014	33,062.00	33,062.00	33,062.00	33,062.00
10/01/2013-09/30/2014	55,931.00	55,931.00	55,931.00	55,931.00
10/01/2013-09/30/2014	144,205.77	144,205.77	130,480.72	130,480.72
	<u>1,520,538.70</u>	<u>1,520,538.70</u>	<u>1,446,054.87</u>	<u>1,446,054.87</u>
10/01/2013-09/30/2014	640.00	640.00	640.00	640.00
	<u>\$ 2,666,294.42</u>	<u>\$ 2,666,294.42</u>	<u>\$ 2,591,810.59</u>	<u>\$ 2,591,810.59</u>

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

Note 1 – Basis of Presentation

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

Additional Information

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

Board Members	Position	Term Expires
Hon. Braxton Bell	President	2018
Hon. Dale Sutton	Vice-President	2014
Hon. Bill McSween	Member	2016
Hon. Larry Ezell	Member	2018
Hon. Don Williams	Member	2016
<u>Administrative Personnel</u>		
Hon. Donald R. Bynum	Superintendent	2018
Jesse James	Chief School Financial Officer	2015

***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dale County Board of Education, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Dale County Board of Education's basic financial statements and have issued our report thereon dated September 2, 2015.

Internal Control Over Financial Reporting

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

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

***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***

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Dale County Board of Education's Response to Findings

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

***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***

Purpose of this Report

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 2, 2015

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 2, 2015

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

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified

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

Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to financial
 statements noted? Yes X No

Federal Awards

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

Significant deficiency(ies) identified? Yes X None reported

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? Yes X No

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

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2014-001	Internal Control	<p><u>Finding:</u> An adequate system of internal controls over cash requires that deposits be made timely. A review of receipts at the local schools revealed monies collected by teachers were not always submitted to the school’s bookkeeper for deposit in a timely manner. Additionally, deposits were not always made timely by the school bookkeeper.</p> <p><u>Recommendation:</u> Teachers should remit all money received to the school bookkeeper on a timely basis and deposits should be made timely by the school bookkeeper.</p>	

Section III – Federal Awards Findings and Questioned Costs

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

Auditee Response/Corrective Action Plan



DALE COUNTY BOARD OF EDUCATION

OFFICE OF SUPERINTENDENT
 DALE COUNTY GOVERNMENT BUILDING
 202 S HWY 123, SUITE E.
 OZARK, ALABAMA 36360



PHONE (334)774-2355 WEB SITE: www.dalecountyboe.org FAX (334)774-3503

Corrective Action Plan

For the Year Ended September 30, 2014

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .315(c), the Dale County Board of Education has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2014.

**Finding
 Ref.
 No.**

Corrective Action Plan Details

2014-001 *Finding: An adequate system of internal controls over cash requires that deposits be made timely. Review of receipts at the local schools revealed monies collected by teachers were not always submitted to the school's bookkeeper for deposit in a timely manner. Additionally, deposits were not always made timely by the school bookkeeper.*

Response: A discussion was had with each local school Principal after the exit conference. Policies and procedures were shown to each of these principals to insure they were aware of the importance of timely deposits. Bookkeepers were also addressed at quarterly meeting and presented with documentation of proper and timely deposit policies and procedures. CSFO will follow up with Principals and bookkeepers on a monthly basis to confirm policies and procedures for timely deposits are being followed. Effective August 1, 2015 this finding should be fully corrected.
Jesse W. James CSFO
