

**ANDALUSIA CITY BOARD OF EDUCATION**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**Year Ended September 30, 2009**

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## INDEPENDENT AUDITORS' REPORT

Members of the Board  
Andalusia City Board of Education  
Andalusia, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Andalusia City Board of Education (the Board), as of and for the year ended September 30, 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Andalusia City Board of Education's management. Our responsibility is to express an opinion 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 *Governmental 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 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. We believe that our audit provides a reasonable basis for our 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 Andalusia City Board of Education as of September 30, 2009, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2010 on our consideration of the Andalusia City 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund on pages 3 through 15 and 34 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Andalusia City Board of Education's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 of the Andalusia City Board of Education. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Rabren, Odom, Pierce & Hayes, PC*

Andalusia, Alabama  
April 20, 2010

# ANDALUSIA CITY BOARD OF EDUCATION

## Management Discussion and Analysis (MD&A) For the Year Ended September 30, 2009

### Introduction

The Management's Discussion and Analysis (MD&A) of Andalusia City Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2009. 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 Andalusia City Board of Education's financial performance.

The 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 and is included in this report.

### Financial Highlights

Key financial highlights of the 2008-2009 fiscal year include the following:

- General Fund expenditures exceeded revenues and other financing uses by \$784,598 resulting in a fund balance of \$1,584,812 available as of the fiscal year ended 2009.
- The assets of the Board exceeded its liabilities at the close of the 2009 fiscal year by \$18,010,039 (net assets). Of this amount, \$2,305,659 (unrestricted net assets) may be used to meet the Board's future costs of operations.

### Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Board's basic financial statements which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

The first two statements are government-wide financial statements — the *Statement of Net Assets* and the *Statement of Activities*. These provide both long-term and short-term information about the Board's overall financial status. Although other governments may report governmental activities and business-type activities, the Board has no business-type activities.

The *Statement of Net Assets* presents information on all of the Board's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net assets help determine whether the Board's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the Board's net assets changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

The fund financial statements provide more detailed information about the Board's most significant funds — not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The Board uses fund accounting to ensure and demonstrate fiscal accountability.

Governmental funds - Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements — the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* — are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of a budgetary comparison schedule for the general fund and each major special revenue fund that has a legally adopted annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

**Financial Analysis of the Board as a Whole**

As noted earlier, the Andalusia City Board of Education has no business-type activities. Consequently, all of the Board's net assets are reported as Governmental Activities.

**ANDALUSIA CITY BOARD OF EDUCATION**

	<b>Net Assets</b>	
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>September 30, 2009</u>	<u>September 30, 2008</u>
Current and other assets	\$ 2,168,404	\$ 3,157,167
Restricted assets	226,425	169,819
Capital assets	<u>16,490,094</u>	<u>16,000,311</u>
Total assets	<u>18,884,923</u>	<u>19,327,297</u>
Current and other liabilities	124,884	220,410
Long-term liabilities	<u>750,000</u>	<u>785,714</u>
Total liabilities	<u>874,884</u>	<u>1,006,124</u>
Net assets:		
Invested in capital assets, net of related debt	15,704,380	15,151,893
Unrestricted	<u>2,305,659</u>	<u>3,169,280</u>
Total net assets	<u>\$18,010,039</u>	<u>\$18,321,173</u>

The Board's assets exceeded liabilities by \$18,010,039 at the close of the fiscal year, a decrease of \$311,134. This decrease is mainly due to the decrease in state revenues which were prorated by 11% for the fiscal year.

The majority of the Board's net assets are invested in capital assets (land, buildings, and equipment) owned by the Board. These assets are not available for future expenditures since they will not be sold. Unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements — are \$2,305,659 at the end of the year.

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

**ANDALUSIA CITY BOARD OF EDUCATION**

	<b>Changes in Net Assets</b>	
	<u>Governmental Activities</u> <u>September 30, 2009</u>	<u>Governmental Activities</u> <u>September 30, 2008</u>
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 1,133,093	\$ 1,225,473
Operating grants and contributions	9,472,444	11,448,357
Capital grants and contributions	1,593,456	710,664
General revenues:		
Property taxes	718,186	693,696
Sales tax	981,473	972,975
Miscellaneous Taxes	1,043,844	936,340
Grants and Contributions – Non Restricted	106,200	106,200
Section 16 Land Funds	16,556	-
Investment Earnings	51,341	87,658
Contributions – Restricted	150,921	195,899
Miscellaneous	431,116	388,894
Loss on Disposition of Capital Assets	(5,910)	-
Total revenues	<u>15,692,720</u>	<u>16,766,156</u>
<u>Expenses</u>		
Instructional services	9,440,398	9,522,252
Instructional support services	2,024,310	1,982,698
Operation & maintenance services	1,528,402	1,562,474
Food Service	943,484	917,662
Student transportation services	501,568	495,855
General administrative services	745,998	675,457
Other	817,869	1,358,697
Interest and Fiscal Charges	-	-
Total expenses	<u>16,002,029</u>	<u>16,515,095</u>
Change in net assets	(309,309)	251,061
Net assets, beginning	18,321,173	18,070,112
Prior Period Adjustment	(1,825)	-
Net assets, ending	<u>\$18,010,039</u>	<u>\$18,321,173</u>

The Board's total revenues decreased by 6.4 percent and the total cost of all programs and services decreased 3.1 percent. This accounts for the Board's loss of \$309,309 for the fiscal year.

The decrease in revenues can be attributed to the following sources of income:

- Program Revenues – 9% decrease
- Tax Revenues – 5% increase
- Contributions – 23% decrease
- Investment Earnings – 41% decrease
- Miscellaneous Revenues – 11% increase



The decrease in the total cost of all programs and services can be found within the following programs:

- Instructional Services – 16% decrease
- Instructional Support – 8% increase
- General Administrative Services – 14% increase
- Other – 99% decrease

Program revenues, specifically operating grants and contributions, are the largest component of total revenues (78%).

