

Report on the

Pike County Board of Education

Pike County, Alabama

October 1, 2013 through September 30, 2014

Filed: September 11, 2015



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



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Ronald L. Jones
Chief Examiner

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

Dear Sir:

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

Sworn to and subscribed before me this
the 31st day of August, 2015.

Karen M. Barker
Notary Public Exp: 10/17/17

Sworn to and subscribed before me this
the 31st day of August, 2015.

Karen M. Barker
Notary Public Exp: 10/17/17

Respectfully submitted,

Brittany H. Little
Brittany H. Little
Examiner of Public Accounts

Brooke Phillips

Brooke Phillips
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

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

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

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

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

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

The following officials/administrative personnel were invited to an exit conference to discuss the results of the audit: Superintendent: Mark Bazzell, Ed.D; Chief School Financial Officer: Jennifer Hornsby; and Board Members: Linda Steed, Earnest Green, Wyman Botts, W. Greg Price, Chris Wilkes, and Clint Foster. The following individuals attended the exit conference, held at the Board’s offices: Superintendent: Mark Bazzell, Ed.D; Chief School Finance Officer: Jennifer Hornsby; Board Members: Linda Steed, Wyman Botts, W. Greg Price, and Chris Wilkes; and representatives of the Department of Examiners of Public Accounts: Cherie Raffle, Audit Manager; Brittany Little, Examiner of Public Accounts and Brooke Phillips, Examiner of Public Accounts.

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Independent Auditor's Report

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, during fiscal year ended September 30, 2014, the Pike County Board of Education adopted Governmental Accounting Standards Board (GASB) Statement Number 65, **Items Previously Reported as Assets and Liabilities**. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2015, on our consideration of the Pike County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pike County Board of Education's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 24, 2015

*Management's Discussion and Analysis
(Required Supplementary Information)*

Pike County Board of Education

Management Discussion and Analysis

September 30, 2014

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

The Management's Discussion and Analysis (MD & A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Financial Highlights

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

On the government-wide financial statements:

- 1 The assets of the Board exceeded its liabilities at the close of the 2014 fiscal year by \$10.0 million (net position). Of this amount, there exists a surplus of \$1.7 million in unrestricted net position. The net position invested in capital assets amounted to \$7.8 million. The government-wide financial statements are a long-term availability approach to analyzing the financial statements.
- 2 The total cost of the Board's programs for the year was \$24 million. After taking away a portion of these costs paid for with charges for services, intergovernmental aid, interest earnings and other miscellaneous sources, the net cost that required funding from Pike County taxpayers was \$5.9 million.

On the fund financial statements:

- 1 At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.16 million.
- 2 There was an overall decrease of \$1.6 million in fund balance in governmental funds.
- 3 The Board's long-term debt is \$8.11 million. This debt consists of bonds and warrants in the amount of \$6.64 million, the proceeds of which are restricted for renovation and new construction and notes totaling \$1.47 million for the purchase of new school buses and other equipment.

Using the Financial Statements – An Overview for the User

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

The Board’s basic financial statements are comprised of three components:

- 1) *Government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*.

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

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

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

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

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

General administration and central 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, and extended day personnel. 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 for governmental entities closer to the financial reporting methods used in the private sector. The following *government-wide financial statements* report on all of the governmental activities of the Board as a whole.

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

The *Statement of Activities* (exhibit #2) is most closely related to an income statement. It presents information showing how the Board's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net position for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. 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 reporting model still requires the Board to present financial statements on a fund basis, but with some modifications. All of the funds of the Board can be classified as governmental funds.

Governmental Funds – Governmental *fund financial statements* begin with (exhibit #3). These statements account for basically the same governmental activities reported in the *government-wide financial statements*. As required under the reporting model, the *fund financial statements* presented herein display information on each of the Board's most important governmental funds or *major funds*. This is required in order to better assess the Board's accountability for significant governmental programs or certain dedicated revenue. The Board's *major funds* for FY 2014 are the General Fund and the Special Revenue Fund.

The *fund financial statements* are measured on the modified-accrual basis of accounting, 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 (exhibits #4 and #6) of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financing decisions.

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

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

Government-Wide Financial Analysis

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to *Table 1* when reading the following analysis of net position. The Board's assets exceeded liabilities by \$10 million at September 30, 2014.

- 1 Of this figure, 78 percent or \$7.87 million reflects the Board's investment in capital assets (e.g., land, buildings, improvements, furniture and equipment, and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net position is not available for future spending or funding of operations.
- 2 An unrestricted net position account balance of \$1.70 million exists for other uses.

Table 1: Summary of Net Position
Governmental Activities
(In millions)

	<u>9/30/2014</u>	<u>9/30/2013</u>
Current and other assets	\$ 5.22	\$ 6.40
Capital assets	15.99	14.38
Total Assets	\$21.21	\$20.78
Current and other liabilities	\$1.87	\$2.60
Long-term liabilities	8.12	7.76
Total Liabilities	\$9.99	\$10.36
Deferred Inflows of Resources	\$1.19	
Net Position:		
Net Investment in Capital Assets	\$7.87	\$6.63
Restricted	.46	1.74
Unrestricted	1.70	2.05
Total Net Position	\$10.03	\$10.42

At the end of the current fiscal year, the Board is able to report positive balances in all categories of net position.

