

Report on the

Calhoun County Board of Education

Calhoun County, Alabama

October 1, 2010 through September 30, 2011

Filed: June 22, 2012



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the Calhoun County Board of Education, Calhoun County, Alabama, for the period October 1, 2010 through September 30, 2011.

Sworn to and subscribed before me this
the 11th day of June, 2012.

Shelia Matthews

Notary Public

rb

NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: Jan 9, 2015
BONDED THRU NOTARY PUBLIC UNDERWRITERS

Respectfully submitted,

Keeling Smith

Keeling Smith
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Calhoun County Board of Education
October 1, 2010 through September 30, 2011**

The Calhoun County Board of Education (the "Board") is governed by a seven-member body elected by the citizens of Calhoun County. The members and administrative personnel in charge with governance of the Board are listed in Exhibit 12. The Board is the governmental agency that provides general administration and supervision for Calhoun County public schools, preschool through high school, with the exception of schools administered by the Oxford, Anniston, Jacksonville, and Piedmont City Boards of Education.

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

An unqualified 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, 2011.

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

The following officials/employees were invited to an exit conference to discuss the contents of this report: Joe Dyar, Superintendent; Dr. Judy Stiefel, Former Superintendent; Lesley Poe, Chief School Financial Officer; Kim McPherson, Former Chief School Financial Officer; and Board Members: Thomas H. Young, June Evans, Mike Almaroad, David Gilmore, Dale Harbin, Phil Murphy, and Larry Stewart. The following individuals attended the exit conference, held at the Board's offices: Joe Dyar, Superintendent; Lesley Poe, Chief School Financial Officer; Board Member: Mike Almaroad; and representatives from the Department of Examiners of Public Accounts: Gwyn M. Griggs, Audit Manager; and Keeling Smith, Examiner of Public Accounts. The contents of this report were also discussed with Kim McPherson, Former Chief School Financial Officer via telephone.

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Independent Auditor's Report

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Calhoun County Board of Education, as of and for the year ended September 30, 2011, which collectively comprise the Calhoun County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the Calhoun County Board of Education's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Calhoun County Board of Education, as of September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with ***Government Auditing Standards***, we have also issued our report dated June 8, 2012 on our consideration of the Calhoun 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*** and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 and 10), are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Calhoun County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 11) 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 purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Ronald L. Jones", is centered above the printed name.

Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

June 8, 2012

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Management's Discussion and Analysis
(Required Supplementary Information)

Calhoun County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2011

Our discussion and analysis of the Calhoun County Board of Education's (the "Board's") financial performance provide an overview of the Board's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the Board's financial statements and notes to the financial statements, which immediately 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: Significant Items to Note

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

- ✓ The Board's total net assets increased by 7 percent, or \$4.83 million, over the course of the fiscal year. This increase is largely attributable to the one-cent sales tax levied by the County Commission and federal stimulus money (ARRA) that was utilized on personnel costs, within the general fund and utilities, which yielded \$5.9 million in FY11, in addition to the unexpended public school fund revenue carried over to FY12 of \$2.43 million. The public school funds, normally expended on capital maintenance and renovation projects included in the five-year capital plan, were supplemented in FY10 and FY 11 with \$2.03 million in Qualified School Construction Bond ("QBond") proceeds expended on roofing and hvac projects taken from the five-year capital plan.
- ✓ The assets of the Board exceeded its liabilities at the close of the 2011 fiscal year by \$71.92 million (net assets). Of this amount, there are \$6.27 million unrestricted net assets available to meet the Board's future costs of operations.
- ✓ For the General Fund, expenditures and other uses during the year exceeded total revenue and other sources by \$5.27 million.
- ✓ Major capital outlay projects consisted primarily of roofing improvements at Weaver High, Ohatchee High, and Alexandria High funded by QBond proceeds.

Using the Financial Statements - An Overview for the User

As a result of the implementation of the GASB 34 reporting model, the financial section now consists of five parts - *management's discussion and analysis* (this section), the *independent auditors' report*, the *basic financial statements*, *required supplementary information*, and *other supplementary information*.

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

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

Instruction includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of 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, as well as professional development expenses.

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

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

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

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

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

Government-wide statements report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations. 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 assets* (on page 2) is most closely related to a balance sheet. It presents information on all of the board's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net assets. The net assets reported in this statement represent the accumulation of changes in net assets for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net assets reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.

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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board has 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 into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental *fund financial statements* begin on page 5. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. 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* are the General Fund, Special Revenue Fund and Capital Projects Fund.

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

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

Notes to the Basic Financial Statements - The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly represent the Board's financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *notes to the basic financial statements* begin on page 13.

Required supplementary information beginning on page 30 provides a comparison of the original adopted budget to the final amended budget of the Board's General Fund and Special Revenue Fund, which are 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.

Analysis of the School Board's Overall Financial Position

As indicated earlier, net assets 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 assets. The Board's assets exceeded liabilities by \$71.92 million at September 30, 2011.

- ✓ Of this figure, 81 percent or \$58.05 million reflects the Board's investment in capital assets (e.g., land, buildings, improvements other than buildings, furniture and equipment, and transportation equipment), less accumulated depreciation. Since these capital assets are used in governmental activities, this portion of net assets is not available for future spending or funding of operations.
- ✓ Restricted net assets of \$7.60 million consist primarily of Public School Fund, QBond, Fleet Renewal and Child Nutrition Funds.
- ✓ The remaining balance of unrestricted net assets of \$6.27 million represents the funds that could be used at the Board's discretion to meet ongoing obligations to citizens and creditors and for future operations.

