

**ALEXANDER CITY BOARD
OF EDUCATION
GENERAL PURPOSE
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

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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, 2011, 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, 2011, 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.

The Alexander City Board of Education implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, during the fiscal year ended September 30, 2011. This resulted in a change in format and the method of reporting fund balance in the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 26, 2012 on my consideration of the Alexander City Board of Education's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information (Exhibit 1 and pages 31 and 33) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

This report replaces the earlier report dated June 26, 2012. The report was reissued upon completion of audit procedures applied to a federal fund that was not included in the previous audit testing.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alexander City Board of Education's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A - 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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.

A handwritten signature in dark ink, reading "Dianne Naler CPA PC". The signature is fluid and cursive, with the letters "CPA PC" written in a slightly more formal, blocky style at the end.

Dianne Naler, CPA, PC
Alexander City, Alabama

July 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Exhibit #1

Alexander City Board of Education
Management Discussion and Analysis (MD&A)
September 30, 2011

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, 2011. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Alexander City Board of Education's financial performance.

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

Using the Financial Statements - An Overview for the User

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

After the presentation of the *basic financial statements*, the additional *required supplementary information* is presented following the notes to the basic financial statements. The required supplementary information beginning on page 30 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 \$14.59 million at September 30, 2011.

- Of this figure, \$13.25 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 \$.30 million is restricted for food service needs.
- The remaining balance of unrestricted net assets of \$1.04 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, 2011
(in millions)

	Governmental Activities September 30, 2011	Governmental Activities September 30, 2010
Assets		
Current Assets	\$ 3.62	\$ 1.91
Non-current Assets	<u>17.19</u>	<u>16.21</u>
Total Assets	\$ 20.81	\$ 18.12
Liabilities		
Current Liabilities	\$ 2.70	\$ 2.66
Non-current Liabilities	<u>3.52</u>	<u>3.04</u>
Total Liabilities	\$ 6.22	\$ 5.70
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 13.06	\$ 12.60
Restricted:		
Capital Projects	0.19	0.03
Food Service	0.30	0.34
Unrestricted	<u>1.04</u>	<u>(0.55)</u>
Total Net Assets	\$ 14.59	\$ 12.42

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, 2011

(in millions)

	Governmental Activities September 30, 2011	Governmental Activities September 30, 2010
Revenues		
General Revenues:		
Taxes		
Property Taxes for General Purposes	\$ 2.74	\$ 2.72
Sales & Use Tax for General Purpose	1.36	1.40
Miscellaneous Taxes	0.16	0.13
Investments Earnings	0.01	0.00
Miscellaneous	2.01	1.75
City Council Appropriations/Payments	2.36	2.63
Total General Revenues and Special Items	\$ 8.64	\$ 8.63
Expenses (Net)		
Governmental Activities		
Instruction	\$ 1.01	\$ 0.88
Instructional Support	1.28	3.70
Operation and Maintenance	1.88	1.80
Auxiliary Services -- Food Services	0.01	(0.02)
Auxiliary Services -- Other	0.16	0.01
General Administration and Central Support	0.84	0.69
Capital Outlay	(0.16)	0.07
Interest on Long-Term Debt	1.40	1.56
Other	.04	0.29
Total Expenses	\$ 6.46	\$ 8.98
Increase (Decrease) in Net Assets	\$ 2.18	\$ (0.35)
Net Assets -- September 30, 2010	12.41	12.76
Net Assets -- September 30, 2011	14.59	12.41

Governmental Activities -- As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2011 was \$14.59 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, \$1.57 million, was paid by users who benefited from services provided during the year, such as school lunches.
- State and federal governments subsidized certain programs with grants and contributions totaling \$21.15 million.
- Other general revenue sources, such as interest earnings, capital grants, donations from private sources, City Council appropriations, etc. provided for \$9.06 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, 2011
(in millions)

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 16.60	\$ 1.01
Instructional support services	4.11	1.28
Operation and maintenance services	1.93	1.87
Auxiliary services (Transportation & CNP)	2.57	0.19
General administration and central support	1.23	0.84
Capital Outlay	1.02	(0.16)
Interest on Long-term Debt	1.94	1.40
Other	0.18	0.04
Total	\$ 29.58	\$ 6.47

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 \$1.53 million.