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

**Table 2: Summary of Changes in Net Position from Operating Results
Governmental Activities**

	<u>9/30/2014</u>	<u>9/30/2013</u>
Revenues:		
Program Revenues		
Charges for services	\$ 1.81	\$ 1.86
Operating grants and contributions	15.51	15.05
Capital grants and contributions	.77	1.80
General Revenues:		
Local property taxes	1.15	1.43
Sales and use taxes	3.58	3.05
Other	.83	.70
Total Revenues	\$ 23.65	\$ 23.89
Expenses		
Instruction	\$ 12.17	\$ 11.60
Instructional support	3.62	3.34
Operations and maintenance	2.33	2.10
Auxiliary services	4.04	4.03
General administrative and central support	1.21	1.35
Interest and fiscal charges	.38	.44
Other	.29	.21
Total Expenses	\$ 24.04	\$ 23.07
Change in Net Position	(.39)	.82
Net Position-Beginning	10.42	9.60
Net Position-Ending	\$ 10.03	\$ 10.42

The Board's net position decreased by \$388 thousand during the current fiscal year.

Governmental Activities – As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2014 was \$24.04 million. It is important to note that not all of these costs were borne by the taxpayers of Pike County:

- 1 Some of the cost, \$1.81 million, was paid by users who benefited from services provided during the year, such as Instruction, Instructional Support, Operation and Maintenance, Food Services and Other.
- 2 State and federal governments subsidized certain programs with operating and capital grants and contributions totaling \$16.28 million.
- 3 Other general revenue sources, such as interest earnings etc., provided for \$830 thousand in revenues.
- 4 \$4.73 million of the Board's total costs of \$24.04 million was financed by district and state taxpayers, as follows: \$1.15 million in property taxes, \$3.58 million in sales and use taxes.

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

Table 3: Net Cost of Governmental Activities

Fiscal Year Ended September 30, 2014

(In millions)

	Total Cost of Services	Net Cost of Services
Instructional services	\$12.17	(\$1.94)
Instructional support services	\$3.62	(\$.68)
Operations and maintenance services	\$2.33	(\$1.25)
Auxiliary services	\$4.04	(\$.87)
General administration and central support	\$1.21	(\$.75)
Interest and fiscal charges	\$.38	(\$.38)
Other expenses	\$.29	(\$.08)
Total	\$24.04	(\$5.95)

Fund Level Financial Analysis

As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Board's overall financial health. The following analysis of the Board's funds should be read in reference to the fund financial statements, which begin with (exhibit #3).

Governmental Funds – The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the board's financial requirements (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on (exhibits #4 and #6). At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$2.16 million. Approximately \$1.16 million of this amount constitutes unassigned fund balance of the General fund, which is available as of the end of the fiscal year for spending on near-future operations.

General Fund – The general fund is the primary operating fund of the Board. The net decrease in general fund balance as a result of operations this year was \$406 thousand. This is primarily due to capital improvement projects over the last year. The board's total general fund balance is now \$1.16 million.

The general fund reflects transfers out of \$908 thousand. Of this amount, \$282 thousand represents an amount that is received from the state department of education and is mandated to be passed through to the child nutrition program.

Special Revenue Fund – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Special Revenue Fund had a net decrease in fund balance of \$282 thousand, with an ending fund balance of \$830 thousand.

Budgetary Highlights

As mandated by the State of Alabama, the Board submits to the Alabama State Department of Education a balanced budget reflecting the projected revenues and expenditure plan for their use prior to the fiscal year commencing October 1 of every year. The final FY 2014 General Fund budget reflected a conservative approach to budgeting revenues.

The Board’s General Fund relies heavily upon the local sales tax generated.

General Fund – The comparison of the original General fund budget to the final amended budget is comprised of one amendment.

Amendment #1 was submitted to include the previous year’s carry-over dollars and other revenues not in the original.

Capital Assets and Debt Administration

Capital Assets – The Board’s investment in capital assets for its governmental activities for the year ended September 30, 2014, amounted to \$7.87 million, net of accumulated depreciation and debt related to the acquisition of the assets. The Board’s investment in capital assets includes land at historical cost, buildings and improvements at historical cost, equipment and furniture at historical cost and construction in progress, and is shown in *Table 4*.

**Table 4: Capital Assets (net of accumulated depreciation)
Governmental Activities
(In millions)**

	<u>9/30/2014</u>
Land and land improvements	\$.84
Buildings and Improvements	7.13
Furniture and Equipment	.42
Vehicles	1.49
Construction in Progress	<u>6.11</u>
Total Capital Assets	<u>\$15.99</u>

The Board expended available resources to acquire \$2.49 million in capital asset additions during the year as follows: Vehicle additions totaled \$792 thousand; equipment additions totaled \$52 thousand; and construction in progress increased to 1.6 million. The additions are reduced by the current year's depreciation expense of \$888 thousand. Additional information on the Board's capital assets is presented in the notes to the financial statements.

Long-Term Debt – At year-end, the Board had \$8.11 million in long-term debt outstanding. This debt was incurred for Capital Projects and included both new construction and renovation. It also included notes for the purchase of new school buses and office equipment. *Table 5* provides details.

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

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>			
Bonds & Warrants payable	\$6.84	(\$.20)	\$6.64
Notes Payable	\$.92	\$.55	\$1.47

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

- 1 During 2014, the Board made payment of \$47 thousand toward the principal on its Series 2009-B Capital Improvement Pool Warrants and \$16 thousand for interest. The Board also made payment of \$150 thousand toward the principal on its Series 2012 Capital Warrants and payment of \$215 thousand for interest.
- 2 During 2014, ten new buses were purchased and financed for \$792,760. The Board paid \$241 thousand against the principal and \$36 thousand in interest on notes which were secured for the acquisition of buses and equipment. The balance due is \$1,475,068.98 and this annual obligation will continue to be met with state fleet renewal dollars and local tax dollars.

