

**ALEXANDER CITY BOARD  
OF EDUCATION  
GENERAL PURPOSE  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2007**

## Table of Contents

### Page

#### **Independent Auditor's Report**

#### **Management's Discussion and Analysis**

#### **Exhibit 1**

Statement of Net Assets	1
Statement of Activities	3
Balance Sheet-Governmental Funds	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Fiduciary Net Assets – Fiduciary Funds	11
Notes to the Financial Statements	12
<b><u>Required Supplementary Information</u></b>	25
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund For the Year Ended September 30, 2007	26
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Special Revenue Fund Child Nutrition Program Fund For the Year Ended September 30, 2007	28
<b><u>Supplementary Information</u></b>	30
Schedule of Expenditures of Federal Awards	31
Notes to the Schedule of Expenditures of Federal Awards	32

## **Table of Contents**

	<b>Page</b>
Additional Information	33
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <b>Government Auditing Standards</b>	34
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A – 133	35
Schedule of Findings and Questioned Costs	37

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## INDEPENDENT AUDITOR'S REPORT

Ms. Lou Ann Wagoner, Superintendent  
Alexander City Board of Education  
Alexander City, Alabama

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexander City Board of Education, a component unit of the City of Alexander City, Alabama, as of and for the year ended September 30, 2007, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Alexander City Board of Education's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alexander City Board of Education, as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 20, 2008 on my consideration of the Alexander City Board of Education's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of 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* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis and budgetary comparison information (Exhibit 1 and pages 26 and 28) are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A - 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Dianne Naler, CPA, PC  
June 20, 2008

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

### **Exhibit #1**

**Alexander City Board of Education  
Management Discussion and Analysis (MD&A)  
September 30, 2007**

Our discussion and analysis of the Alexander City Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2007. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Alexander City Board of Education's financial performance.

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

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

The financial section consists of five parts- *management's discussion and analysis* (this section), the *independent auditors' report*, the *basic financial statements*, *required supplementary information*, and *other supplementary information*.

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

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

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

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

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

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

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

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

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

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

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

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

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

The *fund financial statements* are still measured on the modified-accrual basis of accounting as reported in previous fiscal years, where revenues and expenditures are recorded when they become measurable and available. As a result, the *fund financial*

*statements* focus more on the near term use and availability of spendable resources. The information provided in these statements is useful in determining the Board's immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements*, which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the *government-wide financial statements* and the governmental funds reported in the *fund financial statements* are reconciled on pages 7 and 10 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financing decisions.

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

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

After the presentation of the *basic financial statements*, the new reporting model requires additional *required supplementary information* to be presented following the notes to the basic financial statements. The required supplementary information beginning on page 26 provides a comparison of the original adopted budget to the final amended budget of the Board's General Fund, which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.



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

As indicated earlier, over time net assets may serve as a useful indicator of a government's financial position. Refer to Table 1 when reading the following analysis of net assets. The Board's assets exceeded liabilities by \$16.14 million at September 30, 2007.

- Of this figure, \$12.26 million reflects the Board's investment in capital assets (e.g. land, buildings, improvements other than buildings, furniture and equipment, and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net assets is not available for future spending or funding of operations.
- Restricted net assets are reported separately to show the external legal constraints from debt covenants and enabling legislation that limit the Board's ability to use those net assets for day-to day-operations. Approximately \$.45 million is restricted for food service needs and \$4.16 million is restricted for debt service.
- The remaining balance of unrestricted net assets of \$3.37 million may be used at the Board's discretion to meet ongoing obligations to citizens and creditors and for future operations.

**Table 1: Summary of Net Assets**

As of September 30, 2007  
(in millions)

	Governmental Activities September 30, 2007	Governmental Activities September 30, 2006
<b>Assets</b>		
Current Assets	\$ 4.21	\$ 4.13
Non-current Assets	<u>17.09</u>	<u>16.63</u>
Total Assets	\$ 21.30	\$ 20.76
<b>Liabilities</b>		
Current Liabilities	\$ 2.79	\$ 2.57
Non-current Liabilities	<u>3.57</u>	<u>3.75</u>
Total Liabilities	\$ 6.36	\$ 6.28
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$ 13.10	\$ 12.39
Restricted:		
Capital Projects	0.00	0.00
Food Service	0.35	0.39
Unrestricted	<u>1.49</u>	<u>1.66</u>
Total Net Assets	\$ 14.94	\$ 14.44