- \$0.31 million of this amount constitutes the unreserved fund of the General Fund.
- \$0.30 million of this amount constitutes the unreserved fund of the Child Nutrition Program Fund.
- \$0.19 million of this amount constitutes the reserved fund of the Public School Fund-Capital Outlay to be used for capital projects.
- The remaining approximately \$0.73 million is allocated to Local School Funds.

General Fund - The general fund is the primary operating fund of the Board. The \$1.74 million net change in fund balance (net of salary accrual) this year was due an increase in property tax revenues and reduction in personnel.

Child Nutrition Fund - The Child Nutrition Fund allows the Board to separately account for revenues and expenditures for our school lunch program. The negative change in fund balance from the prior year was due to an increase in expenses of foodservice provider.

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. There was an increase in the fund balance due to unused revenues for capital projects held over for the next fiscal year.

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

Capital Assets and Debt Administration

Capital Assets - At September 30, 2011, the Board had approximately \$34.17 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, 2011
(in millions)

	<u>2011</u>	<u>2010</u>	<u>Increase (decrease)</u>
Land and Land Improvements	\$.36	\$.36	\$.00
Buildings and Improvements	13.14	13.70	(.56)
Vehicles	.22	.77	(.55)
Equipment & Furniture	1.05	.71	.34
Construction In Progress	<u>2.30</u>	<u>.46</u>	<u>1.84</u>
	\$ 17.07	\$ 16.00	\$ 1.07

Long-Term Debt - At year-end, the Board had \$4.26 million in long-term debt payable, a decrease of \$.31 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, 2011
(in millions)

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Governmental Activities			
General Obligation Warrants -- 1998 Series	\$ 3.39	\$ (0.19)	\$ 3.20
Governmental Activity			
Long-Term Liabilities	\$ 1.18	\$ (0.13)	\$ 1.05
	\$ 4.57	\$ (0.32)	\$ 4.25

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 2011 budget was adopted by the Board on September 14, 2010. Over the course of the year, the Board revised the annual operating budget once to include many federal grants that were not available at the time of the original budget approval and to adjust for a reduction in State funding due to a declaration of proration by the Governor.

Economic Factors and Next Year's Budget

The following are currently known Alexander City economic factors considered as we move into the 2011-2012 fiscal year:

- The economic forecast for Alexander City continues to be uncertain due to the continuing 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 effect for the school system.
- The economy continues to be a question. An additional 3% proration was declared by the governor for Fiscal Year 2011 resulting in a loss of \$0.45 million in State funding. The Alexander City School district began Fiscal Year 2011 with less than the one-month reserve required by law.
- There continues to be great efforts by the Chamber of Commerce, Lake Martin Economic Development Authority and the City of Alexander City to recruit new businesses to the area. With the most significant growth centering on Lake Martin and the efforts of Russell Lands. It is projected that this growth will eventually provide additional property tax income for the city and the school system.
- Community support of the school system continues to be strong but not in the financial area. The Alexander City Schools Foundation continues to implement plans for additional local funding which will hopefully bring new income into the school system.

Contacting the School Board's Financial Management

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

Rhonda A. Blythe, Chief School Finance Officer

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The Alexander City Board of Education Central Office

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Alexander City Board of Education
Statement of Net Assets
September 30, 2011

	<u>Governmental</u> <u>Activities</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 3,148,524
Accounts Receivable	441,713
Due from Other Governments	-
Inventories	26,914
Other Assets	-
Total Current Assets	<u>3,617,151</u>
 <u>Noncurrent Assets</u>	
Investments	<u>123,861</u>
Capital Assets:	
Land Improvements	369,746
Building Improvements	27,889,680
Equipment and Furniture	3,611,317
Construction in Progress	2,300,361
Less: Accumulated Depreciation	<u>(17,104,610)</u>
Total Capital Assets, Net of Depreciation	17,066,494
Total Noncurrent Assets	<u>17,190,355</u>
 Total Assets	 <u><u>\$ 20,807,506</u></u>