Economic Factors

The Pike County Board of Education is anticipating further program revenue cuts for the upcoming fiscal year. Sales tax and ad valorem revenues have been conservatively budgeted to more accurately reflect the anticipated revenues which will be available for the school system during the upcoming budget year. The Board has been able to maintain a one month's operating reserve as required by the Alabama Department of Education. We are pleased that the implemented cuts from previous fiscal years largely left instructional activities unaffected for FY 2014. The Board will continue to conservatively budget and manage its expenditures.

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 Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dr. Mark Bazzell, Superintendent; Pike County Board of Education, 101 West Love Street, Troy, Alabama.

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Basic Financial Statements

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Statement of Net Position
September 30, 2014

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 1,954,596.33
Investments	1,260,679.69
Receivables (Note 4)	771,626.43
Ad Valorem Property Taxes Receivable	1,191,360.30
Inventories	45,223.54
Capital Assets (Note 5):	
Nondepreciable	6,368,260.90
Depreciable, Net	9,617,178.88
Total Assets	<u>21,208,926.07</u>
<u>Liabilities</u>	
Payables (Note 9)	532,553.50
Unearned Grant Revenue	14,564.71
Salaries and Benefits Payable	1,320,407.09
Long-Term Liabilities:	
Portion Due or Payable Within One Year	436,846.61
Portion Due or Payable After One Year	7,680,423.09
Total Liabilities	<u>9,984,795.00</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	1,191,360.30
Total Deferred Inflows of Resources	<u>1,191,360.30</u>
<u>Net Position</u>	
Net Investment in Capital Assets	7,868,170.08
Restricted for:	
Capital Projects	4.59
Debt Service	173,468.94
Child Nutrition Program	282,630.78
Other Purposes	4,297.14
Unrestricted	<u>1,704,199.24</u>
Total Net Position	<u>\$ 10,032,770.77</u>

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

Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities</u>			
Instruction	\$ 12,171,521.04	\$ 303,304.75	\$ 9,370,237.81
Instructional Support	3,617,866.97	53,747.09	2,886,853.69
Operation and Maintenance	2,326,062.38	19,061.63	1,053,423.60
Auxiliary Services:			
Student Transportation	2,272,371.82	21,291.52	1,532,327.73
Food Service	1,768,969.87	1,231,416.67	166,274.20
General Administration and Central Support	1,212,991.15	17,486.78	442,917.96
Interest and Fiscal Charges	378,873.47		
Other	291,932.97	161,258.53	53,760.84
Total Governmental Activities	<u>\$ 24,040,589.67</u>	<u>\$ 1,807,566.97</u>	<u>\$ 15,505,795.83</u>

General Revenues:

Taxes:

- Property Taxes for General Purposes
- Property Taxes for Specific Purposes
- Sales Tax and Use Tax - General Purposes
- Other Taxes

Grants and Contributions Not Restricted for Specific Programs

- Investment Earnings
- Gain on Disposition of Capital Assets
- Miscellaneous

Total General Revenues

Changes in Net Position

Net Position - Beginning of Year

Net Position - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$ 556,122.00	\$ (1,941,856.48)
	(677,266.19)
	(1,253,577.15)
222,000.00	(496,752.57)
	(371,279.00)
	(752,586.41)
	(378,873.47)
	(76,913.60)
<u>\$ 778,122.00</u>	<u>(5,949,104.87)</u>

1,015,828.43
131,163.00
3,582,792.08
46,300.18

78,482.61
6,769.06
30,016.67
669,715.86

5,561,067.89

(388,036.98)

10,420,807.75

\$ 10,032,770.77

Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Special Revenue Fund
Assets		
Cash and Cash Equivalents	\$ 1,081,330.86	\$ 699,791.94
Investments	1,250,000.00	10,679.69
Receivables (Note 4)	614,399.29	150,850.91
Ad Valorem Property Taxes Receivable	1,191,360.30	
Interfund Receivables	19,386.65	9,437.46
Inventories		45,223.54
Total Assets	<u>4,156,477.10</u>	<u>915,983.54</u>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Payables (Note 9)	525,337.78	7,215.72
Interfund Payables	9,437.46	13,010.42
Unearned Grant Revenue		14,564.71
Salaries and Benefits Payable	1,269,730.13	50,676.96
Total Liabilities	<u>1,804,505.37</u>	<u>85,467.81</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	1,191,360.30	
Total Deferred Inflows of Resources	<u>1,191,360.30</u>	
Fund Balances		
Nonspendable:		
Inventories		45,223.54
Restricted:		
Capital Projects		
Debt Services		
Child Nutrition Program		237,407.24
Other Purposes		4,297.14
Assigned to:		
Local Schools		543,587.81
Unassigned	1,160,611.43	
Total Fund Balances	<u>1,160,611.43</u>	<u>830,515.73</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,156,477.10</u>	<u>\$ 915,983.54</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 173,473.53	\$ 1,954,596.33
	1,260,679.69
6,376.23	771,626.43
	1,191,360.30
	28,824.11
	45,223.54
<u>179,849.76</u>	<u>5,252,310.40</u>
	532,553.50
6,376.23	28,824.11
	14,564.71
	1,320,407.09
<u>6,376.23</u>	<u>1,896,349.41</u>
	1,191,360.30
	<u>1,191,360.30</u>
	45,223.54
4.59	4.59
173,468.94	173,468.94
	237,407.24
	4,297.14
	543,587.81
	1,160,611.43
<u>173,473.53</u>	<u>2,164,600.69</u>
<u>\$ 179,849.76</u>	<u>\$ 5,252,310.40</u>