Table 1: Summary of Net Assets

As of September 30, 2011
(in millions)

	Governmental Activities	
	9/30/2011	9/30/2010
Current and other assets	\$29.74	\$23.73
Capital assets	62.17	64.52
Total Assets	<u>\$91.91</u>	<u>\$88.25</u>
Current and other liabilities	14.97	15.52
Long-term liability	5.02	5.64
Total Liabilities	<u>\$19.99</u>	<u>\$21.16</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$58.05	\$59.97
Restricted	7.60	6.44
Unrestricted	6.27	0.68
Total Net Assets	<u>\$71.92</u>	<u>\$67.09</u>

At the end of the current fiscal year, the Board is able to report positive balances in all three categories of net assets: invested in capital assets, restricted and unrestricted. This means that the Board has enough available resources to cover all outstanding obligations, including non-capital liabilities (such as compensated absences) as of September 30, 2011, with \$6.27 million left over to use for next year's operations.

The Board's increase in financial position was primarily the result of the one-cent sales tax levied by the County Commission and the use of federal stimulus money (ARRA), in addition to the unexpended public school fund revenue carried.

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities* on page 3. *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 assets as of September 30, 2011.

Table 2: Summary of Changes in Net Assets from Operating Results
(in millions)

	Governmental Activities	
	9/30/2011	9/30/2010
Revenues		
Program Revenues:		
Charges for services	\$6.96	\$7.22
Operating grants and contributions	58.33	56.13
Capital grants and contributions	3.30	3.39
General Revenues:		
Local property taxes	8.53	8.50
Local sales taxes	6.13	6.08
Alcohol beverage tax	0.39	0.39
Other taxes	0.09	0.09
Other	1.74	1.83
Total Revenues and Special Items	<u>\$85.47</u>	<u>\$83.63</u>
Expenses		
Instruction	\$43.77	\$44.66
Instructional support	14.37	14.14
Operation and maintenance	7.28	7.83
Auxiliary services:		
Student Transportation	5.89	5.66
Food Services	5.66	5.47
General administrative and central support	2.30	2.36
Interest and Fiscal Charges	0.13	0.15
Other expenses	1.24	1.49
Total Expenses	<u>\$80.64</u>	<u>\$81.76</u>
Increase in Net Assets	4.83	1.87
Net Assets - Beginning	67.09	65.22
Net Assets - Ending	<u>\$71.92</u>	<u>\$67.09</u>

Governmental Activities - As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2011 was \$80.64 million. It is important to note that not all of these costs were borne by the taxpayers of Calhoun County:

- ✓ Some of the cost, \$6.96 million, was paid by users who benefited from services provided during the year, such as school lunches and summer school.
- ✓ State and federal governments subsidized certain programs with grants and contributions totaling \$58.33 million.
- ✓ Other general revenue sources, such as interest earnings, sale of fixed assets, sale of scrap, etc., provided for \$1.74 million in revenues.
- ✓ \$15.14 million of the Board's total costs of \$80.64 million was financed by district and state taxpayers, as follows: \$8.53 million in property taxes, \$6.13 million in sales tax, \$0.39 million in alcohol beverage tax, and \$0.09 million in other taxes (business privilege tax, mineral lease documentary tax, helping-school vehicle tags, and manufactured home registration fees).

Table 3 is a condensed statement taken from the Statement of Activities on page 3 showing the total cost for providing identified services for eight 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

(in millions)

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$43.77	\$44.66	(5.70)	(5.29)
Instructional support	14.37	14.14	(2.05)	(3.10)
Operation and maintenance	7.28	7.83	(0.20)	(2.42)
Auxiliary services:				
Student Transportation	5.89	5.66	(0.91)	(1.06)
Food Services	5.66	5.47	(1.12)	(0.71)
General administrative and central support	2.30	2.36	(1.70)	(1.95)
Interest and Fiscal Charges	0.13	0.15	(0.13)	(0.15)
Other expenses	1.24	1.49	(0.23)	(0.34)
Total	\$80.64	\$81.76	(\$12.04)	(\$15.02)

Performance of School Board Funds

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

Governmental Funds - The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on pages 7 and 10). The improving financial performance of the Board as a whole is reflected in its governmental funds' combined ending fund balances of \$14.84 million at the end of the fiscal year (up from \$8.29 million at September 30, 2010).

- ✓ The General Fund had fund balance of \$5.06 million, reflecting availability of funds at fiscal year-end for spending on future operations. This increase is due to the utilization of federal stimulus money to aid in personnel costs and utilities, along with the one-cent sales tax as levied by the Calhoun County Commission.
- ✓ The Special Revenue Fund had an ending fund balance of \$3.27 million, which is a decrease of \$.74 million.

- ✓ The Capital Projects Fund had an ending fund balance of \$6.51 million. As mentioned earlier, this accumulation of resources, normally expended on capital maintenance and renovation projects included in the five-year capital plan, was possible due to \$2.03 million in QBond proceeds for roofing and hvac projects taken from the five-year capital plan.

General Fund - The General Fund is the primary operating fund of the Board. The increase in General Fund balance was a result of conservative spending practices and proper management of federal resources that enabled the conservation of general fund money.

Special Revenue Fund - The Special Revenue Fund accounts for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. As of September 30, 2011, the fund balance of the Special Revenue Fund decreased by \$.74 million from the prior year.

Capital Projects Fund – The Capital Projects Fund accounts for financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

Fiduciary Funds - The Fiduciary Fund or Agency-Type financial statements appear on pages 11. Only a *Statement of Fiduciary Net Assets* and a *Statement of Changes in Fiduciary Net Assets* is presented, as the Board serves as the custodian of these funds which are held in school accounts.

Budgetary Highlights of Major Funds

On or before October 1 of each year, the Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The original 2011 fiscal year budget, adopted on August 25, 2010, was based on a conservative approach that reflected current revenues and expenditures. The original budget figures were amended twice; first on January 27, 2011, and second on June 3, 2011. For purposes of this budgetary analysis, only the General Fund of the Board is discussed in accordance with the GASB 34 reporting model.