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

	<u>Governmental Activities</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 257,226
Salaries and Benefits Payable	1,863,503
Deferred Revenue	85,342
Accrued Interest Payable	69,897
Current Maturity of Notes Payable	147,588
Warrants Payable	276,199
Total Current Liabilities	<u>2,699,755</u>
 <u>Noncurrent Liabilities</u>	
Notes Payable	754,920
Warrants payable	<u>2,762,666</u>
Total Noncurrent Liabilities	<u>3,517,586</u>
 Total Liabilities	 <u>6,217,341</u>
 <u>Net Assets</u>	
Invested Capital Assets	
Net of Related Debt	13,055,224
Restricted for:	
Capital Projects	194,839
Food Services	299,613
Unrestricted	<u>1,040,489</u>
Total Net Assets	<u>\$ 14,590,165</u>

Alexander City Board of Education
Statement of Activities
For the Year Ended September 30, 2011

Program Revenues

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>
<u>Governmental Activities</u>			
Instruction	\$ 16,613,187	\$ -	\$ 15,601,252
Instructional Support	4,113,851	-	2,830,377
Operation and Maintenance	1,925,620	-	14,374
Auxiliary Services:			
Food Service	1,583,164	1,551,850	-
Transportation	982,561	-	825,271
General Administration and			
Central Support	1,226,787	-	386,890
Capital Outlay	1,021,635	-	-
Other	179,694	22,284	122,420
Interest/Long-Term Debt	1,935,028	-	-
Total Governmental Activities	<u>\$ 29,581,527</u>	<u>\$ 1,574,134</u>	<u>\$ 19,780,584</u>

General Revenues

Taxes

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

Special Item

Gain on Sale of Capital Assets

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 <u>Contributions</u>	Total Governmental <u>Activities</u>
\$ -	\$ (1,011,935)
2,347	(1,281,127)
35,372	(1,875,874)
-	(31,314)
-	(157,290)
-	(839,897)
1,181,188	159,553
-	(34,990)
<u>537,643</u>	<u>(1,397,385)</u>
<u>\$ 1,756,550</u>	<u>(6,470,259)</u>

2,740,209
1,364,299
158,743
2,359,603
9,514
50,000
138,397
169,513
50,000

-
1,603,252
8,643,530
2,173,271
12,416,894
\$ 14,590,165

Alexander City Board of Education
Balance Sheet
Governmental Funds
September 30, 2011

	<u>General Funds</u>	<u>Child Nutrition Program Fund</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,013,278	\$ 319,217
Investments	-	-
Accounts Receivable, Net	194,796	133,906
Due from Other Governments	-	-
Inventories	-	26,914
Other Assets	-	-
Total Assets	<u>2,208,074</u>	<u>480,037</u>
<u>Liabilities and Fund Balance</u>		
<u>Liabilities</u>		
Accounts Payable	37,983	180,424
Other Payable	1,863,503	-
Total Liabilities	<u>1,901,486</u>	<u>180,424</u>
<u>Fund Balances</u>		
Nonspendable	-	26,914
Restricted	-	-
Committed	-	-
Assigned	72,302	272,699
Unassigned	234,286	-
Total Fund Balance	<u>306,588</u>	<u>299,613</u>
Total Liabilities and Fund Balances	<u>\$ 2,208,074</u>	<u>\$ 480,037</u>

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

Capital Projects <u>Funds</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 194,290	\$ 621,738	\$ 3,148,523
-	123,861	123,861
549	112,462	441,713
-	-	-
-	-	26,914
-	-	-
<u>194,839</u>	<u>858,061</u>	<u>3,741,011</u>
-	124,160	342,567
-	-	1,863,503
-	<u>124,160</u>	<u>2,206,070</u>
-	-	26,914
-	-	-
-	-	-
194,839	733,901	1,273,741
-	-	234,286
<u>194,839</u>	<u>733,901</u>	<u>1,534,941</u>
<u>\$ 194,839</u>	<u>\$ 858,061</u>	<u>\$ 3,741,011</u>

**Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
September 30, 2011**

Total Fund Balances-Governmental Funds \$ 1,534,941

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	\$ 369,746	
Building and Improvements	27,889,680	
Equipment and Furniture	3,611,317	
Construction in Progress	2,300,361	
Less: Accumulated Depreciation	<u>(17,104,610)</u>	
Total Capital Assets		17,066,494

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

	Due or Payable Within One Year <u>Current Liabilities</u>	Due or Payable After One Year <u>Noncurrent Liabilities</u>	
Warrants Payable	\$ 276,199	\$ 2,762,666	
Notes Payable	147,588	754,920	
Accrued Interest Payable	<u>69,897</u>	<u>-</u>	
Total Long-Term Liabilities	\$ 493,684	\$ 3,517,586	<u>(4,011,270)</u>
Total Net Assets Governmental Activities			<u>\$ 14,590,165</u>

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

Alexander City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2011

<u>Revenues</u>	<u>General Fund</u>	<u>Child Nutrition Program Fund</u>
State	\$ 16,030,782	\$ -
Federal	37,224	1,108,128
Local	6,600,007	444,065
Other	138,726	22,284
Total Revenue	22,806,739	1,574,477
<u>Expenditures</u>		
Current		
Instruction	13,738,221	-
Instructional Support	3,155,888	-
Operation and Maintenance	1,793,391	-
Auxiliary Services:		
Food Service	-	1,592,690
Student Transportation Services	858,365	-
General and Administration and		
Central Support	705,870	-
Capital Outlay	880,055	-
Other Expenditures	104,074	21,775
Debt Service:		
Principal Retirement	-	-
Interest	-	-
Total Expenditures	21,235,863	1,614,465
Excess(Deficiency) of revenues over Expenditures	1,570,876	(39,988)
<u>Other Financing Sources (Uses)</u>		
Transfers In	513,734	-
Indirect Cost	37,987	-
Transfers Out	(447,703)	-
Other Funding Sources	61,000	-
Total Other Funding Sources(Uses)	165,018	-
Net Changes in Fund Balances	1,735,894	(39,988)
Fund Balances-Beginning of Year	(1,429,306)	339,601
Fund Balances-End of Year	\$ 306,588	\$ 299,613

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

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 874,148	\$ 600	\$ 16,905,529
-	3,747,139	4,892,492
-	848,737	7,892,808
1,397,385	31,068	1,589,463
<u>2,271,532</u>	<u>4,627,544</u>	<u>31,280,292</u>
-	2,860,512	16,598,733
-	967,100	4,122,988
50,373	95,076	1,938,839
-	-	1,592,690
-	170,422	1,028,786
120,557	465,479	1,291,906
-	-	880,055
-	224,941	350,789
1,329,604	-	1,329,604
605,424	-	605,424
<u>2,105,958</u>	<u>4,783,528</u>	<u>29,739,814</u>
165,575	(155,984)	1,540,478
-	516,523	1,030,257
-	-	37,987
(456,464)	(504,834)	(1,409,001)
456,464	-	517,464
-	11,689	176,707
165,575	(144,296)	1,717,185
29,264	878,197	(182,244)
<u>\$ 194,839</u>	<u>\$ 733,901</u>	<u>\$ 1,534,941</u>

Alexander City Board of Education
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities
For the Year Ended September 30, 2011

Reconciliation of the Statement of Revenues, Expenditures and Net Changes in Fund Balance-Total Governmental Funds	\$ 1,717,185
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Amounts reported for governmental activities on the
Statement of Activities are different because:

Governmental funds reports capital outlays as expenditures. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$1,963,825) exceeded depreciation (\$882,528) in the current period.	1,081,297
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Repayment of debt principal is an expenditure in the Governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Assets	319,502
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Some expenses, such as interest expense , compensated absences and therefore are not reported as expenditures in the governmental funds.	(944,713)
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Change in Net Assets of Governmental Activities	\$ 2,173,271
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Alexander City Board of Education
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2011