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

**Table 2: Summary of Changes in Net Assets from Operating Results**  
Fiscal Year Ended September 30, 2007  
(in millions)

	Governmental Activities September 30, 2007	Governmental Activities September 30, 2006
<b>Revenues</b>		
General Revenues:		
Taxes		
Property Taxes for General Purposes	\$ 0.41	\$ 0.08
Sales & Use Tax for General Purpose	1.63	1.51
Miscellaneous Taxes	0.02	0.02
Investments Earnings	0.20	0.16
Miscellaneous	0.78	1.95
City Council Appropriations/Payments	1.02	1.07
<b>Total General Revenues and Special Items</b>	<b>\$ 4.06</b>	<b>\$ 4.78</b>
<b>Expenses (Net)</b>		
Governmental Activities		
Instruction	\$ 0.54	\$ 2.49
Instructional Support	0.73	0.55
Operation and Maintenance	0.94	0.89
Auxiliary Services – Food Services	0.37	(0.03)
Auxiliary Services – Other	0.19	0.08
General Administration and Central Support	0.71	0.52
Capital Outlay	0.00	0.00
Interest on Long-Term Debt	0.00	0.15
Other	0.08	0.23
<b>Total Expenses</b>	<b>\$ 3.56</b>	<b>\$ 4.88</b>
<b>Increase in Net Assets</b>	<b>\$ .50</b>	<b>\$ (0.10)</b>
<b>Net Assets – September 30, 2006</b>	<b>14.44</b>	<b>14.54</b>
<b>Net Assets – September 30, 2007</b>	<b>14.94</b>	<b>14.44</b>

Governmental Activities – As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2007 was \$10.7 million. It is important to note that not all of these costs were borne by the taxpayers of Alexander City Schools.

- Some of the cost, \$2.3 million, was paid by users who benefited from services provided during the year, such as school lunches.
- State and federal governments subsidized certain programs with grants and contributions totaling \$22.1 million.
- Other general revenue sources, such as interest earnings, capital grants, donations from private sources, City Council appropriations, etc. provided for \$6.7 million in revenues.

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

**Table 3: Net Cost of Governmental Activities**

Fiscal Year Ended September 30, 2007

(in millions)

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 17.59	\$ 0.54
Instructional support services	4.20	0.73
Operation and maintenance services	2.42	0.94
Auxiliary services (Transportation & CNP)	2.91	0.56
General administration and central support	1.05	0.71
Capital Outlay	0.51	0.00
Interest on Long-term Debt	1.59	0.00
Other	0.32	0.09
<b>Total</b>	<b>\$ 30.59</b>	<b>\$ 3.57</b>

## Financial Analysis of School Board Funds

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

**Governmental Funds** - The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on pages 7 and 10.) At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$3.87 million.

- \$2.65 million of this amount constitutes the unreserved fund of the General Fund.
- \$.35 million of this amount constitutes the unreserved fund of the Child Nutrition Program Fund.
- \$.06 million of this amount constitutes the reserved fund of the Fleet Renewal Fund to be used to purchase new school buses.
- The remaining approximately \$.845 million is allocated to Local School Funds.

General Fund - The general fund is the primary operating fund of the Board. The \$.03 million positive net change in fund balance this year was due an increase in sales tax revenues.

Child Nutrition Fund - The Child Nutrition Fund allows the Board to separately account for revenues and expenditures for our school lunch program. The positive increase in fund balance from the prior year was due to the implementation of a school breakfast program.

Capital Projects-State Fund - The Capital Projects-State Fund is used to account for state financial resources paid on behalf of the Board for the acquisition or construction of major capital facilities. Specifically, this fund accounts for the proceeds of the Public School and College Authority (PSCA) Capital Improvement Pool Bonds, Series 1999D ("state leveraged funds") which were recognized as revenue in the year 2000, but are expended as the funds are disbursed by PSCA on building projects. The fund balance of this fund had an increase because the Board made the decision in 2006 acquire new buses through a lease purchase plan and there free up more of the funds to future bus purchases.