General Fund - The comparison of the General Fund original budget to the final amended budget is on page 31. The differences between the original budget and the final amended budget of the Board can be briefly summarized as follows:

Amendment #1 was necessary to budget federal and state carry-over funds. Adjusted fund balances to FY10 actual ending unaudited balances. Added new grants: Pre-K at Ohatchee Elementary and Tech Centers that Work.

Amendment #2 was necessary to adjust for three percent proration, add project for gym floor and bleachers under public school funds at Weaver High School. Added new grants for Special Needs, Technology Centers that Work, High Hopes Supplemental and the Q3 grant for technology. Adjusted CNP pass thru to retain addition cash resources for the general fund. Established budget for reroofing at Alexandria High School under QBond money. Created budget for positions in transportation. Established 16th section land budget.

Capital Assets and Debt Administration

Capital Assets - The Board's investment in capital assets for its governmental activities for the year ended September 30, 2011, amounted to \$58.05 million, net of accumulated depreciation and related debt. The Board's capital assets (net of accumulated depreciation) are shown in *Table 4*.

Table 4: Capital Assets (net of accumulated depreciation)

(in Millions)

	Governmental Activities	
	2011	2010
Land and land improvements	\$1.82	\$1.72
Construction in progress	0.03	0.01
Buildings and Improvements	53.72	55.16
Vehicles	2.65	3.28
Equipment and Furniture	1.75	1.97
Assets Under Capital Lease	2.20	2.38
	<u>\$62.17</u>	<u>\$64.52</u>

Long-Term Debt - At year-end, the Board had \$5.02 million in long-term debt, as shown in *Table 5* below.

Table 5: Outstanding Long-Term Debt

(in millions)

	Fiscal Year Ended September 30, 2011		
	Beginning Balance, Restated	Net Change	Ending Balance
Governmental Activities:			
Warrants Payable	2.03	0	2.03
Capital Leases	2.52	(0.43)	2.09
Notes Payable	0.30	(0.07)	0.23
Compensated absences	0.79	(0.12)	0.67
Governmental activities long-term debt	<u>\$5.64</u>	<u>(\$0.62)</u>	<u>\$5.02</u>

Economic Factors and Next Year's Budget

The following are currently known Calhoun County economic factors considered while going into the 2011-2012 fiscal year.

- ✓ The unemployment rate in Calhoun County for March 2012 was 8.3 percent, according to the Calhoun County Chamber of Commerce, which is a decrease from last year's rate of 9.6 percent in January 2011, indicating a positive economic trend in this area.
- ✓ The population in Calhoun County as of the year 2011 decreased slightly by 2,282 from 2010 reports of 118,572.

At the time these financial statements were prepared and audited, the Board was aware of the following circumstances that could significantly affect the Board's financial health in the future:

Proration of State Appropriations – Applicable provisions of the Constitution of Alabama effectively prohibit the State from engaging in deficit financing--that is to say, state expenditures during any fiscal year may not exceed available revenues. As discussed above, State law provides procedures for delaying or, if necessary, reducing (or "prorating") appropriations of state revenues in order to maintain and enforce the constitutional ban on deficit financing. The Board receives the largest share of its annual revenue from the State. Although the State revenues provided for the payment of employee salaries and benefits are prorated, State law prohibits the Board from reducing salaries and benefits paid to employees. The postponement or reduction of State appropriations to the Board as a consequence of proration may therefore result in reductions of expenditures by the Board for certain budget items other than salaries (e.g. instructional materials, supplies and maintenance). The following table sets forth the years in which proration has been enforced since 1950 and the amounts of such proration:

Fiscal Year	Percentage Proration
1950	4.80%
1951	1.00%
1957	2.76%
1958	7.82%
1959	3.54%
1960	8.35%
1961	14.14%
1979	2.98%
1980	6.14%
1981	3.57%
1986	4.21%
1991	6.50%
1992	3.00%
2001	6.20%
2003	4.41%
2009	11.00%
2010	9.50%
2011	3.00%

Estimated Capital Needs - As of September 30, 2011, the Board's Five-Year Capital Plan for FY2012 through FY2016, based upon critical needs and a State facility assessment, included \$34.94 million in estimated capital needs through-out the system, most of which are unfunded at this time.

Student Enrollment - The latest student enrollment figure as of the twentieth day after Labor Day in the 2011-2012 school year of 9,211 indicates a decrease in enrollment of approximately 174 students for the 2012 fiscal year. When compared with the previous year's increase, as illustrated below, this figure reflects a new trend due to possible relocation of families for economic purposes.

1st 40 day ADM/20th day after Labor Day	Comments	Enrollment Change	Fiscal Year
9,211		(174)	2012
9,385		86	2011
9,299		43	2010
9,256		(32)	2009
9,288		112	2008
9,176		207	2007
8,969	(after loss of 132 DeArmanville students)	32	2006
8,937		(82)	2005
9,019	(after loss of 446 Coldwater students)	(461)	2004
9,480		(16)	2003
9,496		(39)	2002
9,535			2001

Medical and Retirement Costs - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). The fiscal year 2011-2012 employer contribution for health insurance for teachers and support personnel under PEEHIP is \$714 per month per employee. Also, employer contributions to the Teachers Retirement System (TRS) are at 10 percent for fiscal year 2012, and the employee contribution rate is 7.25 percent.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Lesley Poe, Chief School Financial Officer, at the Calhoun County Board of Education, P.O. Box 2084, Anniston, AL 36202-2084, or by calling (256) 741-7443 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:30 p.m., central standard time.