- Operating grants and contributions contribute 78% of program revenues and 61% of total revenues. The major sources of revenues in this category are State foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

General revenues, primarily property taxes and sales taxes, are used to provide \$3,499,637 for expenses not covered by program revenues.

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board (59%).

- In addition to teacher salaries and benefits, instructional services includes teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services 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 services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- In addition to bus driver salaries and benefits, student transportation services includes mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance.
- Food services includes salaries and benefits for cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- General administrative services include 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.

- Other expenses includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Includes cooperative agreement with the City of Andalusia for repayment of bonds issued to construct the Andalusia Elementary School. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.
- Debt service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.

### **Financial Analysis of the Board's Funds**

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

As of the end of the current fiscal year, the Board's governmental funds reported a combined decrease in fund balance of \$893,112. This decrease resulted in a fund balance of \$2,369,667. Of this amount, \$2,093,426 was unreserved and available for use in future operations.

The general fund decreased its fund balance by \$784,598, resulting in a fund balance of \$1,584,812.

The Food and Nutrition fund increased its fund balance by \$10,210, resulting in a fund balance of \$219,329.

### **General Fund Budgetary Highlights**

The original 2009 fiscal year budget, adopted on September 2, 2008, was based on a "conservative" approach that reflected only guaranteed revenues and necessary expenditures. The original budget figures were amended when revenues or expenditures exceed 10%. Over the course of the year, the Board revised the annual operating budgets two times: February 17, 2009, and June 15, 2009.

The comparison of general fund original budget to the final amended budget is on page 35. The differences between the original budget and the final amended budget of the Board were relatively minor (\$717,725 decrease in overall revenue appropriations and \$1,093 decrease in overall expenditures) and can be briefly summarized as follows:

- Amendment #1 was necessary to record additional State funds \$35,958 and miscellaneous local revenues \$31,000. State revenues were decreased by \$809,188 due to 9% proration. Expenditures were increased to include various building repair projects \$24,000 and utility cost \$40,000. State expenditures decreased due to proration include instructional \$95,000 and transportation \$33,616.

- Amendment #2 was necessary to record additional local taxes \$50,000 and miscellaneous revenues \$25,800. Expenditures were increased to include various building repair projects \$20,000 and miscellaneous expenditures of \$35,000.

Overall, the final amended budget is reflective of the actual operating activity for the year. Actual local revenues were \$193,418 more than budgeted local revenues due to ad valorem taxes collected being more than anticipated. For purposes of this budgetary analysis, only the General Fund of the Board is discussed in accordance with the new reporting model.

General Fund – The comparison of the General Fund original budget to the final amended budget is on page 35. The differences between the original budget and the final amended budget of the Board were relatively minor (with a 6% change in revenues and less than a 1% change in expenditures). Overall, the final budget is reflective of the actual operating activity for the year.

### **Capital Assets and Debt Administration**

**Capital Assets** - At September 30, 2009, the Board had \$16,490,094 invested in capital assets including land, buildings, equipment, vehicles and construction in progress costing \$5,000 or more. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year. The capital asset activity for the year is detailed on page 27.

Construction in Progress at year-end of \$1,251,891 was for the Andalusia High School Agriscience/Art building project, paid for with PSCA 2007 Bond funds. Also \$24,554 in equipment purchases were made with child nutrition funds and \$20,577 from state and local funds at various locations.

**Long-Term Debt** - At year-end, the Board had \$35,714 in warrants and notes. This debt is an interest free loan from the Alabama Department of Economic and Community Affairs to be paid over a seven year period. The Board entered into a lease purchase agreement with the Alabama School Finance Cooperative to issue \$750,000 of Qualified Zone Academy Bonds (QZAB) for the purpose of renovations at the Andalusia High School. The Board chose the deferred payment option and will make payments of \$56,606 for ten years starting on June 1, 2006. These annual payments will be deposited into a restricted fund which will accumulate to earn interest to repay the face amount of the QZAB.

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

The following are currently known Andalusia City economic factors considered in going into the 2009-2010 fiscal year.

***10 Mill Required Local Effort*** – Act 95-314, Section 16-13-231 of the *Code of Alabama* requires that local support for schools must be funded at an amount equivalent to 10 mills of district ad valorem tax. The State Department of Education reduces the Board's appropriation by this required local support. Because the assessed value of the property in Andalusia City is growing rapidly, the required 10 mill match continues to grow at a much higher rate than the Board's total tax revenues. In essence, even though the local ad valorem tax revenue has grown, the 10 mill match has caused the Board to lose money.

***Additional Ad Valorem Tax – City of Andalusia*** – The City Council of Andalusia voted to increase the annual rate of ad valorem tax by one-fourth of one percent to be used exclusively for the purpose of capital improvements. The board expects to receive approximately \$190,000 annually. This tax may be revoked at any time by majority vote of the City Council of Andalusia.

***Sales Tax Revenues*** – Sales tax revenues have decreased approximately \$70,000 due to the decline in the economy. The current sales tax revenues remain steady as compared to amounts collected in the 2009 fiscal year.

***Student Enrollment*** - The latest student enrollment figure as of the forty-day report in the 2009-2010 school year of 1718 indicates there will be an actual increase in enrollment of approximately 39 students for the 2010 fiscal year. This gain will result in an increase of two (2) earned teacher units.

***Medical and Retirement Costs*** - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs will remain at \$752 per employee per month in fiscal year 2010. The employer contribution rate to the Teachers Retirement System (TRS) increased from 12.07 percent for fiscal year 2009 to 12.51 percent for fiscal year 2010 for an increased cost of \$35,000 of which approximately \$25,000 would be paid from the Education Trust Fund. (The State Department of Education ETF funding request includes employer contribution rates of 12.51 percent for TRS and \$752 per employee per month for PEEHIP for the fiscal year 2011 budget.) The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

***State Proration*** – On September 29, 2009, Governor Bob Riley declared proration at a rate of 7.5%. This declaration has resulted in the loss of State funds in the amount of \$630,605 and the loss of 7.45 earned teacher units. Through the use of line item flexibility, the Andalusia City Schools will be able to use approximately \$37,178 of other state funds to offset this reduction. The remaining \$593,427 will have to come from local reserves. To date, the economy and tax receipts that flow into the Education Trust Fund has not shown signs of improvement.