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 403,683
Investments	1,375
Receivables	25,256
Total Assets	<u>430,314</u>
<u>Liabilities</u>	
Account Payable	70,131
Due to Clubs and Class	360,183
Total Liabilities	<u>430,314</u>
<u>Net Assets</u>	<u><u>\$ 0</u></u>

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

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2011**

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 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 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, 2011**

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, 2011**

- **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, 2011**

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, 2011**

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, 2011**

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

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 of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. The Board has no general infrastructure assets.

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

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

6. Long-Term Obligations

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

Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2011

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

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which the fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the school system for specific purposes. The Board authorized the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2011**

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

8. Compensated Absences

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

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

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

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

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

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2011**

8. Compensated Absences (continued)

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

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

Alexander City Board
Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 3 – Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>9/30/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2011</u>
Capital Assets, Not Being Depreciated				
Land	\$ 340,746	-	-	\$ 340,746
Construction in Progress	456,736	1,848,625	(5,000)	2,300,361
Total Capital Assets, Not Being Depreciated	797,482	1,848,625	(5,000)	2,641,107
Capital Assets Being Depreciated				
Land Improvements	29,000	-	-	29,000
Building and Building Improvements	27,889,680	-	-	27,889,680
Equipment and Furniture	3,496,117	115,200	-	3,611,317
Total Capital Assets Being Depreciated	31,414,797	115,200	-	31,529,997
Less Accumulated Depreciation for				
Land Improvements	(11,279)	(1,550)	-	(12,829)
Building and Building Improvements	(14,186,337)	(566,206)	-	(14,752,543)
Equipment and Furniture	(2,024,466)	(314,772)	-	(2,339,238)
Total Accumulated Depreciation	(16,222,082)	(882,528)	-	(17,104,610)
Total Capital Assets, Being Depreciated, Net	15,192,715	(767,328)	-	14,425,387
Total Governmental Activities Capital Assets, Net	\$ 15,990,197	1,081,297	(5,000)	\$ 17,066,494

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

<u>Governmental Activities</u>	<u>Current Year</u> <u>Depreciation Expense</u>
Instruction	\$ 293,989
Instructional Support	251,079
Operation and Maintenance	43,448
Auxiliary Services	189,059
General Administration and Central Support	104,953
Total Depreciation Expense	\$ 882,528

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2011**

Note 4- Receivables

On September 30, 2011, receivables for the Board's individual major funds and other governmental funds in the aggregate are as follows:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Receivables:				
Sales Tax	\$ 17,024	\$ -	\$ -	\$ 17,024
Advalorem Tax	18,938	-	-	18,938
Intergovernmental	43,449	133,906	95,637	272,992
Other	<u>115,385</u>	<u>-</u>	<u>17,374</u>	<u>132,759</u>
Total Receivables	<u>\$194,796</u>	<u>\$133,906</u>	<u>\$113,011</u>	<u>\$441,713</u>

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2011, the deferred revenue of \$85,342 reported in the governmental funds was for grant drawdowns prior to meeting all eligibility requirements.

Note 5- Defined Benefit Pension Plan

A. Plan Description

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

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

Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 5- Defined Benefit Pension Plan-(continued)

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

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

B. Funding Policy

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>2011</u>	<u>2010</u>	<u>2009</u>
Total Percentage of Covered Payroll	17.51%	17.25%	16.90%
<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	\$ 1,905,327	\$ 2,006,919	\$ 2,046,474
Contributed by Employees	<u>761,522</u>	<u>802,126</u>	<u>847,753</u>
Total Contributions	\$ <u>2,666,849</u>	\$ <u>2,809,045</u>	\$ <u>2,894,227</u>

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2011**

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

B. Funding Policy

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

Retired Member Rates

Individual Coverage/Non-Medicare Eligible - \$146

Family Coverage/Both Retired Member and Dependent(s) are Non-Medicare Eligible-\$381

Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible-\$245

Individual Coverage/Medicare Eligible Retired Member - \$10

Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependents-\$245

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

Surviving Spouse Rates

Surviving Spouse Non-Medicare Eligible - \$701

Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible - \$890

Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible - \$859

Surviving Spouse Medicare Eligible - \$369

Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible - \$558

Surviving Spouse Medicare Eligible and Dependent Medicare Eligible - \$527

Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2011

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

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent by the employer premium. A tobacco surcharge is \$27.00 per month for retired members that smoke.