Basic Financial Statements

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Statement of Net Assets ***September 30, 2011***

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 20,732,735.15
Investments	137,188.33
Ad Valorem Property Taxes Receivable	6,745,074.18
Receivables (Note 4)	1,963,570.00
Inventories	144,456.81
Prepaid Items	17,303.05
Capital Assets (Note 5):	
Nondepreciable	1,343,104.01
Depreciable, Net	60,827,253.15
Total Assets	<u>91,910,684.68</u>
<u>Liabilities</u>	
Payables (Note 8)	1,068,921.73
Deferred Revenue	7,226,706.17
Salaries and Benefits Payable	6,603,004.40
Accrued Interest Payable	67,080.54
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Capital Lease Contracts Payable	445,651.04
Notes Payable	74,411.56
Compensated Absences	32,601.30
Portion Due or Payable After One Year:	
Warrants Payable	2,028,000.00
Capital Lease Contracts Payable	1,645,003.48
Notes Payable	148,823.11
Compensated Absences	642,898.07
Total Liabilities	<u>19,983,101.40</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	58,051,702.64
Restricted for:	
Capital Projects	6,472,553.05
Other Purposes	1,131,621.76
Unrestricted	<u>6,271,705.83</u>
Total Net Assets	<u><u>\$ 71,927,583.28</u></u>

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

Statement of Activities
For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities</u>			
Instruction	\$ 43,772,839.55	\$ 706,436.67	\$ 37,180,436.87
Instructional Support	14,369,884.83	907,662.73	11,410,057.59
Operation and Maintenance	7,276,162.78	241,252.86	4,261,796.02
Auxiliary Services:			
Student Transportation	5,891,096.61	224,746.21	4,224,003.28
Food Service	5,658,016.69	4,225,998.87	308,066.36
General Administrative and Central Support	2,302,691.45	26,992.36	573,260.60
Interest and Fiscal Charges	127,934.93		
Other Expenses	1,239,900.15	629,769.09	372,508.51
Total Governmental Activities	<u>\$ 80,638,526.99</u>	<u>\$ 6,962,858.79</u>	<u>\$ 58,330,129.23</u>

General Revenues:

Taxes:

Property Taxes for General Purposes

Property Taxes for Specific Purposes

Local Sales Tax

Alcohol Beverage Tax

Other Taxes

Grants and Contributions Not Restricted
for Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

		Net (Expenses) Revenues and Changes in Net Assets	
Capital Grants and Contributions		Total Governmental Activities	
\$	189,298.83	\$	(5,696,667.18)
			(2,052,164.51)
	2,582,881.72		(190,232.18)
	529,093.00		(913,254.12)
			(1,123,951.46)
			(1,702,438.49)
			(127,934.93)
			(237,622.55)
\$	3,301,273.55		(12,044,265.42)

8,170,702.86
358,076.00
6,128,592.09
386,710.59
95,047.18
71,163.19
149,790.63
1,518,400.05
<u>16,878,482.59</u>
4,834,217.17
<u>67,093,366.11</u>
<u>\$ 71,927,583.28</u>

Balance Sheet
Governmental Funds
September 30, 2011

	General Fund	Special Revenue Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 11,374,644.69	\$ 2,844,975.31
Investments		137,188.33
Ad Valorem Property Taxes Receivable	6,745,074.18	
Receivables (Note 4)	1,336,255.84	625,683.16
Due from Other Funds	39,901.72	
Advances To Other Funds	142,361.58	
Inventories		144,456.81
Prepaid Items	17,303.05	
Total Assets	<u>19,655,541.06</u>	<u>3,752,303.61</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Payables (Note 8)	1,022,918.48	46,003.25
Due to Other Funds		39,901.72
Deferred Revenues	7,204,361.11	22,345.06
Salaries and Benefits Payable	6,371,278.76	231,725.64
Advances From Other Funds		142,361.58
Total Liabilities	<u>14,598,558.35</u>	<u>482,337.25</u>
<u>Fund Balances</u>		
Nonspendable:		
Inventories		144,456.81
Prepaid Items	17,303.05	
Restricted for:		
Capital Projects		
Child Nutrition		944,971.85
Fleet Renewal		
Assigned to:		
Local Schools		2,180,537.70
Unassigned	5,039,679.66	
Total Fund Balances	<u>5,056,982.71</u>	<u>3,269,966.36</u>
Total Liabilities and Fund Balances	<u>\$ 19,655,541.06</u>	<u>\$ 3,752,303.61</u>

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

Capital Projects Fund	Total Governmental Funds
\$ 6,513,115.15	\$ 20,732,735.15
	137,188.33
	6,745,074.18
1,631.00	1,963,570.00
	39,901.72
	142,361.58
	144,456.81
	17,303.05
6,514,746.15	29,922,590.82

	1,068,921.73
	39,901.72
	7,226,706.17
	6,603,004.40
	142,361.58
	15,080,895.60

	144,456.81
	17,303.05
6,472,553.05	6,472,553.05
	944,971.85
42,193.10	42,193.10
	2,180,537.70
	5,039,679.66
6,514,746.15	14,841,695.22
\$ 6,514,746.15	\$ 29,922,590.82

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 14,841,695.22

Amounts reported for governmental activities in the Statement of Net Assets
(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.

The Cost of Capital Assets is	\$ 95,780,360.82	
Accumulated Depreciation is	<u>(33,610,003.66)</u>	
		62,170,357.16

Long-term liabilities, including bonds payable, are not due and payable in the current
period and therefore are not reported as liabilities in the funds.

Current Portion of Long-Term Debt	\$ 552,663.90	
Noncurrent Portion of Long-Term Debt	<u>4,464,724.66</u>	
		(5,017,388.56)

Interest on long-term debt is not accrued in the funds but rather is recognized as an
expenditure when due.