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

## Capital Assets and Debt Administration

**Capital Assets** - At September 30, 2007, the Board had approximately \$30.69 million invested in capital assets including land, buildings, equipment costing \$5,000 or more, maintenance vehicles, and school buses. Table 4 provides additional information on these assets

**Table 4: Capital Assets (net of accumulated depreciation)**  
Fiscal Year Ended September 30, 2007  
(in millions)

	<u>2006</u>	<u>2007</u>	<u>Increase (decrease)</u>
Land and Land Improvements	\$ .34	\$ .36	\$ .02
Buildings and Improvements	15.30	14.94	(.36)
Vehicles	.45	.32	(.13)
Equipment & Furniture	.18	.70	.52
Construction In Progress	.05	.52	.47
	<u>\$ 16.32</u>	<u>\$ 16.84</u>	<u>\$ .52</u>

**Long-Term Debt** - At year-end, the Board had \$3.93 million in long-term debt payable, a decrease of \$.19 million. Table 5 provides a summary of general long-term debt transactions for the year.

**Table 5: Outstanding Long-Term Debt**  
Fiscal Year Ended September 30, 2007  
(in millions)

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Governmental Activities			
General Obligation Warrants – 1998 Series	\$ 3.93	\$ (0.18)	\$ 3.75
Governmental Activity			
Long-Term Liabilities	\$ 0.00	\$ 0.63	\$ 0.63
	<u>\$ 3.93</u>	<u>\$ 0.45</u>	<u>\$ 4.38</u>

## **Budgetary Highlights of Major Funds**

On or before October 1 of each year, the Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The original fiscal year 2007 budget was adopted by the Board on July 25, 1007. Over the course of the year, the Board revised the annual operating budget one time to include many federal grants that were not available at the time of the original budget approval.

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

The following are currently known Alexander City economic factors considered as we move into the 2008-2009 fiscal year:

- The economic forecast for Alexander City continues to be uncertain due to the downsizing and restructuring of Russell Corporation by its new owners. The effect of the downsizing and restructuring within the corporation has resulted in a sizeable decrease in funding for our city. The continued devaluation of Russell Corporation property will also be a negative financial effect for the school system.
- The Alexander City Chamber of Commerce, Lake Martin Economic Development Authority and The City of Alexander City continue to make great efforts to recruit new business to the area. Several of the newer businesses are reporting expansions which might assist in offsetting the potential negative effects of the Russell Corporation downsizing.
- The most significant growth continues to center around Lake Martin and the efforts of Russell Lands. It is projected that this growth could eventually provide additional property tax income for the city and the school system through an annexation plan that is being discussed.
- Community support of the school system continues to be strong but not in the financial area. The Alexander City Schools Foundation is in the planning stages of a major marketing campaign to hopefully bring additional local funding into the school system.

## **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 School Board's finances and to show the School Board's accountability for the money it receives. If you have any questions about this report or need additional financial information contact one of the following during regular work hours Monday – Friday; 7:30 a.m. to 4:00 p.m. central.

Rhonda A. Blythe, Chief School Finance Officer  
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**Alexander City Board of Education**  
**Statement of Net Assets**  
**September 30, 2007**

	<b><u>Governmental</u></b> <b><u>Activities</u></b>
<b><u>Assets</u></b>	
<b><u>Current Assets</u></b>	
Cash and Cash Equivalents	\$ 3,678,116
Accounts Receivable Net	302,514
Due from Other Governments	194,483
Inventories	24,727
Other Assets	<u>13,292</u>
<b>Total Current Assets</b>	<b><u>4,213,132</u></b>
 <b><u>Noncurrent Assets</u></b>	
Investments	<u>243,585</u>
Capital Assets:	
Land Improvements	348,246
Building Improvements	27,368,156
Equipment and Furniture	2,450,719
Construction in Progress	524,754
Less: Accumulated Depreciation	<u>(13,843,433)</u>
<b>Total Capital Assets, Net of Depreciation</b>	<b><u>16,484,442</u></b>
<b>Total Noncurrent Assets</b>	<b><u>17,092,027</u></b>
 <b>Total Assets</b>	 <b><u>\$ 21,305,159</u></b>

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

	<b><u>Governmental Activities</u></b>
<b><u>Liabilities</u></b>	
<b><u>Current Liabilities</u></b>	
Accounts Payable	\$ 583,823
Salaries and Benefits Payable	1,861,236
Accrued Interest Payable	168,532
Warrants Payable	<u>179,662</u>
Total Current Liabilities	<u>2,793,253</u>
 <b><u>Noncurrent Liabilities</u></b>	
Warrants Payable	<u>3,567,628</u>
Total Noncurrent Liabilities	<u>3,567,628</u>
 Total Liabilities	 <u>6,360,881</u>
 <b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	13,101,152
Restricted for:	
Capital Projects	-
Food Services	348,149
Unrestricted	<u>1,494,975</u>
Total Net Assets	\$ <u>14,944,276</u>