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 2,164,600.69

Amounts reported for governmental activities in the Statement of Net Position
(Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore
are not reported as assets in governmental funds (Note 5). 15,985,439.78

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

	Amounts Due or Payable Within One Year	Amounts Due or Payable After One Year	
Notes Payable	\$ 236,662.42	\$ 1,238,406.56	
Bonds and Warrants Payable	200,184.19	6,442,016.53	
Total	\$ 436,846.61	\$ 7,680,423.09	(8,117,269.70)

Total Net Position - Governmental Activities (Exhibit 1) \$ 10,032,770.77

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

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

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 12,953,188.10	\$ 3,200.00
Federal	231,636.52	3,355,366.02
Local	5,018,621.18	1,008,033.54
Other	10,021.48	114,857.24
Total Revenues	18,213,467.28	4,481,456.80
<u>Expenditures</u>		
Current:		
Instruction	9,927,154.42	1,760,100.00
Instructional Support	3,026,894.97	571,519.32
Operation and Maintenance	2,059,267.99	182,627.21
Auxiliary Services:		
Student Transportation	2,008,101.62	10,599.10
Food Service		1,878,994.85
General Administration and Central Support	875,264.01	343,068.17
Other	40,942.38	248,792.54
Capital Outlay	799,888.29	51,774.59
Debt Service:		
Principal Retirement		2,007.39
Interest and Fiscal Charges		269.35
Other Debt Service	1,397.50	
Total Expenditures	18,738,911.18	5,049,752.52
Excess (Deficiency) of Revenues Over Expenditures	(525,443.90)	(568,295.72)
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	173,912.12	
Long-Term Debt Issued	792,760.00	
Transfers In	11,282.66	297,154.22
Other Sources	19,879.35	
Sale of Capital Assets	30,200.00	
Transfers Out	(908,758.83)	(11,282.66)
Total Other Financing Sources (Uses)	119,275.30	285,871.56
Net Changes in Fund Balances	(406,168.60)	(282,424.16)
Fund Balances - Beginning of Year	1,566,780.03	1,112,939.89
Fund Balances - End of Year	\$ 1,160,611.43	\$ 830,515.73

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

Other Governmental Funds	Total Governmental Funds
\$ 776,565.00	\$ 13,732,953.10
	3,587,002.54
131,167.59	6,157,822.31
	124,878.72
<u>907,732.59</u>	<u>23,602,656.67</u>
13,562.00	11,700,816.42
	3,598,414.29
	2,241,895.20
	2,018,700.72
	1,878,994.85
	1,218,332.18
	289,734.92
1,646,052.75	2,497,715.63
437,060.77	439,068.16
377,206.62	377,475.97
	1,397.50
<u>2,473,882.14</u>	<u>26,262,545.84</u>
<u>(1,566,149.55)</u>	<u>(2,659,889.17)</u>
	173,912.12
	792,760.00
977,134.68	1,285,571.56
	19,879.35
	30,200.00
<u>(365,530.07)</u>	<u>(1,285,571.56)</u>
<u>611,604.61</u>	<u>1,016,751.47</u>
(954,544.94)	(1,643,137.70)
<u>1,128,018.47</u>	<u>3,807,738.39</u>
<u>\$ 173,473.53</u>	<u>\$ 2,164,600.69</u>

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

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (1,643,137.70)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$888,739.74) differed from capital outlay (\$2,497,715.63) in the current period. 1,608,975.89

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Debt Issued:
Notes Payable (792,760.00)

Repayments:
Debt Principal Payments 439,068.16

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances this amount.

Proceeds from Sale of Capital Assets	\$	(30,200.00)	
Gain on Disposition of Capital Assets		30,016.67	
			(183.33)

Change in Net Position of Governmental Activities (Exhibit 2) \$ (388,036.98)

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

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

Fund Financial Statements

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

The Board reports the following major governmental funds:

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

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

Governmental Fund Types

- ◆ **Debt Service Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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

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

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

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

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

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

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

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

1. Deposits and Investments

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

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

Investments consist of certificates of deposit and are reported at cost.

2. Receivables

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

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

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

3. Inventories

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

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

4. Restricted Assets

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

5. Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements (Exhaustible)	\$50,000	20 years
Buildings	\$50,000	50 years
Building Improvements	\$50,000	50 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 – 10 years
Equipment Under Capital Lease	\$ 5,000	5 – 20 years

Notes to the Financial Statements

For the Year Ended September 30, 2014

6. Long-Term Obligations

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

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

7. Deferred Inflows of Resources

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

8. Net Position/Fund Equity

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

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

- ◆ Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balances shall not be available for financing general expenditures include: inventories, prepaid items and long-term receivables.
- ◆ 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.
- ◆ 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.
- ◆ Assigned fund balances consist of amounts that are intended to be used by the school system for specific purposes. The Board or designee will 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.
- ◆ Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

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

9. Minimum Fund Balance Policies

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

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

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

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

Note 3 – Deposits and Investments

Deposits

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

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

Note 4 – Receivables

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

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Receivables:				
Sales Taxes	\$563,301.03	\$	\$	\$563,301.03
Other Receivables	46,656.00			46,656.00
Intergovernmental	4,442.26	150,850.91	6,376.23	161,669.40
Total Receivables	\$614,399.29	\$150,850.91	\$6,376.23	\$771,626.43