Accrued Interest Payable	<u>(67,080.54)</u>
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Total Net Assets - Governmental Activities (Exhibit 1)	<u><u>\$ 71,927,583.28</u></u>
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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, 2011

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 47,536,182.78	\$
Federal	2,780,294.06	10,836,030.06
Local	15,669,049.03	4,593,227.10
Other	257,256.94	144,742.93
Total Revenues	<u>66,242,782.81</u>	<u>15,574,000.09</u>
<u>Expenditures</u>		
Current:		
Instruction	37,539,594.84	4,918,973.28
Instructional Support	11,047,778.87	3,289,545.22
Operation and Maintenance	4,631,583.58	1,568,021.45
Auxiliary Services:		
Student Transportation	5,005,900.90	130,666.37
Food Service		5,873,498.51
General Administrative and Central Support	2,007,162.06	312,724.73
Other	385,013.49	836,767.27
Capital Outlay	72,587.88	32,682.59
Debt Service:		
Principal Retirement	74,411.84	
Interest and Fiscal Charges		
Total Expenditures	<u>60,764,033.46</u>	<u>16,962,879.42</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,478,749.35</u>	<u>(1,388,879.33)</u>
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	427,287.20	
Transfers In	230,600.55	873,999.40
Other Financing Sources	2,166.28	1,157.43
Sale of Capital Assets	1,258.00	
Transfers Out	(873,999.40)	(230,600.55)
Total Other Financing Sources (Uses)	<u>(212,687.37)</u>	<u>644,556.28</u>
Net Changes in Fund Balances	5,266,061.98	(744,323.05)
Fund Balances - Beginning of Year	<u>(209,079.27)</u>	<u>4,014,289.41</u>
Fund Balances - End of Year	<u>\$ 5,056,982.71</u>	<u>\$ 3,269,966.36</u>

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

Capital Projects Fund	Total Governmental Funds
\$ 3,294,561.55	\$ 50,830,744.33
	13,616,324.12
358,076.00	20,620,352.13
	401,999.87
<u>3,652,637.55</u>	<u>85,469,420.45</u>
109,647.75	42,568,215.87
	14,337,324.09
593,835.59	6,793,440.62
	5,136,567.27
	5,873,498.51
	2,319,886.79
	1,221,780.76
354,926.55	460,197.02
428,546.58	502,958.42
138,368.62	138,368.62
<u>1,625,325.09</u>	<u>79,352,237.97</u>
<u>2,027,312.46</u>	<u>6,117,182.48</u>
	427,287.20
	1,104,599.95
	3,323.71
	1,258.00
	(1,104,599.95)
	<u>431,868.91</u>
2,027,312.46	6,549,051.39
<u>4,487,433.69</u>	<u>8,292,643.83</u>
<u>\$ 6,514,746.15</u>	<u>\$ 14,841,695.22</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, 2011***

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 6,549,051.39

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

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

Capital Outlays	\$ 460,197.02	
Depreciation Expense	<u>(2,745,716.86)</u>	(2,285,519.84)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 502,958.42

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

Proceeds from Sale of Capital Assets	\$ (1,258.00)	
Loss on Disposition of Capital Assets	<u>(63,491.22)</u>	(64,749.22)

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

Accrued Interest Payable, Current Year (Increase)/Decrease	\$ 10,433.69	
Compensated Absences, Current Year (Increase)/Decrease in Noncurrent Portion	<u>122,042.73</u>	<u>132,476.42</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 4,834,217.17

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

Statement of Fiduciary Net Assets
September 30, 2011

	Private-Purpose Trust Funds	Agency Funds
<hr/>		
<u>Assets</u>		
Cash and Cash Equivalents	\$ 23,577.71	\$ 120,020.06
Investments	33,816.36	10,276.35
Total Assets	<u>57,394.07</u>	<u>130,296.41</u>
<u>Liabilities</u>		
Due to External Organizations		130,296.41
Total Liabilities		<u>\$ 130,296.41</u>
<u>Net Assets</u>		
Held in Trust for Other Purposes	<u>57,394.07</u>	
Total Net Assets	<u>\$ 57,394.07</u>	

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

Statement of Changes in Fiduciary Net Assets
For the Year Ended September 30, 2011

	Private-Purpose Trust Funds
<hr/>	
<u>Additions</u>	
Contributions from:	
Earnings on Investments	\$ 556.46
Other Sources	10,554.00
Total Additions	<u>11,110.46</u>
<u>Deductions</u>	
Instructional Support	2,627.00
Auxiliary Services:	
Student Transportation	1,500.00
Other	9,337.50
Total Deductions	<u>13,464.50</u>
Changes in Net Assets	(2,354.04)
Net Assets - Beginning of Year	<u>59,748.11</u>
Net Assets - End of Year	<u><u>\$ 57,394.07</u></u>

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, 2011

Note 1 – Summary of Significant Accounting Policies

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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2011

Fund Financial Statements

The fund financial statements provide information about the Board's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Board reports the following major governmental funds:

- ◆ **General Fund** – The general fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
- ◆ **Special Revenue Fund** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I, State Fiscal Stabilization, Education Jobs 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.
- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Board reports the following fiduciary fund types:

Fiduciary Fund Types

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Board in a purely custodial capacity. The Board collects these assets and transfers them to the proper individual, private organizations, or other government.

Notes to the Financial Statements

For the Year Ended September 30, 2011

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, as are the fiduciary fund financial statements. 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, claims and judgments, and compensated absences, 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 assets 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Notes to the Financial Statements

For the Year Ended September 30, 2011

D. Assets, Liabilities and Net Assets/Fund Balances

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with 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, which consist of certificates of deposit, 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.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Notes to the Financial Statements

For the Year Ended September 30, 2011

5. Restricted Assets

Certain funds received from the State Department of Education for capital projects and improvements included in cash on the balance sheet are considered restricted assets because they are maintained separately and their use is limited. The Public School Capital Projects and Fleet Renewal funds are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses.

6. 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	All Amounts	20 years
Buildings	\$50,000	10 – 50 years
Building Improvements	\$50,000	5 – 50 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 – 10 years

7. 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 assets.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Notes to the Financial Statements

For the Year Ended September 30, 2011

8. Compensated Absences

The Board's vacation leave policy consists of the following: All administrative and supervisory personnel who are employed for twelve months are entitled to earn one-day vacation leave per month. Unused leave days up to maximum of 40 may be carried over to the next year. The Board will pay for a maximum of 40 days-unused vacation leave upon resignation or retirement.