**Alexander City Board of Education**  
**Statements of Activities**  
**For the Year Ended September 30, 2007**

**Program Revenues**

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Charges For Services</u></b>	<b><u>Operating Grants and Contributions</u></b>
<b><u>Governmental Activities</u></b>			
Instruction	\$ 17,593,306	\$ 947,387	\$ 16,102,626
Instructional Support	4,199,190	-	3,438,136
Operation and Maintenance	2,422,430	-	1,180,165
Auxiliary Services:			
Food Service	1,725,240	1,353,057	-
Transportation	1,187,527	-	999,298
General Administration and Central Support	1,050,060	-	344,026
Capital Outlay	511,754	-	-
Other	314,927	-	35,131
Interest on Long-Term Debt	<u>1,586,605</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	\$ <u>30,591,039</u>	\$ <u>2,300,444</u>	\$ <u>22,099,382</u>

**General Revenues**

**Taxes**

Property For General Purposes  
Sales and Use for General Purpose  
Miscellaneous Taxes  
City Council Appropriations/Payments  
Investments Earnings  
Russell Foundation  
Russell Medical Center  
Special Item  
Insurance Recoveries  
Miscellaneous  
**Total General Revenues**

**Changes in Net Assets**

**Net Assets-Beginning of Year**

**Net Assets-End of Year**

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

**Net (Expenses)  
Revenue and Changes  
In Net Assets**

**Capital Grants  
And Contributions**

\$ -  
31,879  
297,912  
  
-  
-  
-  
511,754  
1,952,287  
1,586,605  
  
\$ 2,623,437

**Total Governmental  
Activities**

\$ (543,293)  
(729,175)  
(944,353)  
  
(372,183)  
(188,229)  
  
(706,034)  
-  
(84,509)  
-  
  
\$ (3,567,776)

415,335  
1,634,682  
20,560  
1,020,000  
204,858  
230,379  
100,000  
  
44,116  
399,132  
4,069,062

501,286

\$ 14,442,990

\$ 14,944,276

**Alexander City Board of Education  
Balance Sheet  
Governmental Funds  
September 30, 2007**

	<b><u>General Funds</u></b>	<b><u>Child Nutrition Program Fund</u></b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 2,633,571	\$ 231,362
Investments	-	-
Accounts Receivable, Net	81,158	-
Due from Other Governments	-	194,483
Inventories	-	24,727
Other Assets	<u>13,292</u>	<u>-</u>
Total Assets	<u>2,728,021</u>	<u>450,572</u>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities:</b>		
Accounts Payable	103,911	102,423
Other Payable	<u>1,861,236</u>	<u>-</u>
Total Liabilities	<u>1,965,147</u>	<u>102,423</u>
<b>Fund Balances:</b>		
Reserved for:		
Inventories	-	24,727
Encumbrances	-	-
Unreserved, Reported In:		
General Fund	762,874	-
Capital Projects	-	-
Special Revenue Funds	<u>-</u>	<u>323,422</u>
Total Fund Balances	<u>762,874</u>	<u>348,149</u>
Total Liabilities and Fund Balances	\$ <u>2,728,021</u>	\$ <u>450,572</u>

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

<b>Capital Projects Funds</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 378,726	\$ 434,457	\$ 3,678,116
-	243,585	243,585
-	221,356	302,514
-	-	194,483
-	-	24,727
-	-	13,292
<u>378,726</u>	<u>899,398</u>	<u>4,456,717</u>
323,525	53,964	583,823
-	-	<u>1,861,236</u>
<u>323,525</u>	<u>53,964</u>	<u>2,445,059</u>
-	-	24,727
-	-	-
-	-	762,874
55,201	-	55,201
-	845,434	<u>1,168,856</u>
<u>55,201</u>	<u>845,434</u>	<u>2,011,658</u>
\$ <u>378,726</u>	\$ <u>899,398</u>	\$ <u>4,456,717</u>

**Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Assets  
September 30, 2007**

Total Fund Balances-Governmental Funds \$ 2,011,656

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

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

Land and Land Improvements	\$ 348,246	
Building and Improvements	27,368,156	
Equipment and Furniture	2,450,719	
Construction in Progress	524,754	
Less: Accumulated Depreciation	(13,843,433)	
Total Capital Assets		16,848,442