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

Note 5 – Capital Assets

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

	Balance 10/01/2013	Additions/ Reclassifications	Retirements/ Reclassifications	Balance 09/30/2014
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 251,311.72	\$ 6,746.68	\$	\$ 258,058.40
Construction in Progress	4,707,090.54	1,646,052.75	(242,940.79)	6,110,202.50
Total Capital Assets, Not Being Depreciated	4,958,402.26	1,652,799.43	(242,940.79)	6,368,260.90
Capital Assets Being Depreciated:				
Land Improvements (Exhaustible)	1,996,412.88			1,996,412.88
Buildings	11,760,715.35			11,760,715.35
Buildings Improvements	2,194,879.09	242,940.79		2,437,819.88
Equipment and Furniture	1,419,927.80	52,156.20	(49,100.00)	1,422,984.00
Vehicles	3,183,798.35	792,760.00	(274,677.00)	3,701,881.35
Total Capital Assets Being Depreciated	20,555,733.47	1,087,856.99	(323,777.00)	21,319,813.46
Less Accumulated Depreciation for:				
Land Improvements (Exhaustible)	(1,372,424.29)	(46,935.89)		(1,419,360.18)
Buildings	(5,664,242.72)	(205,838.29)		(5,870,081.01)
Buildings Improvements	(872,748.67)	(323,959.77)		(1,196,708.44)
Equipment and Furniture	(988,897.26)	(63,631.49)	48,916.67	(1,003,612.08)
Vehicles	(2,239,175.57)	(248,374.30)	274,677.00	(2,212,872.87)
Total Accumulated Depreciation	(11,137,488.51)	(888,739.74)	323,593.67	(11,702,634.58)
Total Capital Assets Being Depreciated, Net	9,418,244.96	199,117.25	(183.33)	9,617,178.88
Total Governmental Activities Capital Assets, Net	\$ 14,376,647.22	\$ 1,851,916.68	\$(243,124.12)	\$ 15,985,439.78
The Additions/Reclassifications column and the Retirement/Reclassification column include \$242,940.79 in Construction in Progress moved to Building Improvements.				

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
Instruction	\$470,704.62
Instructional Support	19,452.68
Operation and Maintenance	84,167.18
Auxiliary Services:	
Student Transportation	253,671.10
Food Service	48,423.66
General Administration and Central Support	10,000.38
Other	2,320.12
Total Depreciation Expense – Governmental Activities	\$888,739.74

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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

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

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

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

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

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

B. Funding Policy

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

Fiscal Year Ended September 30,	2014	2013	2012
Total Percentage of Covered Payroll (Tier 1)	19.21%	17.58%	17.25%
Total Percentage of Covered Payroll (Tier 2)	17.08%	15.44%	
Contributions:			
Percentage Contributed by the Board (Tier 1)	11.71%	10.08%	10.00%
Percentage Contributed by the Employees (Tier 1)	7.50%	7.50%	7.25%
Percentage Contributed by the Board (Tier 2)	11.08%	9.44%	
Percentage Contributed by the Employees (Tier 2)	6.00%	6.00%	
Contributed by the Board	\$1,365,902.34	\$1,170,425.08	\$1,156,222.48
Contributed by Employees	870,336.32	870,344.66	838,260.48
Total Contributions	\$2,236,238.66	\$2,040,769.74	\$1,994,482.96

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

B. Funding Policy

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

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

For employees that retired other than for disability on or after October 1, 2005 and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees who retire on or after January 2, 2012 are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is \$28.00 per month for retired members that use tobacco.

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

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid by Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2014	\$714.00	\$220.09	30.83%	\$767,487.78	100%
2013	\$714.00	\$216.90	30.38%	\$748,569.28	100%
2012	\$714.00	\$228.85	32.05%	\$788,572.30	100%

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

Note 8 – Construction and Other Significant Commitments

As of September 30, 2014, the Board was obligated under the following significant construction contracts:

Goshen High School Gym	\$903,058.44
Pike County High School Field House	37,571.35
Goshen High School Softball Field	42,891.46
Total	\$983,521.25

Note 9 – Payables

On September 30, 2014, payables for the Board's individual major funds are as follows:

	Accounts Payable	Due to Other Governments	Total Payables
<u>Governmental Activities</u>			
General Fund	\$	\$525,337.78	\$525,337.78
Special Revenue Fund	7,215.72		7,215.72
Total Governmental Activities	\$7,215.72	\$525,337.78	\$532,553.50

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 10 – Long-Term Debt

During fiscal year 2012, the Board issued \$6,660,000.00 of Capital Outlay School Warrants to refund the Series 2003 Capital Outlay School Warrants, for construction of facilities that are under the administration of the Board, and to pay the expenses of issuing the 2012 warrants. The Series 2012 Warrants are secured by the Board's pledge of its County Sales and Use Tax.

Long-term notes were incurred to purchase school buses. Titles to the buses are held in the name of the Board with a lien held by the Bank. Payments on the Notes were made from the Board's annual State allocation of Transportation – Fleet Renewal funds.

The Board issued the Series 2009B Capital Improvement Pool Refunding Bonds during fiscal year 2010 for the purpose of refunding the Series 1999D Capital Improvement Pool Bonds.