9. Net Assets/Fund Equity

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

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

Fund balances will be reported in governmental funds in the fund financial statements under the following five categories:

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove the constraint.

Notes to the Financial Statements

For the Year Ended September 30, 2011

- D. Assigned fund balances consist of amounts that are intended to be used by the school system for specific purposes. The Board authorizes the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

When 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.

The Board has established a minimum fund balance policy which recognizes that the establishment and maintenance of adequate fund reserves is necessary to avoid disruption in the educational programs in the schools. The Superintendent or Chief School Financial Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or budget amendment will prevent the establishment or maintenance of a one-month's operating balance. A one-month's operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by 12. In determining the General Fund expenditures and fund transfers out, the current proposed 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 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, ad valorem taxes are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The Special Revenue Fund budgets on a basis of accounting consistent with GAAP 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. All other governmental funds adopt budgets on the modified accrual basis of accounting. Capital projects funds adopt project-length budgets.

Notes to the Financial Statements

For the Year Ended September 30, 2011

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.

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 Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

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

Note 4 – Receivables

On September 30, 2011, receivables for the Board's individual major funds are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Receivables:				
Accounts	\$ 8,500.00	\$ 64,970.06	\$	\$ 73,470.06
Sales Tax	1,206,175.40			1,206,175.40
Intergovernmental	121,580.44	560,713.10	1,631.00	683,924.54
Total Receivables	<u>\$1,336,255.84</u>	<u>\$625,683.16</u>	<u>\$1,631.00</u>	<u>\$1,963,570.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2011

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2011, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Property Taxes Receivable	\$6,557,958.01	\$
Motor Vehicle Ad Valorem Taxes		646,403.10
Grant Drawdowns Prior to Meeting All Eligible Requirements		22,345.06
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$6,557,958.01</u>	<u>\$668,748.16</u>

Note 5 – Capital Assets

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

	Balance 10/1/2010	Additions (*)	Retirements (*)	Balance 9/30/2011
Governmental Activities:				
Land and Inexhaustible Improvements	\$ 1,309,893.27	\$	\$	\$ 1,309,893.27
Construction in Progress	7,350.00	33,210.74	(7,350.00)	33,210.74
Total Capital Assets, Not Being Depreciated	<u>1,317,243.27</u>	<u>33,210.74</u>	<u>(7,350.00)</u>	<u>1,343,104.01</u>
Land Improvements-Exhaustible	675,087.97	131,345.75		806,433.72
Buildings	53,671,699.96			53,671,699.96
Building Improvements	25,292,244.70	197,720.06	(11,886.72)	25,478,078.04
Vehicles	7,199,009.83	72,587.88	(137,076.21)	7,134,521.50
Equipment and Furniture	4,546,894.03	32,682.59	(11,375.00)	4,568,201.62
Assets Under Capital Lease	2,778,321.97			2,778,321.97
Total Capital Assets Being Depreciated	<u>94,163,258.46</u>	<u>434,336.28</u>	<u>(160,337.93)</u>	<u>94,437,256.81</u>
Less Accumulated Depreciation:				
Land Improvements-Exhaustible	(262,387.66)	(32,057.97)		(294,445.63)
Buildings	(18,175,594.00)	(1,067,189.87)		(19,242,783.87)
Building Improvements	(5,631,441.82)	(567,928.46)	6,284.40	(6,193,085.88)
Vehicles	(3,920,340.44)	(640,270.82)	77,929.31	(4,482,681.95)
Equipment and Furniture	(2,570,347.12)	(257,922.93)	11,375.00	(2,816,895.05)
Assets Under Capital Lease	(399,764.47)	(180,346.81)		(580,111.28)
Total Accumulated Depreciation	<u>(30,959,875.51)</u>	<u>(2,745,716.86)</u>	<u>95,588.71</u>	<u>(33,610,003.66)</u>
Total Depreciated, Net	<u>63,203,382.95</u>	<u>(2,311,380.58)</u>	<u>(64,749.22)</u>	<u>60,827,253.15</u>
Total Capital Assets, Net	<u>\$ 64,520,626.22</u>	<u>\$(2,278,169.84)</u>	<u>\$ (72,099.22)</u>	<u>\$ 62,170,357.16</u>

(*) The "additions" and "retirements" columns include a reclassification totaling \$7,350.00.

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

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
Instruction	\$1,209,515.73
Instructional Support	43,120.70
Operation and Maintenance	505,633.99
Auxiliary Services:	
Student Transportation	761,399.17
Food Service	153,468.04
General Administrative and Central Support	45,859.62
Other	26,719.61
Total Depreciation Expense - Governmental Activities	<u>\$2,745,716.86</u>

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. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, 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.

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

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, 135 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding Policy

Employees are required to contribute 5 percent of their salary to the Teachers' Retirement System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and 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,	2011	2010	2009
Total Percentage of Covered Payroll	17.51%	17.51%	17.07%
Contributions:			
Percentage Contributed by the Board	12.51%	12.51%	12.07%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by the Board	\$5,370,410	\$5,397,346	\$5,204,532
Contributed by Employees	2,146,447	2,157,212	2,155,668
Total Contributions	<u>\$7,516,857</u>	<u>\$7,554,558</u>	<u>\$7,360,200</u>

Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

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 2011	
Individual Coverage – Non-Medicare Eligible	\$146.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$381.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$245.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$245.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$701.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$890.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$859.00
Surviving Spouse – Medicare Eligible	\$369.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$558.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$527.00

Notes to the Financial Statements

For the Year Ended September 30, 2011

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

The Board is required to contribute at a rate specified by the State for each active employee. The Board's share of premiums for retired Board employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage 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
2011	\$752.00	\$198.94	26.45%	\$2,790,966.44	100%
2010	\$752.00	\$241.27	32.08%	\$3,425,341.23	100%
2009	\$752.00	\$205.45	27.32%	\$2,919,239.26	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 – Payables

On September 30, 2011, payables for the Board's major funds in the aggregate are as follows:

	Vendors	Intergovernmental	Sales Tax	Other	Total Payables
Governmental Activities					
General Fund	\$4,474.26	\$	\$1,017,294.22	\$1,150.00	\$1,022,918.48
Special Revenue Fund		46,003.25			46,003.25
Total – Governmental Activities	\$4,474.26	\$46,003.25	\$1,017,294.22	\$1,150.00	\$1,068,921.73

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

Note 9 – Lease Obligations

Capital Leases

The Board is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$2,778,321.97 at September 30, 2011. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2011.