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

	<u>Due or Payable Within One Year Current Liabilities</u>	<u>Due or Payable After One Year Noncurrent Liabilities</u>	
Warrants Payable	\$ 179,662	\$ 3,567,628	
Accrued Interest Payable	<u>168,532</u>	<u>-</u>	
Total Long-Term Liabilities	\$ 348,194	\$ 3,567,628	(3,915,822)

Total Net Assets-Governmental  
Activities \$ 14,944,276

**Alexander City Board of Education**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2007**

<u>Revenues</u>	<u>General Fund</u>	<u>Child Nutrition Program Fund</u>
State	\$ 18,550,275	\$ -
Federal	60,391	794,802
Local	5,521,824	627,735
Other	<u>1,300,544</u>	<u>31,363</u>
Total Revenues	<u>25,433,034</u>	<u>1,453,900</u>
 <u>Expenditures</u>		
Current		
Instruction	16,345,037	-
Instructional Support	3,883,436	-
Operation and Maintenance	2,213,539	-
Auxiliary Services:		
Food Service	234,466	1,490,774
Student Transportation Services	1,051,040	-
General Administration and		
Central Support	555,259	-
Capital Outlay	11,744	-
Other Expenditures	27,436	8,127
Debt Service:		
Principal Retirement	595,148	-
Interest	<u>557,073</u>	-
Total Expenditures	<u>25,474,178</u>	<u>1,498,901</u>
 Excess (deficiency) of revenues over Expenditures	(41,144)	(45,001)
 <u>Other Financing Sources (Uses)</u>		
Transfers in	151,458	-
Indirect Cost	89,000	-
Transfers Out	(218,799)	-
Proceeds on Sale of Capital Assets	<u>47,953</u>	-
Total Other Financing Sources (Uses)	<u>69,612</u>	-
 Net Changes in Fund Balances	28,468	(45,001)
Fund Balances-Beginning of Year	<u>734,406</u>	<u>393,150</u>
 Fund Balances-End of Year	\$ <u>762,874</u>	\$ <u>348,149</u>

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

<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 787,182	\$ 18,687	\$ 19,356,144
-	1,571,281	2,426,474
-	965,186	7,114,745
<u>677,665</u>	<u>48,437</u>	<u>2,058,009</u>
<u>1,464,847</u>	<u>2,603,591</u>	<u>30,955,372</u>
-	1,811,379	18,156,416
-	450,087	4,333,523
56,175	152,715	2,422,429
-	-	1,725,240
141,560	32,916	1,225,516
418,842	75,960	1,050,061
494,009	6,000	511,753
-	289,439	325,002
239,098	-	834,246
<u>195,287</u>	<u>-</u>	<u>752,360</u>
<u>1,544,971</u>	<u>2,818,496</u>	<u>31,336,546</u>
(80,124)	(214,905)	(381,174)
291,361	362,669	805,488
-	-	89,000
(291,361)	(260,461)	(770,621)
-	-	47,953
-	<u>102,208</u>	<u>171,820</u>
(80,124)	(112,697)	(209,354)
<u>135,325</u>	<u>958,131</u>	<u>2,221,012</u>
\$ <u>55,201</u>	\$ <u>845,434</u>	\$ <u>2,011,658</u>

**Alexander City Board of Education**  
**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, 2007**

Net Changes in Fund Balances-Total Governmental Funds	\$ (209,354)
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Amounts reported for governmental activities in the  
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,320,606) exceeded depreciation (\$729,328) in the current period.	591,278
--	---------

Repayment of bond principal is an expenditure in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	834,246
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Some expenses, such as interest expense, compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>(714,884)</u>
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Change in Net Assets of Governmental Activities	\$ <u>501,286</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement



**Alexander City Board of Education  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2007**

	<b><u>Agency Funds</u></b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 609,592
Investments	921
Receivables	<u>1,105</u>
Total Assets	<u>611,618</u>
<b><u>Liabilities</u></b>	
Account Payable	203,002
Due to Clubs and Class	<u>408,616</u>
Total Liabilities	<u>611,618</u>
<b><u>Net Assets</u></b>	<u>\$ 0</u>

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

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2007**

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

The financial statements of the Alexander City Board of Education (the "Board"), a component unit of the City of Alexander City, Alabama have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The Governmental Accounting Standards Board establishes standards for defining reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up it legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial burdens on the primary government. There are no component units which should be included as part of the financial reporting entity of the Alexander City Board of Education.