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

	Debt Outstanding 10/01/2013	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2014	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bonds and Warrants Payable:					
Series 2012 Refunding Capital Outlay Warrants	\$6,515,000.00	\$	\$(150,000.00)	\$6,365,000.00	\$150,000.00
Series 2009B Capital Improvement Pool Bonds	324,964.81		(47,764.09)	277,200.72	50,184.19
Total Bonds and Warrants Payable	6,839,964.81		(197,764.09)	6,642,200.72	200,184.19
Long-Term Notes Payable	923,613.05	792,760.00	(241,304.07)	1,475,068.98	236,662.42
Governmental Activities Long-Term Liabilities	<u>\$7,763,577.86</u>	<u>\$792,760.00</u>	<u>\$(439,068.16)</u>	<u>\$8,117,269.70</u>	<u>\$436,846.61</u>

Payments on the Series 2012 Warrants payables are made by the Debt Service Fund with county sales and use taxes. Payments on the Pool Bonds Series 2009B are made by the Debt Service Fund with pledged Public School Funds withheld from the Board's allocation from the Alabama State Department of Education. The long-term notes payable for buses are paid from fleet renewal monies received from the State Department of Education as well as with county sales and use taxes.

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

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

Fiscal Year Ending	Capital Improvement Pool Warrants Series 2009B		Capital Outlay Warrants Series 2012	
	Principal	Interest	Principal	Interest
September 30, 2015	\$ 50,184.19	\$13,601.48	\$ 150,000.00	\$ 213,035.00
2016	52,528.44	11,350.82	155,000.00	209,985.00
2017	55,172.62	8,724.40	155,000.00	206,885.00
2018	57,951.24	5,965.78	160,000.00	203,735.00
2019	61,364.23	3,068.18	165,000.00	200,485.00
2020-2024			875,000.00	944,350.00
2025-2029			1,010,000.00	809,950.00
2030-2034			1,205,000.00	618,357.50
2035-2039			1,460,000.00	356,600.00
2040-2042			1,030,000.00	63,304.93
Totals	<u>\$277,200.72</u>	<u>\$42,710.66</u>	<u>\$6,365,000.00</u>	<u>\$3,826,687.43</u>

Pledged Revenues

In 2012, the Board issued Series 2012 Capital Outlay School Warrants for the purpose of refunding the Series 2003 Capital Outlay School Warrants and the construction of school facilities that are under the administration of the Board, and to pay the expenses of issuing the 2012 warrants. The Board pledged to repay the capital outlay warrants from the proceeds of its share of the County Sales and Use Tax. Future revenues of \$10,191,687.43 are pledged to repay the principal and interest on the warrants at September 30, 2014. Proceeds of County Sales and Use Tax in the amount of \$3,582,792.08 were received by the Board during the fiscal year ended September 30, 2014. The Series 2012 Capital Outlay School Warrants will mature in fiscal year 2042.

The Series 2009-B Capital Improvement Pool Refunding Bonds are pledged to be repaid from the allocation of Public School Funds received from the State of Alabama. The proceeds are to be used for the acquisition, construction, and renovation of school facilities. Future revenues in the amount of \$319,911.38 are pledged to repay the principal and interest on the Series 2009-B bonds at September 30, 2014. Pledged funds in the amount of \$63,753.77 were used to pay to principal and interest on the bonds during the fiscal year ended September 30, 2014. This amount represents 11.5 percent of the pledged funds received by the Board. The Series 2009-B bonds will mature in fiscal year 2019.

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

Long-Term Notes Payable		Total Principal and Interest Requirements to Maturity
Principal	Interest	
\$ 236,662.42	\$ 64,939.66	\$ 728,422.75
252,928.02	48,674.06	730,466.34
262,365.21	39,608.48	727,755.71
107,996.01	27,377.07	563,025.10
109,844.36	23,251.98	563,013.75
505,272.96	56,200.52	2,380,823.48
		1,819,950.00
		1,823,357.50
		1,816,600.00
		1,093,304.93
<u>\$1,475,068.98</u>	<u>\$260,051.77</u>	<u>\$12,246,719.56</u>

Prior Year Defeasance of Debt

In prior years, the Board defeased the outstanding Capital Outlay School Warrants, Series 2003. The Board deposited funds into an irrevocable trust with an escrow agent to provide for all future debt service payments on the Capital Outlay School Warrants when they mature February 1, 2030. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Board's financial statements. At September 30, 2014, the total of \$2,515,000 of Capital Outlay School Warrants, Series 2003 is considered defeased.

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

Note 11 – Risk Management

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

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

The Board does not have insurance coverage for 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 *Code of Alabama 1975*, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs, which the employee incurs as a result of an on-the-job injury, may be filed for reimbursement with the State Board of Adjustment.

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

Note 12 – Interfund Transactions

Interfund Receivables and Payables

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

	Interfund Receivables		Totals
	General Fund	Special Revenue Fund	
Interfund Payables:			
General Fund	\$	\$9,437.46	\$ 9,437.46
Special Revenue Fund	13,010.42		13,010.42
Other Governmental Funds	6,376.23		6,376.23
Totals	\$19,386.65	\$9,437.46	\$28,824.11

Interfund Transfers

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

	Transfers Out			Total
	General Fund	Special Revenue Fund	Other Governmental Funds	
Transfers In:				
General Fund	\$	\$11,282.66	\$	\$ 11,282.66
Special Revenue Fund	297,154.22			297,154.22
Other Governmental Funds	611,604.61		365,530.07	977,134.68
Totals	\$908,758.83	\$11,282.66	\$365,530.07	\$1,285,571.56