## **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 Jean Sellers, Chief School Finance Officer, 122 Sixth Avenue, Andalusia, AL 36420 or by calling 334-222-3186 during regular office hours, Monday through Friday, from 7:30 a.m. to 4:00 p.m., central standard time.

## **BASIC FINANCIAL STATEMENTS**

**ANDALUSIA CITY BOARD OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
September 30, 2009

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	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,813,767
Investments	64,467
Receivables	264,392
Inventory	25,353
Other Assets	425
Restricted Assets:	
Investments	226,425
Capital Assets, Net	16,490,094
Total Assets	<u>18,884,923</u>
<b>LIABILITIES</b>	
Accrued Salaries	64,008
Deferred Revenue	25,162
Current Portion of Long-Term Debt	35,714
Long-Term Liabilities:	
Note Payable	750,000
Total Liabilities	<u>874,884</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	15,704,380
Unrestricted	2,305,659
Total Net Assets	<u>\$ 18,010,039</u>

The accompanying notes are an integral part of these statements.

ANDALUSIA CITY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2009

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Instructional Services	\$ 9,440,398	\$ 249,697	\$ 7,021,555	\$ 1,267,976	\$ (901,170)
Instructional Support Services	2,024,310	44,547	1,565,400	36,628	(377,735)
Operation and Maintenance	1,528,402	73,953	2,049	95,709	(1,356,691)
Student Transportation Services	501,568	27,310	337,033	47,155	(90,070)
Food Services	943,484	663,777	121,878	29,743	(128,086)
General Administrative Services	745,998	16,357	335,802	9,983	(383,856)
Cooperative Agreement	480,000	-	-	-	(480,000)
Other	337,869	57,452	88,727	106,262	(85,428)
Total	<u>\$ 16,002,029</u>	<u>\$ 1,133,093</u>	<u>\$ 9,472,444</u>	<u>\$ 1,593,456</u>	<u>(3,803,036)</u>
General Revenues:					
Taxes					
Property Tax for General Purposes					718,186
Local Sales Tax					981,473
Other Taxes					1,043,844
City Council Appropriations/Payments					106,200
Investment Earnings					51,341
Section 16 Land Income					16,556
Miscellaneous					431,116
Contributions					150,921
Loss on Disposition of Capital Assets					(5,910)
Total General Revenues and Special Items					<u>3,493,727</u>
Change in Net Assets					(309,309)
Net Assets - Beginning (as previously stated)					<u>18,321,173</u>
Prior Period Adjustment					<u>(1,825)</u>
Net Assets - Beginning (as restated)					<u>18,319,348</u>
Net Assets - Ending					<u>\$ 18,010,039</u>

The accompanying notes are an integral part of these statements.



ANDALUSIA CITY BOARD OF EDUCATION  
BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30 , 2009

	<u>GENERAL</u>	<u>CAPITAL PROJECTS FUND</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,457,491	\$ 11,312
Investments	-	-
Receivables	98,106	-
Due from Other Funds	180,071	16,515
Inventory, at Cost	-	-
Other Assets	424	-
Restricted Assets:		
Investments	-	-
Total Assets	<u>\$ 1,736,092</u>	<u>\$ 27,827</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES:</b>		
Deferred Revenue	-	-
Due to Other Funds	145,614	-
Total Current Liabilities	<u>145,614</u>	<u>-</u>
<b>FUND BALANCES:</b>		
Reserved for:		
Encumbrances	39,170	18,341
Inventories	-	-
Debt Service	-	-
Unreserved	1,551,308	9,486
Unreserved, Reported in Non-Major:		
Special Revenue Funds	-	-
Capital Projects Funds	-	-
Total Fund Balances	<u>1,590,478</u>	<u>27,827</u>
Total Liabilities and Fund Balances	<u>\$ 1,736,092</u>	<u>\$ 27,827</u>

The accompanying notes are an integral part of these statements.

SPECIAL REVENUE FUND - TITLE I PART A	SPECIAL REVENUE FUND - FOOD AND NUTRITION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 94,672	\$ 250,293	\$ 1,813,768
-	-	64,467	64,467
23,637	115,314	27,335	264,392
-	-	-	196,586
-	25,353	-	25,353
-	-	-	424
-	-	226,425	226,425
<u>\$ 23,637</u>	<u>\$ 235,339</u>	<u>\$ 568,520</u>	<u>\$ 2,591,415</u>
-	16,011	9,151	25,162
23,637	-	27,335	196,586
<u>23,637</u>	<u>16,011</u>	<u>36,486</u>	<u>221,748</u>
-	266	23,292	81,069
-	25,353	-	25,353
-	-	169,819	169,819
-	193,709	8,181	1,762,684
-	-	274,135	274,135
-	-	56,607	56,607
-	219,328	532,034	2,369,667
<u>\$ 23,637</u>	<u>\$ 235,339</u>	<u>\$ 568,520</u>	<u>\$ 2,591,415</u>

**ANDALUSIA CITY BOARD OF EDUCATION**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
 September 30, 2009

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Total Fund Balance - Governmental Funds \$ 2,369,667

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.

	Cost of Capital Assets	\$24,465,201	
	Accumulated Depreciation	<u>(7,975,107)</u>	
			16,490,094

In the Statement of Net Assets, salaries and benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for salaries and benefits are measured by the amount of financial resources used (essentially the amounts actually paid). (64,008)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported as liabilities in the funds. Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.

	Bonds and Warrants Payable		<u>(785,714)</u>
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Total Net Assets - Governmental Activities \$18,010,039

The accompanying notes are an integral part of these statements.