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

<u>Fiscal Year Ended September 30</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Active Health Insurance Premiums Paid By Board	\$752	\$752	\$752
Amount of Premium Attributable to Retirees	\$198.94	\$241.27	\$205.45
Percentage of Active Employee Premiums Attributable to Retirees	26.45%	32.08%	27.32%
Total Amount Paid Attributable to Retirees	\$996,297	\$1,258,381	\$1,158,459
Percentage of Required Amount Contributed	100%	100%	100%

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

Note 7 – Long – Term Debt

The following is a summary of general long – term debt transactions for the year ended September 30, 2011:

	<u>Principal Balance 10/01/2010</u>	<u>Issued/ Increased</u>	<u>Repaid/ Decreased</u>	<u>Debt Outstanding 09/30/2011</u>	<u>Amount Due Within One Year</u>
<u>Governmental Activities</u>					
Warrants					
General Obligation					
Warrants 2011 Series	\$ 3,213,763	\$ -	\$ 174,898	\$ 3,038,865	\$ 276,199
Notes Payable	<u>1,047,112</u>	-	<u>144,604</u>	<u>902,508</u>	<u>147,588</u>
Governmental Activity					
Long- Term Liabilities	\$ <u>4,260,875</u>	\$ <u>-</u>	\$ <u>319,502</u>	\$ <u>3,941,373</u>	\$ <u>423,787</u>

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2011**

Note 7 – Long – Term Debt-(continued)

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.

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

Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 7 – Long – Term Debt-(continued)

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

<u>Fiscal Year Ending</u>	<u>General Obligations Series 2011</u>		<u>Total Principal and Interest Requirements To Maturity</u>
	<u>Principal</u>	<u>Interest</u>	
September 30, 2012	\$ 276,199	\$ 38,887	\$ 315,086
2013	201,089	88,958	290,047
2014	219,580	85,835	305,415
2015	195,658	107,657	303,315
2016	191,769	109,484	301,253
2017-2021	750,880	769,616	1,520,496
2022-2026	<u>1,203,690</u>	<u>106,793</u>	<u>1,310,483</u>
Totals	\$ <u>3,038,865</u>	\$ <u>1,307,230</u>	\$ <u>4,346,095</u>

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

<u>Fiscal Year Ending</u>	<u>Notes Payable</u>		<u>Total Principal and Interest Requirements To Maturity</u>
	<u>Principal</u>	<u>Interest</u>	
September 30, 2012	\$ 147,588	\$ 38,682	\$ 186,270
2013	154,083	32,187	186,270
2014	160,863	25,407	186,270
2015	167,943	18,327	186,270
2016	175,333	10,937	186,270
2017	<u>96,698</u>	<u>4,172</u>	<u>100,870</u>
Totals	\$ <u>902,508</u>	\$ <u>129,712</u>	\$ <u>1,032,220</u>

Note 8– Risk Management

The Board is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence and purchases

**Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2011**

Note 8– Risk Management-(continued)

commercial insurance for claims in excess of \$ 3.5 million. Errors and omissions insurance and vehicle liability insurance is purchased from the Alabama Risk Management for School (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases excess insurance for any amount coverage requested by pool participants in excess of the coverage provided by the pool.