Fiscal Year Ending	Governmental Activities
September 30, 2012	\$ 529,093.28
2013	529,093.28
2014	529,093.27
2015	529,093.30
2016	206,382.40
Total Minimum Lease Payments	2,322,755.53
Less: Amount Representing Interest	232,101.01
Present Value of Net Minimum Lease Payments	<u>\$2,090,654.52</u>

Note 10 – Long-Term Debt

On December 16, 2009, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bonds Series 2009-D (Tax Credit Bonds) with a tax credit rate of 5.76% and interest rate of 1.865% on behalf of various Boards of Education in the State. The Board had a 1.139% participation in the bonds resulting in the Board's share of principal, issuance costs and net proceeds of \$2,028,000.00, \$17,851.65 and \$2,010,148.35, respectively. The Board is required to make sinking fund deposits of \$105,539.54 on December 15 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Purchase funds.

Notes to the Financial Statements

For the Year Ended September 30, 2011

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

	Debt Outstanding 10/01/2010	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2011	Amounts Due within One Year
Governmental Activities					
Warrants Payable	\$2,028,000.00	\$	\$	\$2,028,000.00	\$
Capital Lease Contracts Payable	2,519,201.38		(428,546.86)	2,090,654.52	445,651.04
Notes Payable	297,646.23		(74,411.56)	223,234.67	74,411.56
Compensated Absences	797,542.10		(122,042.73)	675,499.37	32,601.30
Governmental Activities Long-Term Liabilities	<u>\$5,642,389.71</u>	<u>\$</u>	<u>\$(625,001.15)</u>	<u>\$5,017,388.56</u>	<u>\$552,663.90</u>

The warrants payable will be liquidated by a pledge of the Board's allocable share of Public School Capital Purchase funds. The capital leases will be liquidated by the fleet renewal proceeds. The notes payable will be liquidated by the general fund. The compensated absences liability will be liquidated by the general fund or the fund for which the employee worked. In the past approximately 94% has been paid by the General Fund and the remainder by the Special Revenue Fund.

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

Fiscal Year Ending	Warrants Payable		Capital Lease Contracts Payable		Notes Payable		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	Principal	Interest	
September 30, 2012	\$	\$ 37,822.20	\$ 445,651.04	\$ 83,442.24	\$ 74,411.56	\$	\$ 641,327.04
2013		37,822.20	463,437.87	65,655.41	74,411.56		641,327.04
2014		37,822.20	481,934.61	47,158.66	74,411.55		641,327.02
2015		37,822.20	501,169.60	27,923.70			566,915.50
2016		37,822.20	198,461.40	7,921.00			244,204.60
2017-2021		189,111.00					189,111.00
2022-2026	2,028,000.00	160,744.35					2,188,744.35
Totals	<u>\$2,028,000.00</u>	<u>\$538,966.35</u>	<u>\$2,090,654.52</u>	<u>\$232,101.01</u>	<u>\$223,234.67</u>	<u>\$</u>	<u>\$5,112,956.55</u>

Notes to the Financial Statements

For the Year Ended September 30, 2011

Pledged Revenues

The Board issued Capital Improvement Pool Qualified School Construction Bonds Series 2009-D (Tax Credit Bonds) which are pledged to be repaid from the Board's allocable share of Public School Capital Purchase funds. The proceeds are to be used for school construction and new HVAC systems. Future revenues in the amount of \$2,566,966.35 are pledged to repay the principal and interest on the bonds at September 30, 2011. Proceeds of the Public School fund allocations in the amount of \$2,436,661.00 were received by the Board during the fiscal year ended September 30, 2011, of which \$37,822.20 was used to pay interest on the bonds. The Capital Improvement Pool Qualified School Construction Bonds Series 2009-D (Tax Credit Bonds) will mature in fiscal year 2026.

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 and errors and omissions insurance is purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

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

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

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

Note 12 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2011, were as follows:

	Interfund Receivables	
	General Fund	Total
<u>Interfund Payables</u>		
Special Revenue Fund	\$39,901.72	\$39,901.72
Totals	<u>\$39,901.72</u>	<u>\$39,901.72</u>

Advances To/From Other Funds

	Advances From Other Funds	
	Special Revenue Fund	Total
<u>Advances To Other Funds:</u>		
General Fund	\$142,361.58	\$142,361.58
Total	<u>\$142,361.58</u>	<u>\$142,361.58</u>

Interfund Transfers

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

	Transfers In		
	General Fund	Special Revenue Fund	Total
<u>Transfers Out</u>			
General Fund	\$	\$873,999.40	\$ 873,999.40
Special Revenue Fund	230,600.55		230,600.55
Total	<u>\$230,600.55</u>	<u>\$873,999.40</u>	<u>\$1,104,599.95</u>

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on-behalf of the local schools.