ANDALUSIA CITY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended September 30, 2009

	GENERAL	CAPITAL PROJECTS FUND
<b>REVENUES</b>		
State Sources	\$ 8,084,423	\$ 1,592,252
Federal Sources	910	-
Local Sources	3,057,513	93,184
Other Sources	30,362	-
Total Revenues	<u>11,173,208</u>	<u>1,685,436</u>
<b>EXPENDITURES</b>		
Current:		
Instructional Services	7,634,891	-
Instructional Support Services	1,709,665	21,948
Operation and Maintenance Services	1,330,400	79,275
Student Transportation Services	382,417	47,142
Food Services	-	-
General Administrative Services	566,688	10,052
Cooperative Agreement Expenses	12,747	467,253
Other Expenditures	134,055	-
Debt Service:		
Principal	62,705	-
Interest	1,438	-
Capital Outlay	20,577	1,186,416
Total Expenditures	<u>11,855,583</u>	<u>1,812,086</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(682,375)</u>	<u>(126,650)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Indirect Cost	129,381	-
Transfers In	4,350	-
Transfers Out	(308,573)	-
Other Financing Sources	72,619	-
Total Other Fund Sources (Uses)	<u>(102,223)</u>	<u>-</u>
Net Change in Fund Balances	(784,598)	(126,650)
FUND BALANCES - OCTOBER 1, 2008 (as previously stated)	<u>2,371,235</u>	<u>154,476</u>
Prior Period Adjustment	(1,825)	-
FUND BALANCES - OCTOBER 1, 2008 (as restated)	<u>2,369,410</u>	<u>154,476</u>
FUND BALANCES - SEPTEMBER 30, 2009	<u>\$ 1,584,812</u>	<u>\$ 27,826</u>

The accompanying notes are an integral part of these statements.

SPECIAL REVENUE FUND - TITLE I PART A	SPECIAL REVENUE FUND - FOOD AND NUTRITION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ 9,676,675
499,216	575,780	767,249	1,843,155
-	194,721	696,437	4,041,855
-	9,043	24,922	64,327
<u>499,216</u>	<u>779,544</u>	<u>1,488,608</u>	<u>15,626,012</u>
362,029	-	999,337	8,996,257
66,531	-	169,321	1,967,465
-	-	34,604	1,444,279
4,489	-	16,224	450,272
-	985,372	18,918	1,004,290
66,167	-	103,536	746,443
-	-	-	480,000
-	11,375	190,998	336,428
-	-	-	62,705
-	-	-	1,438
-	24,554	-	1,231,547
<u>499,216</u>	<u>1,021,301</u>	<u>1,532,938</u>	<u>16,721,124</u>
-	(241,757)	(44,330)	(1,095,112)
-	-	-	129,381
-	251,967	111,611	367,928
-	-	(59,355)	(367,928)
-	-	-	72,619
-	<u>251,967</u>	<u>52,256</u>	<u>202,000</u>
-	10,210	7,926	(893,112)
-	<u>209,119</u>	<u>529,774</u>	<u>3,264,604</u>
-	-	-	(1,825)
-	<u>209,119</u>	<u>529,774</u>	<u>3,262,779</u>
<u>\$ -</u>	<u>\$ 219,329</u>	<u>\$ 537,700</u>	<u>\$ 2,369,667</u>

ANDALUSIA CITY BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 Year Ended September 30, 2009

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Total Net Change in Fund Balances - Governmental Funds \$ (893,112)

Amounts reported for governmental activities in the statement of activities 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 capital outlays exceeds

	Capital Outlays	\$ 1,231,547	
	Depreciation Expense	<u>(735,854)</u>	
			495,693

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 62,705

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balances by the gain or loss on the disposition of the assets. (5,910)

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 the governmental funds.

	Accrued Salaries		<u>31,315</u>
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Change in Net Assets - Governmental Activities \$ (309,309)

The accompanying notes are an integral part of these statements.

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2009

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Andalusia City Board of Education (the Board) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 Board's accounting policies are described below.

REPORTING ENTITY

The Andalusia City Board of Education is governed by an elected board consisting of five members elected by qualified voters of the City. The Board is responsible for the general administration and supervision of the public schools within the City.

Statement No. 14 of the Governmental Accounting Standards Board establishes standards for defining and 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 its 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 benefits to, or to impose specific financial burdens on, the primary government. There are no component units, which should be included as a part of the financial reporting entity of the Andalusia City Board of Education.

BASIC FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

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

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

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2009

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Child Nutrition Program – This fund is used to account for activities associated with providing nutritious breakfast and lunch services for school children.

Title I Part A – This fund is used to help improve teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

Governmental Fund Types:

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. 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, sales 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 sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.



**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2009

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Board uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues reported in the governmental funds are considered to be available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt 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 grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Board's policy to first apply grant resources to such programs, followed by cost reimbursement grants, then general revenues.

**BUDGETS**

Budgets are adopted on a basis consistent with generally accepted accounting principles with the exception of encumbrances. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**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 except commodities donated by the federal government, which are expensed when consumed.

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 September 30, 2009

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase. In the government-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at fair market value on the date donated. Disposals are deleted at depreciated recorded cost.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized.

Depreciation is computed using the straight-line method.

Capitalization thresholds and estimated useful lives of capital assets reported in the government-wide financial statements are as follows:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	All	15 years
Buildings	All	15-40 years
Building Improvements	\$50,000	15-20 years
Vehicles	\$5,000	10 years
Equipment	\$5,000	5-10 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

Generally, all investments are reported at fair market value.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RESTRICTED ASSETS

Certain funds received 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.

COMPENSATED ABSENCES

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

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

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

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

All twelve month professional employees are allowed two weeks of vacation leave. All other twelve month employees are allowed one week of vacation leave. Unused vacation leave cannot be carried over to succeeding years; therefore, no liability for unpaid leave is accrued in the financial statements.