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

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

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2007**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

The Board reports the following major governmental funds:

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

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2007**

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

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

**Government Funds Types**

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

Additionally, the Board reports the following fund type:

**Fiduciary Fund Type**

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

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2007**

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

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

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

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

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2007**

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

**1. Deposits and Investments**

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

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

**2. Receivables**

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

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

**3. Inventories**

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

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

**Alexander City Board of Education  
Notes to the Financial Statement  
For Year Ended September 30, 2007**

**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, are classified as restricted assets on the balance sheet because they are maintained separately and their use is limited.

**5. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., parking lots, stadium lights, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date 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. The Board has no general infrastructure assets.

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 and proprietary funds are as follows:

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

**6. Long-Term Obligations**

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

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2007**

**7. Net Assets/Fund Equity**

Net assets are reported on the government-wide financial statements and are required to be classified for accounting and reporting purposes into the following net asset categories:

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

Fund equity is reported in the fund financial statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Note 2 – Deposits and Investments**

**Deposits**

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



**Alexander City Board**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2007**

adequate funds, every institution participating in the pool would share the liability for the remaining balance. All of the Board's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

**Note 3 – Capital Assets**

Capital asset activity for the year ended September 30, 2007, was as follows:

<u>Governmental Activities</u>	Balance 09/30/2006	Additions	Retirements	Balance 09/30/2007
Capital Assets, Not Being Depreciated				
Land	\$ 319,246	-	-	\$ 319,246
Construction in Progress	44,820	524,754	44,820	524,754
Total Capital Assets, Not Being Depreciated	364,066	524,754	44,820	844,000
Capital Assets Being Depreciated				
Land Improvements	23,000	6,000	-	29,000
Building and Building Improvements	27,167,859	200,297	-	27,368,156
Equipment and Furniture	1,925,620	589,555	64,456	2,450,719
Total Capital Assets Being Depreciated	29,116,479	795,852	64,456	29,847,875
Less Accumulated Depreciation for				
Land Improvements	(5,079)	(1,550)	-	(6,629)
Building and Building Improvements	(11,913,689)	(552,267)	-	(12,465,956)
Equipment and Furniture	(1,242,555)	(175,511)	47,218	(1,370,848)
Total Accumulated Depreciation	(13,161,323)	(729,328)	47,218	(13,843,433)
Total Capital Assets, Being Depreciated, Net	15,955,156	66,524	17,238	16,004,442
Total Governmental Activities Capital Assets, Net	\$ 16,319,222	591,278	62,058	\$ 16,848,442

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

<u>Governmental Activities</u>	Current Year Depreciation Expense
Instruction	\$ 278,537
Instructional Support	221,779
Operation and Maintenance	21,332
Auxiliary Services	181,446
General Administration and Central Support	26,234
Total Depreciation Expense	\$ 729,328

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2007**

**Note 4– 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. Vested employees may retire with full benefits at age 60 or after 25 years of service. 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 retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Act of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefits provisions are established by the **Code of Alabama 1775**, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36 27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2007**

**B. Funding Policy**

Employees are required by statute to contribute 5 percent of their salary to the Teachers' Retirement System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

<u>Fiscal Year Ended September 30</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total Percentage of Covered Payroll	14.36%	13.47%	12.03%
<u>Contributions</u>			
Percentage Contributed by the Board	5.02%	5.02%	5.02%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by the Board	\$ 1,540,594	\$ 1,233,113	\$ 976,646
Contributed by Employees	<u>822,967</u>	<u>754,653</u>	<u>694,627</u>
Total Contributions	\$ <u>2,363,561</u>	\$ <u>1,987,766</u>	\$ <u>1,671,273</u>

**Note 5— Post Employment Benefits (OPEB)**

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 455 to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the Public Education Employees' Health Insurance Board (PEEHIB). The employer's share of premiums for retired Board employers health insurance is included as part of the premium for active employees and is funded on a pay-as-you go basis. Retirees who are eligible for Medicare benefits must pay \$1.14 per month for coverage while those who are not eligible must pay \$78.00 per month for the coverage. The Board has no responsibility for the payment of health care benefits beyond retirement.