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

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

Note 13 – Reclassification

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

Required Supplementary Information

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<u>Revenues</u>			
State	\$ 12,717,071.00	\$ 12,909,257.00	\$ 12,953,188.10
Federal	102,000.00	104,000.00	231,636.52
Local	4,516,935.00	4,636,792.00	4,975,462.21
Other			10,021.48
Total Revenues	<u>17,336,006.00</u>	<u>17,650,049.00</u>	<u>18,170,308.31</u>
<u>Expenditures</u>			
Current:			
Instruction	9,611,415.00	9,641,726.72	9,765,735.31
Instructional Support	2,756,036.00	2,996,011.00	3,002,667.68
Operation and Maintenance	1,884,724.97	2,207,635.78	2,055,742.56
Auxiliary Services:			
Student Transportation	1,618,581.00	1,778,581.00	1,998,494.71
General Administration and Central Support	787,322.00	777,322.00	875,264.01
Other	20,269.00	20,269.00	41,232.64
Capital Outlay		81,044.93	799,888.29
Debt Service:			
Debt Issuance Costs/Other Debt Service			1,397.50
Total Expenditures	<u>16,678,347.97</u>	<u>17,502,590.43</u>	<u>18,540,422.70</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>657,658.03</u>	<u>147,458.57</u>	<u>(370,114.39)</u>
<u>Other Financing Sources (Uses)</u>			
Indirect Cost		197,043.28	173,912.12
Long-Term Debt Issued			792,760.00
Transfers In		16,103.00	11,282.66
Other Financing Sources			19,879.35
Sale of Capital Assets			30,200.00
Transfers Out	(1,262,006.03)	(1,069,095.22)	(908,758.83)
Total Other Financing Sources (Uses)	<u>(1,262,006.03)</u>	<u>(855,948.94)</u>	<u>119,275.30</u>
Net Change in Fund Balances	(604,348.00)	(708,490.37)	(250,839.09)
Fund Balances - Beginning of Year	<u>2,200,000.00</u>	<u>2,324,357.53</u>	<u>2,223,887.67</u>
Fund Balances - End of Year	<u>\$ 1,595,652.00</u>	<u>\$ 1,615,867.16</u>	<u>\$ 1,973,048.58</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$
		12,953,188.10
		231,636.52
(1)	43,158.97	5,018,621.18
		10,021.48
	<u>43,158.97</u>	<u>18,213,467.28</u>
(2)	(161,419.11)	9,927,154.42
(2)	(24,227.29)	3,026,894.97
(2)	(3,525.43)	2,059,267.99
(2)	(9,606.91)	2,008,101.62
		875,264.01
(2)	290.26	40,942.38
		799,888.29
		1,397.50
	<u>(198,488.48)</u>	<u>18,738,911.18</u>
	<u>(155,329.51)</u>	<u>(525,443.90)</u>
		173,912.12
		792,760.00
		11,282.66
		19,879.35
		30,200.00
		<u>(908,758.83)</u>
		<u>119,275.30</u>
(3)	(155,329.51)	(406,168.60)
	<u>(657,107.64)</u>	<u>1,566,780.03</u>
	<u>\$ (812,437.15)</u>	<u>\$ 1,160,611.43</u>

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

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

The Board budgets on the modified accrual basis of accounting with the following exceptions:

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

Net Decrease in Fund Balances - Budget to GAAP

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

\$ 43,158.97

(198,488.48)

\$ (155,329.51)

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
State	\$	\$	\$ 3,200.00
Federal	3,494,226.93	3,600,519.74	3,355,366.02
Local	843,206.00	843,206.00	1,008,033.54
Other	63,000.00	69,500.00	114,857.24
Total Revenues	4,400,432.93	4,513,225.74	4,481,456.80
<u>Expenditures</u>			
Current:			
Instruction	1,770,611.75	1,862,033.00	1,760,100.00
Instructional Support	533,821.68	549,397.47	571,519.32
Operation and Maintenance	2,003.00	2,003.00	182,627.21
Auxiliary Services:			
Student Transportation	5,494.00	3,586.87	10,599.10
Food Service	1,854,483.36	1,860,059.86	1,871,956.63
General Administration and Central Support	347,370.13	350,266.47	343,068.17
Other	117,559.00	117,559.00	248,792.54
Capital Outlay	16,400.00	47,329.20	51,774.59
Debt Service:			
Principal Retirement			2,007.39
Interest and Fiscal Charges			269.35
Total Expenditures	4,647,742.92	4,792,234.87	5,042,714.30
Excess (Deficiency) of Revenues Over Expenditures	(247,309.99)	(279,009.13)	(561,257.50)
<u>Other Financing Sources (Uses)</u>			
Transfers In	477,366.03	284,455.22	297,154.22
Transfers Out	(18,993.00)	(18,993.00)	(11,282.66)
Total Other Financing Sources (Uses)	458,373.03	265,462.22	285,871.56
Net Change in Fund Balances	211,063.04	(13,546.91)	(275,385.94)
Fund Balances - Beginning of Year	14,514.00	1,156,578.63	1,156,578.63
Fund Balances - End of Year	\$ 225,577.04	\$ 1,143,031.72	\$ 881,192.69

Budget to GAAP Differences		Actual Amounts GAAP Basis	
\$		\$	3,200.00
			3,355,366.02
			1,008,033.54
			114,857.24
			<u>4,481,456.80</u>
			1,760,100.00
			571,519.32
			182,627.21
			10,599.10
(1)	(7,038.22)		1,878,994.85
			343,068.17
			248,792.54
			51,774.59
			2,007.39
			269.35
	(7,038.22)		<u>5,049,752.52</u>
	(7,038.22)		(568,295.72)
			297,154.22
			(11,282.66)
			<u>285,871.56</u>
	(7,038.22)		(282,424.16)
(2)	(43,638.74)		<u>1,112,939.89</u>
\$	(50,676.96)	\$	<u>830,515.73</u>