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

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

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

Alexander City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 9 – Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2011, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Capital Projects</u>	<u>Agency</u>	
General Fund	\$ -	\$ (66,031)	\$ -	\$ -	\$ (66,031)
Other Governmental Funds	66,031	-	-	-	66,031
Agency Funds	-	77,720	-	(77,720)	-
Total	\$ <u>66,031</u>	\$ <u>11,689</u>	\$ <u>-</u>	\$ <u>(77,720)</u>	\$ <u>-</u>

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

Note 10 – Construction Commitment

As of September 30, 2011, the Alexander City Board of Education was obligated under contract to renovate the Benjamin Russell High School Competition Gymnasium. As of September 30, 2011, a total of \$2,300,361 had been spent. The project was 98.83% complete.

Required Supplementary Information

Alexander City Board of Education
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended September 30, 2011

<u>Revenues</u>	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
State	\$ 16,355,464	\$ 16,019,151
Federal	27,529	27,529
Local	5,815,024	5,745,437
Other	134,402	134,402
Total Revenues	<u>22,332,419</u>	<u>21,926,519</u>
 <u>Expenditures</u>		
Current:		
Instruction	15,081,295	14,368,383
Instructional Support	3,213,930	3,247,961
Operation and Maintenance	1,982,138	2,033,288
Auxiliary Services	781,910	820,909
General Administration and		
Central Support	702,015	722,326
Other	104,932	103,704
Capital Outlay	880,055	880,055
Debt Service	-	-
Total Expenditures	<u>22,746,275</u>	<u>22,176,626</u>
Excess(Deficiency) of Revenues		
Over Expenditures	<u>(413,856)</u>	<u>(250,107)</u>
 <u>Other Financing Services(Uses)</u>		
Other Sources	644,462	644,419
Other Uses	<u>(455,223)</u>	<u>(415,736)</u>
Total Other Financing		
Sources(Uses)	189,239	228,683
Net Changes on Fund balances	(224,617)	(21,424)
Fund Balances at Beginning of Year	<u>432,087</u>	<u>432,087</u>
Fund Balances at End of Year	<u>\$ 207,470</u>	<u>\$ 410,663</u>

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**

\$ 16,030,782

37,224

6,600,007

138,726

262,901

13,738,221

31,989

3,155,888

(1,782)

1,793,391

(2,004)

858,365

-

(1,114)

705,870

(265)

104,074

-

880,055

-

-

289,726

21,235,863

289,726

1,570,876

-

-

-

289,726

612,721

(447,703)

165,018

289,726

1,735,894

432,087

432,087

721,813

\$ 2,167,981

Alexander City Board of Education
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Special Fund
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Federal	\$ 1,109,218	\$ 1,230,152	\$ 1,108,128
Local	442,974	572,163	444,065
Other	22,284	50,000	22,284
Total Revenues	<u>1,574,476</u>	<u>1,852,315</u>	<u>1,574,477</u>
<u>Expenditures</u>			
Current			
Auxiliary Services:			
Food Services	1,604,939	1,801,157	1,592,690
Other	-	-	21,775
Capital Outlay	-	-	-
Total Expenditures	<u>1,604,939</u>	<u>1,801,157</u>	<u>1,614,465</u>
Excess(Deficiency) of Revenues Over Expenditures	<u>(30,462)</u>	<u>51,158</u>	<u>(39,988)</u>
<u>Other Financing Services (Uses)</u>			
Transfers In	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(30,462)	51,158	(39,988)
Fund Balances - Beginning of Year	<u>339,601</u>	<u>339,601</u>	<u>339,601</u>
Fund Balances - End of Year	<u>\$ 309,139</u>	<u>\$ 390,759</u>	<u>\$ 299,613</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, 2011

Stewardship, Compliance, and Accountability

Budgets

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

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

Supplementary Information

Alexander City Board of Education
Schedule of Expenditures of Federal Awards
For Fiscal year Ended September 30, 2011