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

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2009

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

The Board's policy is to deposit funds in a financial institution approved as a qualified public depository by the Security for Alabama Funds Enhancement (SAFE Program). The Board follows the deposit and investment policies as required by the *Code of Alabama 1975*, Section 41-14A-3 and Section 36-17-18.

The Board had cash on deposit with various qualified public depositories at September 30, 2009 of \$1,810,619. At year end the Board also had cash on hand in various funds totaling \$3,148.

At September 30, 2009 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 C - RESTRICTED INVESTMENTS

At September 30, 2009, the Board reported restricted investments of \$226,425. These funds are pooled into an investment account by an agent for the Alabama School Finance Cooperative. The Board will continue to make deposits of approximately \$56,606 annually for the next eight years into this account. The Board will also recognize interest earned on its' portion of the pooled account beginning in June of 2007. This account will be used to pay the Qualified Zone Academy Bond as they mature.

NOTE D - LEGAL COMPLIANCE

BUDGETS

On or before October 1 of each year, the Board is required to prepare and submit to the state superintendent of education the annual budget to be adopted by the Board. The city superintendent of education or Board cannot approve any budget for operations of the school system for any fiscal year which shows expenditures in excess of income, estimated to be available, plus any balances on hand. The superintendent, with the approval of the Board, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes.

The budget was originally adopted by the Board on September 2, 2008. Budgeted amounts presented are as amended by the Board on February 17, 2009.

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2009**

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**NOTE E - RISK MANAGEMENT**

The Board carries traditional insurance coverage rather than finance risks through self-insurance.

The State makes payments for unemployment compensation insurance for Board employees except those employees paid from federal grants. The state also pays the employer health insurance premiums for Board employees except those employees paid from federal grants. Payments made by the state for unemployment compensation and health insurance are recorded as revenues and expenditures in the funds from which the employees are paid. Payments made by the Board are recorded as expenditures in the applicable federal fund.

The State Board of Adjustment is a State agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted.

**NOTE F - PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES**

Certain payments or services are furnished by the State on behalf of the Board. Included in these items is the employer's portion of fringe benefits (health insurance, retirement, and unemployment compensation). These payments or services are reflected as revenues and expenditures on the Board's financial statements in the applicable funds.

**NOTE G - DONATED FOOD PROGRAM**

The commodities received from the federal government in connection with the donated food program are reflected in the accompanying financial statements. The total assigned value of commodities donated for fiscal year ended September 30, 2009 was \$25,353.

ANDALUSIA CITY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2009

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NOTE H - RECEIVABLES

Government-wide financial statement receivables at September 30, 2009 consist of:

	Governmental Activities
U. S. Department of Education:	
Safe & Drug Free	\$ 5,754
State Department of Education:	
Child Nutrition	104,304
Fresh Fruits and Vegetables	11,010
Title I	23,637
Title I ARRA	11,323
Title IV Safe & Drug Free	288
IDEA Part B ARRA	5,595
Vocational Rehabilitation	4,375
Opp City Schools	937
City of Andalusia	8,850
Covington County Probate Judge	8,965
Covington County Probate Judge-Helping Schools	349
Covington County Commission	78,068
Covington County Schools	937
	<hr/>
TOTALS	\$ 264,392
	<hr/> <hr/>

ANDALUSIA CITY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2009

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NOTE I - DUE TO/FROM OTHER FUNDS

The following is a schedule of the due to/from other funds in the fund financial statements at September 30, 2009:

	<u>Due From</u>	<u>Due To</u>
General Funds:		
Local Default Source	\$ 50,972	\$ 145,265
HS Graduation Exam Remediation	418	-
ESL	704	-
Advanced Placement Initiative	4,140	-
Section 16 - EFT	123,837	-
Vocational Rehabilitation Serv	-	4,375
Helping Schools Tag	-	349
Capital Projects Fund:		
Transportation Fleet Renewal	16,515	-
Special Revenue Fund:		
Other Federal	-	5,754
ARRA Title I	-	11,323
Title I, Part A	-	23,637
Title V, Part A	-	288
ARRA IDEA	-	5,595
	<u>\$ 196,586</u>	<u>\$ 196,586</u>

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2009

**NOTE J - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009, was as follows:

<u>Governmental Activities:</u>	Balance 10/1/2008	Additions	Retirements	Balance 9/30/2009
Capital Assets, Not Being Depreciated:				
Land	\$ 541,471	\$ -	\$ -	\$ 541,471
Construction in Progress	65,475	1,186,416	-	1,251,891
Total Capital Assets, Not Being Depreciated	<u>606,946</u>	<u>1,186,416</u>	<u>-</u>	<u>1,793,362</u>
Capital Assets Being Depreciated:				
Land Improvements (Exhaustible)	533,676	-	-	533,676
Buildings	17,059,361	-	128,323	16,931,038
Buildings Improvements	3,394,345	-	-	3,394,345
Vehicles	772,000	-	-	772,000
Equipment	995,649	45,131	-	1,040,780
Total Capital Assets Being Depreciated	<u>22,755,031</u>	<u>45,131</u>	<u>128,323</u>	<u>22,671,839</u>
Less Accumulated Depreciation for:				
Land Improvements (Exhaustible)	449,221	10,726	-	459,947
Buildings	4,686,054	385,895	122,413	4,949,536
Buildings Improvements	1,063,170	209,814	-	1,272,984
Vehicles	549,610	50,830	-	600,440
Equipment	613,611	78,589	-	692,200
Total Accumulated Depreciation	<u>7,361,666</u>	<u>735,854</u>	<u>122,413</u>	<u>7,975,107</u>
Total Capital Assets, Being Depreciated, Net	<u>15,393,365</u>	<u>(690,723)</u>	<u>5,910</u>	<u>14,696,732</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,000,311</u>	<u>\$ 495,693</u>	<u>\$ 5,910</u>	<u>\$ 16,490,094</u>

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

<u>Governmental Activities</u>	
Instructional Services	\$ 487,375
Instructional Support Services	38,833
Operation and Maintenance Services	84,508
Student Transportation Services	52,637
Food Services	64,985
General Administrative Services	7,516
Total Depreciation Expense - Governmental Activities	<u>\$ 735,854</u>



**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2009

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**NOTE K - DEFINED BENEFIT PENSION PLAN**

The employees of the Board are covered under a defined benefit plan, the Teachers' Retirement System (TRS), which is administered by the Retirement Systems of Alabama (RSA). The plan is a cost-sharing multiple-employer public employer retirement system. The payroll for employees covered by the TRS for the year ended September 30, 2009 was \$8,247,214; the Board's total payroll was \$8,431,198.