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

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

The Board budgets on the modified accrual basis of accounting with the following exceptions:

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

Net Decrease in Fund Balances - Budget to GAAP

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

\$ (7,038.22)

\$ (7,038.22)

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Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
---------------------------------------------------------------------	------------------------------------	----------------------------------------------

U. S. Department of Education

Direct Programs

Indian Education, Grants to Local Educational Agencies	84.060	N/A
Impact Aid	84.041	N/A
Investing in Innovation (i3) Fund	84.411	N/A

Passed Through Alabama Department of Education

Title I Grants to Local Educational Agencies (M)	84.010	N/A
Special Education Cluster:		
Special Education - Grants to States	84.027	N/A
Special Education - Preschool Grants	84.173	N/A
Sub-Total Special Education Cluster		
Career and Technical Education - Basic Grants to States	84.048	N/A
Rural Education	84.358	N/A
Improving Teacher Quality State Grants	84.367	N/A

Passed Through Alabama Department of Rehabilitation Services

Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A
Total U. S. Department of Education		

U. S. Department of Agriculture

Passed Through Alabama Department of Education

Child Nutrition Cluster:		
School Breakfast Program - Cash Assistance	10.553	N/A
National School Lunch Program:		
Cash Assistance	10.555	N/A
Non-Cash Assistance - Commodities	10.555	N/A
Snacks	10.555	N/A
Sub-Total National School Lunch Program		
Sub-Total Child Nutrition Cluster (M)		
Fresh Fruit and Vegetable Program	10.582	N/A
Total U. S. Department of Agriculture		

Social Security Administration

Passed Through Alabama Department of Education

Social Security - Disability Insurance	96.001	N/A
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Other Federal Assistance

U. S. Department of Defense

Direct Program

Army JROTC	N/A	N/A
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Total Expenditures of Federal Awards

(M) = Major Program

N/A = Not Available or Not Applicable

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2013-09/30/2014	\$ 198,525.00	\$ 198,525.00	\$ 198,525.00	\$ 198,525.00
10/01/2013-09/30/2014	1,482.61	1,482.61	1,482.61	1,482.61
10/01/2013-09/30/2014	5,000.00	5,000.00	5,000.00	5,000.00
10/01/2013-09/30/2014	1,241,502.77	1,241,502.77	1,241,502.77	1,241,502.77
10/01/2013-09/30/2014	537,000.00	537,000.00	537,000.00	537,000.00
10/01/2013-09/30/2014	12,674.00	12,674.00	12,674.00	12,674.00
	<u>549,674.00</u>	<u>549,674.00</u>	<u>549,674.00</u>	<u>549,674.00</u>
10/01/2013-09/30/2014	91,300.00	91,300.00	91,300.00	91,300.00
10/01/2013-09/30/2014	46,344.59	46,344.59	46,344.59	46,344.59
10/01/2013-09/30/2014	121,709.65	121,709.65	121,709.65	121,709.65
10/01/2013-09/30/2014	21,933.93	21,933.93	21,933.93	21,933.93
	<u>2,277,472.55</u>	<u>2,277,472.55</u>	<u>2,277,472.55</u>	<u>2,277,472.55</u>
10/01/2013-09/30/2014	265,065.62	265,065.62	265,065.62	265,065.62
10/01/2013-09/30/2014	771,752.80	771,752.80	771,752.80	771,752.80
10/01/2013-09/30/2014	90,675.20	90,675.20	90,675.20	90,675.20
10/01/2013-09/30/2014	1,536.78	1,536.78	1,536.78	1,536.78
	<u>863,964.78</u>	<u>863,964.78</u>	<u>863,964.78</u>	<u>863,964.78</u>
	1,129,030.40	1,129,030.40	1,129,030.40	1,129,030.40
10/01/2013-09/30/2014	75,599.00	75,599.00	75,599.00	75,599.00
	<u>1,204,629.40</u>	<u>1,204,629.40</u>	<u>1,204,629.40</u>	<u>1,204,629.40</u>
10/01/2013-09/30/2014	1,180.00	1,180.00	1,180.00	1,180.00
10/01/2013-09/30/2014	103,720.59	103,720.59	103,720.59	103,720.59
	<u>\$ 3,587,002.54</u>	<u>\$ 3,587,002.54</u>	<u>\$ 3,587,002.54</u>	<u>\$ 3,587,002.54</u>

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

Note 1 – Basis of Presentation

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

Additional Information

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

Board Members		Term Expires
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Hon. W. Greg Price	President	2020
Hon. Clint Foster	Vice-President	2018
Hon. Earnest Green	Member	2020
Hon. Chris Wilkes	Member	2018
Hon. Wyman Botts	Member	2016
Hon. Linda Steed	Member	2016

Administrative Personnel

Mark Bazzell, Ed.D.	Superintendent	2016
Jennifer Hornsby	Chief School Financial Officer	Indefinite

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pike County Board of Education (the "Board"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated July 24, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 24, 2015

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Pike County Board of Education's (the "Board") 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 Board's major federal programs for the year ended September 30, 2014. The Board's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 24, 2015

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

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified

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

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

Significant deficiency(ies) identified? _____ Yes X None reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 and 10.555 84.010	Child Nutrition Fund Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? _____ Yes X No

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

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reportable.	

Section III – Federal Awards Findings and Questioned Costs

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