	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Revenue</u>	<u>Federal Expenditures</u>
US Department of Education				
Passed Through State Department of Education				
Individual W/Disabilities (IDEA-Part B)	84.027	CLB - 102	\$ 709,286	\$ 709,286
Individual W/Disabilities (IDEA-Pre-School Part B)	84.173	CLB - 102	19,375	19,375
Vocational Education	84.048A	CLB - 102	41,088	41,088
Impact Aid	84.041	NA	6,349	6,349
Title I - Part A	84.010	CLB - 102	658,400	658,400
Title II - Training	84.367	CLB - 102	187,465	187,465
Title II - Technology	84.318	CLB - 102	2,467	2,467
Title IV - Drug Free	84.186	CLB - 102	3,496	3,496
Title VI - Rural Ed	84.358	CLB - 102	91,621	91,621
Title III - English Language Acq	84.365	CLB - 102	11,907	11,907
Title I - School Improvement	84.010	CLB - 102	1,064	1,064
HHS - Disability Determination	96.001	CLB - 102	3,222	3,222
HHS - Dependent Care	93.575	CLB - 102	3,718	3,718
Tech Prep	84.243	CLB - 102	4,044	4,044
ARRA-Title I	84.389	CLB - 102	151,156	151,156
ARRA-Education Jobs Fund	84.410	CLB - 102	680,162	680,162
ARRA-IDEA	84.391	CLB - 102	311,919	311,919
ARRA-IDEA Part B Preschool	84.392	CLB - 102	12,908	12,908
ARRA-Fiscal Stabilization	84.394	CLB - 102	816,135	816,135
AARA-COBRA Premium Assistance	17.151	CLB - 102	2,050	2,050
ROTC	12	CLB - 102	27,653	27,653
ARC - Home Instruction Parents Preschool	84.310	CLB - 102	30,942	30,942
PFG History Grant	84.215X	CLB - 102	7,935	7,935
Total US Dept. of Education			<u>3,784,363</u>	<u>3,784,363</u>
US Dept. of Agriculture				
Passed Through State Dept. of Education				
USDA Fresh Fruits and Vegetable Programs	10.582		61,525	61,525
Food Donation Program	10.565		84,877	84,877
USDA Severe Need Breakfast Program	10.553		186,973	186,973
National School Lunch Program	10.555		774,753	774,753
Total US Dept. of Agriculture			<u>1,108,128</u>	<u>1,108,128</u>
Total Expenditures of Federal Awards			<u>\$ 4,892,491</u>	<u>\$ 4,892,491</u>

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

Alexander City Board of Education
Notes to the Schedule of Expenditures
Of Federal Awards
For the Year Ended September 30, 2011

Note 1 – Basis of Presentation

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

Additional Information

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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, 2011, and have issued my report thereon, dated July 26, 2012. 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 Alexander City Board of Education's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Alexander City Board of Education's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

I noted certain matters that I reported to the management of the Alexander City Board of Education in a separate letter dated July 26, 2012.

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.



Darlene Naler CPA, PC
Alexander City, Alabama
July 26, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 Alexander City Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A - 133 Compliance Supplement* that could have a direct and material effect on each of the Alexander City Board of Education's major federal programs for the year ended September 30, 2011. Alexander City Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Alexander City Board of Education's management. My responsibility is to express an opinion on the Alexander City Board of Education's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Alexander City Board of Education's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Alexander City Board of Education's compliance with those requirements.

In my opinion, the Alexander City Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the Alexander City Board of Education 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 Alexander City Board of Education's internal control over

compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Alexander City Board of Education's internal control over compliance.

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

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

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
Alexander City, Alabama
July 26, 2012

**Alexander City Board Of Education
Schedule of Findings and Questioned Cost
Year Ended September 30, 2011**

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?

___ Yes X None reported

Noncompliance material to financial
statements noted?

___ Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

___ Yes X No

Significant deficiency(ies) identified?

___ Yes X None reported

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

Unqualified

Any audit findings disclosed that required to be
reported in accordance with Circular A-133,
Section .510(a)?

___ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program Cluster

84.410

ARRA – Education Jobs Fund

10.555

USDA Food and Nutrition

84.367

Title II - Training

10.553

USDA Severe Need Breakfast Program

84.010

Title I – No Child Left Behind

84.389

ARRA – Title I, Part A

**Alexander City Board of Education
Schedule of Findings and Questioned Costs
Year Ended September 30, 2011**

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