Participation in the TRS is mandatory for Board personnel employed in a nontemporary capacity on at least a one-half time basis. After ten or more years of creditable service, a member has a vested interest (is eligible for deferred benefits) in the Teachers' Retirement System. Upon attainment of age 60, a member who has at least 10 years of creditable service may apply for monthly retirement benefits assuming the member has not withdrawn his contributions. A member who has at least 25 years of creditable service in the TRS may apply for service retirement at any age. Unused accrued sick leave may be converted to creditable service at retirement.

Retirement benefits are calculated based on a retirement formula, which yields the highest monthly benefit. The formula multiplies the retirees' average final salary (best three of the last ten years), the number of years of creditable service and the retirement benefit factor of 2.0125% to calculate the yearly annual benefit. Divide the annual benefit by twelve to calculate the monthly benefit amount. Unless otherwise requested, the member will receive the highest monthly benefit.

The member may elect an optional monthly benefit amount in order to provide a benefit for a beneficiary. The retiree may select from 4 separate options, all of which provide a lower monthly benefit than the retirement formula.

A member who is in service and has at least 10 years of service when disability occurs may apply for disability retirement benefits. Benefits are calculated under the same methods used for service retirement except a reduction factor of one-fourth of one percent for each month the member is less than age 60 or for each month of creditable service less than 30 years is applied. The maximum reduction is 25 percent. The member receives the larger of the two calculations. Once a member attains 25 years of creditable service, there is no reduction in benefits. The TRS also provides pre-retirement death benefits in the amount of the annual salary and life insurance.

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 September 30, 2009

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**NOTE K - DEFINED BENEFIT PENSION PLAN (Continued)**

Covered employees are required by state statute to contribute 5 percent of their salary to the TRS. The State of Alabama and the Board are required to contribute the remaining amounts necessary to pay benefits when due. The Board is required to pay the employer amount on employees paid from federal funds. The actuarial information as it relates to the plan has not been made available by TRS to the Board. 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:

	September 30, 2009	September 30, 2008	September 30, 2007
Total Percentage of Covered Payroll	17.07%	16.75%	14.36%
<b>Contributions:</b>			
Percentage Contributed by the Board	12.07%	11.75%	9.36%
Percentage Contributed by Employees	5.00%	5.00%	5.00%
Amount Contributed by Board	\$ 995,440	\$ 968,464	\$ 724,324
Amount Contributed by Employees	412,360	412,114	386,927
<b>Total Contributions</b>	<b><u>\$ 1,407,800</u></b>	<b><u>\$ 1,380,578</u></b>	<b><u>\$ 1,111,251</u></b>

**NOTE L - OTHER POSTEMPLOYMENT 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 employee's 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 \$97.54 per month for coverage. The estimated portion of health insurance premiums paid by the Board for retired employees was approximately \$500,741, for the fiscal year 2009. The Board has no responsibility for the payment of health care benefits, beyond the payment of the premium, for retired employees.

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2009

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**NOTE M - COOPERATIVE AGREEMENT WITH THE CITY OF ANDALUSIA**

The Board has a Cooperative Agreement with the City of Andalusia in connection with the General Obligation School Warrants, Series 2003 issued to construct a new elementary school.

According to the agreement, the City will appropriate \$500,000 annually ending in the fiscal year 2008 and the Board will be responsible for the payment of all debt service on the warrants in excess of the \$500,000 through fiscal year 2008. Thereafter, the Board will be responsible for the full annual payment on the warrants until maturity. To secure this payment, the Board agreed to designate and pledge the County Tax to the extent necessary to pay its portion of the annual debt service on the warrants. The Board will make monthly payments to the warrant fund for 1/12 of the annual debt service. The liability associated with these warrants is reflected in the City's financial statements.

The Board's annual payments are as follows:

<u>Warrant Year</u>	<u>School Board's Share</u>
2010	481,618
2011	484,932
2012	486,970
2013	482,670
2014	486,920
	<u>\$ 2,423,110</u>

During fiscal year ended September 30, 2009, the Board paid \$40,000 per month. The total of those payments consisted of \$397,852 of principal and \$82,148 of interest.

Due to the implementation of GASB 34, payments on the above have been reported as Cooperative Agreement Expenses in the financial statements.

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2009

---

**NOTE N - SHORT-TERM DEBT**

During the year ended September 30, 2008, the Andalusia City Board of Education (the lessee) entered into a lease purchase agreement with EBA, Inc. (the lessor) for software. Andalusia City Board of Education will pay a total of \$64,430, including interest, over the term of two years beginning October 10, 2007. Since inception of the agreement, EBA, Inc. has sold and assigned the rights to receive the remaining payments due under the lease purchase agreement to National City Commercial Capital Company, LLC. During 2009, Andalusia City Board of Education paid \$19,847.

**NOTE O - LONG-TERM DEBT**

During year ended September 30, 2003, the Board entered into an agreement with PowerSouth Development Corporation, Inc. to borrow funds in accordance with the Local Government Loan Program established by the Alabama Department of Economic and Community Affairs, Science, Technology, and Energy Division.

The Andalusia City Board of Education received \$300,000 payable in eighty-four installments of \$3,571. The stated rate of interest is zero. The Board was required to pay a non-refundable management fee of \$9,000 at the time of closing.