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2007**

**Note 6 – Long – Term Debt**

The following is a summary of general long – term debt transactions for the year ended September 30, 2007:

	Principal Balance <u>10/01/2006</u>	Issued/ <u>Increased</u>	Repaid/ <u>Decreased</u>	Debt Outstanding <u>09/30/2007</u>	Amount Due Within One <u>Year</u>
<u>Governmental Activities</u>					
Warrants					
General Obligation					
Warrants 1998 Series	\$ <u>3,930,781</u>	\$ <u>-</u>	\$ <u>183,491</u>	\$ <u>3,747,290</u>	\$ <u>179,662</u>
Governmental Activity					
Long- Term Liabilities	\$ <u>3,930,781</u>	\$ <u>-</u>	\$ <u>183,491</u>	\$ <u>3,747,290</u>	\$ <u>179,662</u>

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

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

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

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

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

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2007**

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

<u>Fiscal Year Ending</u>	<u>General Obligations Series 1998</u>		<u>Total Principal and Interest Requirements To Maturity</u>
	<u>Principal</u>	<u>Interest</u>	
September 30, 2008	\$ 179,662	\$ 168,532	\$ 348,194
2009	177,062	171,426	348,488
2010	176,804	173,443	350,247
2011	174,898	177,296	352,194
2012	156,199	194,025	350,224
2013-2017	800,796	949,204	1,750,000
2018-2022	830,467	394,877	1,225,344
2023-2026	<u>1,251,402</u>	<u>-</u>	<u>1,251,402</u>
Totals	\$ <u>3,747,290</u>	\$ <u>2,228,803</u>	\$ <u>5,976,093</u>

**Note 7- Risk Management**

The Board is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$2.5 million per occurrence and purchases commercial insurance for claims in excess of \$ 2.5 million. Automobile liability insurance and errors and omissions insurance is purchased from the Alabama Risk Management for School (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases excess insurance for any amount coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEHIF), 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.

**Alexander City Board of Education  
Notes to the Financial Statements  
For the Year Ended September 30, 2007**

**Note 8- Risk Management (Continued)**

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 to up to ninety working days in accordance with the **Code of Alabama 1975**, Section 16-1-18.1 (d). Any unreimbursed medical expenses and costs, which the employee incurs as a result of an on-the-job injury, may be filed for reimbursement with the State Board of Adjustment.

**Note 9 – Interfund Transfers**

The amounts of interfund transfers during the fiscal year ending September 30, 2007, were as follows:

<u>Transfers In</u>	<u>General Fund</u>	<u>Transfers Out</u>			<u>Agency</u>	<u>Total</u>
		Other Governmental Funds	Capital Projects			
General Fund	\$ -	\$ (102,208)	\$ -	\$ -	\$ -	\$ (102,208)
Other Governmental Funds	(49,602)	-	-	-	-	(49,602)
Agency Funds	116,943	-	-	34,867	34,867	151,810
Total	\$ <u>67,341</u>	\$ <u>(102,208)</u>	\$ <u>-</u>	\$ <u>34,867</u>	\$ <u>-</u>	\$ <u>-</u>

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

## **Required Supplementary Information**

**Alexander City Board of Education**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – General Fund**  
**For the Year Ended September 30, 2007**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Budgetary Basis</u></b>
<b><u>Revenues</u></b>			
State	\$ 18,482,974	\$ 18,514,495	\$ 18,550,275
Federal	51,926	51,926	60,391
Local	5,320,333	5,589,886	5,521,824
Other	<u>1,552,464</u>	<u>1,583,064</u>	<u>1,300,544</u>
Total Revenues	<u>25,407,697</u>	<u>25,739,371</u>	<u>25,433,034</u>
<b><u>Expenditures</u></b>			
Current:			
Instruction	16,184,983	16,330,552	16,344,739
Instructional Support	3,860,276	3,921,067	3,883,436
Operation and Maintenance	2,312,290	2,210,953	2,213,539
Auxiliary Services	1,003,059	1,073,411	1,285,506
General Administration and			
Central Support	874,371	889,306	555,259
Other	59,070	52,139	27,436
Capital Outlay	-	200,146	11,744
Debt Service:	<u>1,443,582</u>	<u>1,443,582</u>	<u>1,152,221</u>
Total Expenditures	<u>25,737,631</u>	<u>26,121,156</u>	<u>25,473,880</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>(329,934)</u>	<u>(381,785)</u>	<u>(40,846)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Other Sources	856,013	896,672	288,411
Other Uses	<u>(506,716)</u>	<u>(489,216)</u>	<u>(218,799)</u>
Total Other Financing			
Sources (Uses)	<u>349,297</u>	<u>407,456</u>	<u>69,612</u>
Net Change in Fund Balances	19,363	25,671	28,766
Fund Balances at Beginning of Year	<u>2,595,343</u>	<u>2,595,343</u>	<u>2,595,344</u>
Fund Balances at End of Year	\$ <u>2,614,706</u>	\$ <u>2,621,014</u>	\$ <u>2,624,110</u>

The Board budgets for certain salaries only to the extent expected to be paid, rather than on the modified accrual basis.