In connection with the above debt, the Andalusia City Board of Education established an irrevocable letter of credit with Colonial Bank in the amount of \$300,000 to secure full repayment. At September 30, 2009, the Board had not utilized this letter of credit.

During the year ended September 30, 2005, the Andalusia City Board of Education (the lessee) entered into a lease purchase agreement with the Alabama School Finance Cooperative (the lessor). This agreement was structured to qualify as a "Qualified Zone Academy Bond" (QZAB) pursuant to Section 1397E of the Internal Revenue Code of 1986, as amended.

Under this agreement, the Board issued a QZAB in the amount of \$750,000. This obligation is referred to as the "Board of Education of the City of Andalusia, Alabama QZAB". The funds from the QZAB will be used for (a) rehabilitating or repairing the public school facility; (b) providing equipment; (c) developing course materials for education; (d) training teacher and other school personnel.

The Andalusia City Board of Education chose the deferred payment option. Under this option, the Board will make payments of \$56,606 for ten years starting on June 1, 2006. These annual payments will be deposited into a restricted fund which will accumulate to earn interest to repay the face amount of the QZAB. The Board will recognize interest as income annually beginning June 2007. At the end of the bond term, the payment of debt principal will be recognized at one time.

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2009

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NOTE O - LONG-TERM DEBT (Continued)

The following is a summary of long-term debt transactions for the year ended September 30, 2009:

Governmental Activities

	Balance 10/1/2008	Proceeds	Payments	Balance 9/30/2009	Amounts Due Within One Year
PowerSouth	\$ 78,572	\$ -	\$ 42,858	\$ 35,714	\$ 35,714
Qualified Zone Academy Bonds	750,000	-	-	750,000	-
National City	19,847	-	19,847	-	-
	<u>\$ 848,419</u>	<u>\$ -</u>	<u>\$ 62,705</u>	<u>\$ 785,714</u>	<u>\$ 35,714</u>

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

Fiscal Year Ending	Principal	Interest	Total
September 30, 2010	\$ 35,714	\$ -	\$ 35,714
September 30, 2011	-	-	-
September 30, 2012	-	-	-
September 30, 2013	-	-	-
September 30, 2014	-	-	-
Thereafter	750,000	-	750,000
	<u>\$ 785,714</u>	<u>\$ -</u>	<u>\$ 785,714</u>

NOTE P - DEFERRED REVENUE

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2009

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**NOTE P - DEFERRED REVENUE (Continued)**

At September 30, 2009, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unearned Revenue</u>
Preschool, Part B	\$ 194
IDEA, Part B	3,754
Title II, Part A	5,166
Title II, Part B	37
Child Nutrition Program	<u>16,011</u>
	<u>\$ 25,162</u>

**NOTE Q - INTERFUND TRANSFERS**

The amounts of interfund transfers during the year ended September 30, 2009, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 4,350	\$ 308,573
Child Nutrition Fund	251,967	-
Other Governmental Funds	<u>111,611</u>	<u>59,355</u>
	<u>\$ 367,928</u>	<u>\$ 367,928</u>

The Board typically used transfers to fund ongoing operating subsidies.

**NOTE R - CONTINGENCY**

The Board receives various amounts under grants and programs that are subject to audit and adjustment by the grantor agencies. Any amounts disallowed, if any, may constitute a liability of the applicable funds. Such amounts, if any, are not considered to be material by the Board.

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2009

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**NOTE S - SUBSEQUENT EVENTS**

In a letter dated October 21, 2009, the Federal Deposit Insurance Corporation (FDIC) notified the Andalusia Board of Education the letter of credit entered into with Colonial Bank was disaffirmed. This letter of credit was a requirement when the Board entered into an agreement with PowerSouth Development Corporation, Inc. to borrow funds in the amount of \$300,000 in 2003. As of September 30, 2009, the balance due to PowerSouth Development Corporation, Inc. is \$35,714.

Subsequent events have been evaluated through April 20, 2010 which is the date the financial statements were available to be issued.

**NOTE T - PRIOR PERIOD ADJUSTMENT**

An error to cash was discovered by the Board in the 2008 financial statements, whereby the amount of cash was understated. Correction of an error resulted in a decrease in the reported net income of the governmental funds of \$1,825.

**REQUIRED SUPPLEMENTARY INFORMATION**



ANDALUSIA CITY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL-GENERAL FUND  
Year Ended September 30, 2009

	ORIGINAL	FINAL	ACTUAL BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>				
State Sources	\$ 9,059,760	\$ 8,265,235	\$ 8,084,423	\$ (180,812)
Federal Sources	800	800	910	110
Local Sources	2,785,295	2,864,095	3,057,513	193,418
Other Sources	25,000	23,000	30,362	7,362
Total Revenues	<u>11,870,855</u>	<u>11,153,130</u>	<u>11,173,208</u>	<u>20,078</u>
<b>EXPENDITURES</b>				
Current:				
Instructional Services	7,636,305	7,567,141	7,634,891	(67,750)
Instructional Support Services	1,677,805	1,698,369	1,709,665	(11,296)
Operation and Maintenance Services	1,189,846	1,225,309	1,330,400	(105,091)
Student Transportation Services	406,486	372,870	382,417	(9,547)
General Administrative Services	525,577	562,577	566,688	(4,111)
Other Expenditures	145,517	154,204	134,055	20,149
Debt Service	84,035	84,008	76,890	7,118
Capital Outlay	-	-	20,577	(20,577)
Total Expenditures	<u>11,665,571</u>	<u>11,664,478</u>	<u>11,855,583</u>	<u>(191,106)</u>
Excess of Revenues Over Expenditures	<u>205,284</u>	<u>(511,348)</u>	<u>(682,375)</u>	<u>(171,028)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Indirect Cost	-	-	129,381	129,381
Transfers In	-	10,988	4,350	6,638
Transfers Out	(368,647)	(309,561)	(308,573)	(988)
Other Financing Sources	142,080	162,160	72,619	(89,541)
Total Other Fund Uses	<u>(226,567)</u>	<u>(136,413)</u>	<u>(102,223)</u>	<u>45,490</u>
Net Change in Fund Balances	<u>(21,283)</u>	<u>(647,761)</u>	<u>(784,598)</u>	<u>(125,538)</u>
FUND BALANCES - OCTOBER 1, 2008 (as previously stated)	<u>2,245,148</u>	<u>2,371,235</u>	<u>2,371,235</u>	<u>-</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(1,825)</u>	<u>(1,825)</u>
FUND BALANCES - OCTOBER 1, 2008 (as restated)	<u>2,245,148</u>	<u>2,371,235</u>	<u>2,369,410</u>	<u>(1,825)</u>
FUND BALANCES - SEPTEMBER 30, 2009	<u>\$ 2,223,865</u>	<u>\$ 1,723,475</u>	<u>\$ 1,584,812</u>	<u>\$ (127,363)</u>