\$ (745,210)

Net Decrease in Fund Balance-  
Budget GAAP

\$ (745,210)

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



**Budget to GAAP  
Differences  
Over (Under)**

**Actual Amounts  
GAAP Basis**

\$ -	\$ 18,550,275
-	60,391
-	5,521,824
-	<u>1,300,544</u>
-	<u>25,433,034</u>
(562,813)	16,907,552
(134,333)	4,017,769
-	2,213,539
(37,989)	1,323,495
-	555,259
(10,075)	37,511
-	11,744
-	<u>1,152,221</u>
<u>(745,210)</u>	<u>26,219,090</u>
<u>(745,210)</u>	<u>(786,056)</u>
-	288,411
-	<u>(218,799)</u>
-	<u>69,612</u>
(745,210)	(716,844)
<u>2,595,344</u>	<u>2,595,344</u>
\$ <u>1,850,134</u>	\$ <u>1,878,900</u>

**Alexander City Board of Education**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – Special Fund**  
**For the Year Ended September 30, 2007**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Budgetary Basis</u></b>
<b><u>Revenues</u></b>			
Federal	\$ 715,000	\$ 715,000	\$ 794,802
Local	618,602	618,602	627,735
Other	<u>1,000</u>	<u>1,000</u>	<u>31,363</u>
Total Revenues	<u>1,334,602</u>	<u>1,334,602</u>	<u>1,453,900</u>
<b><u>Expenditures</u></b>			
Current			
Auxiliary Services:			
Food Services	1,332,189	1,332,189	1,498,901
Other	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,332,189</u>	<u>1,332,189</u>	<u>1,498,901</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,413</u>	<u>2,413</u>	<u>(45,001)</u>
<b><u>Other Financing Sources(Uses)</u></b>			
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,413	2,413	(45,001)
Fund Balances-Beginning of Year	<u>393,150</u>	<u>393,150</u>	<u>393,150</u>
Fund Balances – End of Year	\$ <u>395,563</u>	\$ <u>395,563</u>	\$ <u>348,149</u>

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

**Alexander City Board of Education**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2007**

**Stewardship, Compliance, and Accountability**

**Budgets**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

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

## **Supplementary Information**

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

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

I have audited the general purpose financial statements of the Alexander City Board of Education, a component unit of the City of Alexander City, Alabama, as of and for the year ended September 30, 2007, and have issued my report thereon, dated June 20, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Board's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance, about whether the Board's general purpose financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulation, contracts, grants, noncompliance with which could have a direct material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Dianne Naler CPA, PC

June 20, 2008

# Dianne Naler, CPA, PC

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A – 133

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

### Compliance

I have audited the compliance of Alexander City Board of Education, a component unit of Alexander City, Alabama, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A – 133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of law, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. My responsibility is to express an opinion on the Board's compliance based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office Management and Budget Circular A – 133, *Audits of States and Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirement 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 Board's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Board's compliance with those requirements.

In my opinion, the Board complied, in all respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

### Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A – 133.

My consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be a material weakness.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dianne Naler CPA, PC".

Dianne Naler CPA, PC

June 20, 2008

**Alexander City Board Of Education  
Schedule of Findings and Questioned Cost  
Year Ended September 30, 2007**

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

Financial Statements

Type of auditor's report issued: X  
(Unqualified, qualified, adverse, disclaimer)

Internal Control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Reportable condition(s) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Not considered to material weakness	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

*Federal Awards*

Internal Control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Reportable conditions(s) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Not considered to material weakness	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported

Type of auditor's report issued on compliance  
For major programs: X  
(Unqualified, qualified, adverse, disclaimer)

Any audit findings disclosed that required to be  
reported in accordance with Circular A-133,  
Section .510(a)? ☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)

Name of Federal Program Cluster

84.010  
17.267  
84.365

Title I  
In School Remediation  
English Language Acquisition



**Alexander City Board of Education  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2007**

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low risk auditee? X Yes    No

*Section III – Federal Award Findings and Questioned Costs*

No matters were reported