The accompanying Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund are an integral part of these statements.

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**  
September 30, 2009

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**NOTE A - BUDGETARY COMPARISON**

The Andalusia City Board of Education has not included budgetary comparisons for the major special revenue funds because the Board does not adopt a legal budget for each special revenue fund. The Board legally adopts a budget for the general fund and for all federal funds as a whole.

**SUPPLEMENTARY INFORMATION**

**ANDALUSIA CITY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended September 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	DISBURSEMENTS/ EXPENDITURES
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed Through State Department of Education:			
Title I, Part A (M)	84.010	104	\$ 499,216
ARRA Title I, Part A (M)	84.389	104	11,323
Title II, Part A, Teacher Training	84.367	104	60,458
Title II, Part D, Education Technology	84.318	104	8,058
Title IV, Drug Free School	84.186	104	9,673
Title V, Innovative Education	84.298A	104	53,755
Title VI, Part B, Rural Education Initiative	84.358	104	62,742
Vocational - Tech Prep	84.243	104	1,824
Vocational - Basic Grants to States	84.048A	104	23,566
Special Education Cluster:			
IDEA, VI B, School Program (M)	84.027	104	410,157
ARRA IDEA, Part B (M)	84.391	104	5,595
IDEA, Preschool Incentive (M)	84.173	104	31,165
Subtotal Special Education Cluster			<u>446,917</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u><u>1,177,532</u></u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through State Department of Education:			
Food Distribution Program (N)	10.550	104	43,153
Fresh Fruits and Vegetables (N)	10.582	104	60,962
Child Nutrition Cluster:			
National School Breakfast Program (M)	10.553	104	93,606
National School Lunch Program (M)	10.555	104	378,058
ARRA Child Nutrition	10.555	104	18,918
Subtotal Child Nutrition Cluster			<u>490,582</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u><u>594,697</u></u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed Through State Department of Education:			
Learn and Serve America	94.004	104	15,060
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u><u>15,060</u></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,787,289</u></u>

(N) Non-cash assistance

(M) Major program

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

**ANDALUSIA CITY BOARD OF EDUCATION**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended September 30, 2009

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*Note 1. Basis of Presentation*

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

ANDALUSIA CITY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 September 30, 2009

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

**Financial Statements**

Type of auditor's report issued: Unqualified  
 Internal control over financial reporting:  
   Material weakness(es) identified? \_\_\_\_\_yes   X  no  
   Significant deficiency(ies) identified  
     not considered to be material weaknesses? \_\_\_\_\_yes   X  none reported  
 Noncompliance material to financial statements noted? \_\_\_\_\_yes   X  no

**Federal Awards**

Internal Control over major programs:  
   Material weakness(es) identified? \_\_\_\_\_yes   X  no  
   Significant deficiency(ies) identified  
     not considered to be material weaknesses? \_\_\_\_\_yes   X  none reported

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

Any audit findings disclosed that are required to be  
 reported in accordance with Circular A-133,  
 Section .510(a)? \_\_\_\_\_yes   X  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553; 10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.010; 84.389</u>	<u>Title I, Part A</u>
<u>84.027; 84.173; 84.391</u>	<u>Special Education Cluster</u>

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

Auditee qualified as low -risk auditee   X  yes \_\_\_\_\_no

**ANDALUSIA CITY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
September 30, 2009

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**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

# RABREN, ODOM, PIERCE & HAYES, P.C.

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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  
Andalusia City Board of Education  
Andalusia, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Andalusia City Board of Education, as of and for the year ended September 30, 2009, which collectively comprise the Andalusia City Board of Education's basic financial statements and have issued our report thereon dated April 20, 2010. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Andalusia City Board of Education's internal control over financial reporting as a basis for designing our auditing procedures 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 Andalusia City Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Andalusia City Board of Education's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Andalusia City Board of Education's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Andalusia City Board of Education's financial statements that is more than inconsequential will not be prevented or detected by the Andalusia City Board of Education's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Andalusia City Board of Education's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Andalusia City Board of Education's financial statements are free of 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*.

This report is intended solely for the information and use of the members of the board, 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.



Andalusia, Alabama  
April 20, 2010

# RABREN, ODOM, PIERCE & HAYES, P.C.

Certified Public Accountants

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Members of the Board  
Andalusia City Board of Education  
Andalusia, Alabama

### Compliance

We have audited the compliance of the Andalusia City Board of Education 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, 2009. The Andalusia City Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Andalusia City Board of Education's management. Our responsibility is to express an opinion on the Andalusia City Board of Education's compliance based on our audit.

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 Andalusia City 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. Our audit does not provide a legal determination on the Andalusia City Board of Education's compliance with those requirements.

In our opinion, the Andalusia City Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

## Internal Control Over Compliance

The management of the Andalusia City Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Andalusia City Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Andalusia City Board of Education's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the members of the board, 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.



Andalusia, Alabama  
April 20, 2010