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Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<u>Revenues</u>			
State	\$ 48,626,874.00	\$ 47,428,061.50	\$ 47,536,182.78
Federal	2,453,114.00	2,453,114.00	2,780,294.06
Local	15,014,934.00	15,171,577.00	15,747,426.21
Other	102,000.00	102,000.00	257,256.94
Total Revenues	66,196,922.00	65,154,752.50	66,321,159.99
<u>Expenditures</u>			
Current:			
Instruction	37,506,284.00	37,692,737.95	37,411,135.68
Instructional Support	11,020,092.00	11,232,726.14	11,040,849.34
Operation and Maintenance	5,537,283.00	5,553,315.15	4,657,695.88
Auxiliary Services:			
Student Transportation	4,867,769.00	5,021,673.27	4,993,311.34
General Administrative and Central Support	2,092,128.00	2,055,068.00	2,005,404.33
Other	401,517.00	420,104.00	389,234.37
Capital Outlay			72,587.88
Debt Service:			
Principal Retirement		74,411.56	74,411.84
Total Expenditures	61,425,073.00	62,050,036.07	60,644,630.66
Excess (Deficiency) of Revenues Over Expenditures	4,771,849.00	3,104,716.43	5,676,529.33
<u>Other Financing Sources (Uses)</u>			
Indirect Cost	456,160.00	464,921.00	427,287.20
Transfers In	4,268,437.00	4,410,973.00	230,600.55
Other Financing Sources	5,000.00	5,000.00	2,166.28
Sale of Capital Assets	10,000.00	10,000.00	1,258.00
Transfers Out	(5,980,528.00)	(5,533,928.00)	(873,999.40)
Total Other Financing Sources (Uses)	(1,240,931.00)	(643,034.00)	(212,687.37)
Net Change in Fund Balances	3,530,918.00	2,461,682.43	5,463,841.96
Fund Balances - Beginning of Year	5,539,856.00	6,610,823.74	6,610,822.61
Fund Balances - End of Year	\$ 9,070,774.00	\$ 9,072,506.17	\$ 12,074,664.57

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 47,536,182.78
		2,780,294.06
(1)	(78,377.18)	15,669,049.03
		257,256.94
	<u>(78,377.18)</u>	<u>66,242,782.81</u>
(2)	(128,459.16)	37,539,594.84
(2)	(6,929.53)	11,047,778.87
(2)	26,112.30	4,631,583.58
(2)	(12,589.56)	5,005,900.90
(2)	(1,757.73)	2,007,162.06
(2)	4,220.88	385,013.49
		72,587.88
		74,411.84
	<u>(119,402.80)</u>	<u>60,764,033.46</u>
	<u>(197,779.98)</u>	<u>5,478,749.35</u>
		427,287.20
		230,600.55
		2,166.28
		1,258.00
		(873,999.40)
		<u>(212,687.37)</u>
	(197,779.98)	5,266,061.98
(3)	<u>(6,819,901.88)</u>	<u>(209,079.27)</u>
	<u>\$ (7,017,681.86)</u>	<u>\$ 5,056,982.71</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2011***

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

The Board budgets on the modified accrual basis of accounting except as shown below:

- (1) The Board recognizes motor vehicle ad valorem taxes as they are received without regard to when they are earned.
- (2) The Board budgets for salaries only to the extent expected to be paid, rather than on the modified accrual basis.

Net Decrease in Fund Balance - 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.

\$ (78,377.18)

(119,402.80)

\$ (197,779.98)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<u>Revenues</u>			
Federal	\$ 10,970,321.00	\$ 12,605,415.34	\$ 10,836,030.06
Local	6,559,672.00	7,375,410.00	4,593,227.10
Other	212,280.00	212,280.00	144,742.93
Total Revenues	17,742,273.00	20,193,105.34	15,574,000.09
<u>Expenditures</u>			
Current:			
Instruction	4,919,600.00	6,088,035.51	4,918,973.28
Instructional Support	4,011,163.00	5,436,257.19	3,289,545.22
Operation and Maintenance	1,678,275.00	1,839,612.00	1,568,021.45
Auxiliary Services:			
Student Transportation	224,614.00	279,792.40	130,666.37
Food Service	6,578,742.00	6,605,298.00	5,865,133.74
General Administrative and Central Support	379,757.00	416,647.00	312,724.73
Other	1,430,646.00	1,670,785.49	836,767.27
Capital Outlay	90,000.00	60,279.00	32,682.59
Total Expenditures	19,312,797.00	22,396,706.59	16,954,514.65
Excess (Deficiency) of Revenues Over Expenditures	(1,570,524.00)	(2,203,601.25)	(1,380,514.56)
<u>Other Financing Sources (Uses)</u>			
Transfers In	1,927,973.00	1,611,752.49	873,999.40
Other Financing Sources	1,660.00	2,324.00	1,157.43
Transfers Out	(215,882.00)	(488,797.49)	(230,600.55)
Total Other Financing Sources (Uses)	1,713,751.00	1,125,279.00	644,556.28
Net Change in Fund Balances	143,227.00	(1,078,322.25)	(735,958.28)
Fund Balances - Beginning of Year	3,856,234.00	4,384,969.72	4,237,650.28
Fund Balances - End of Year	\$ 3,999,461.00	\$ 3,306,647.47	\$ 3,501,692.00

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 10,836,030.06
		4,593,227.10
		144,742.93
		<u>15,574,000.09</u>
		4,918,973.28
		3,289,545.22
		1,568,021.45
		130,666.37
(1)	(8,364.77)	5,873,498.51
		312,724.73
		836,767.27
		32,682.59
	(8,364.77)	<u>16,962,879.42</u>
	(8,364.77)	<u>(1,388,879.33)</u>
		873,999.40
		1,157.43
		<u>(230,600.55)</u>
		644,556.28
	(8,364.77)	(744,323.05)
(2)	<u>(223,360.87)</u>	<u>4,014,289.41</u>
	\$ (231,725.64)	\$ <u>3,269,966.36</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2011***

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

The Board budgets on the modified accrual basis of accounting except as shown below:

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

Net Decrease in Fund Balance - 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.

\$ (8,364.77)

\$ (8,364.77)

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Agriculture</u>		
<u>Passed Through Alabama Department of Education</u>		
Child Nutrition Cluster:		
School Breakfast Program - Cash Assistance	10.553	N/A
National School Lunch Program:		
Cash Assistance	10.555	N/A
Non-Cash Assistance (Commodities)	10.555	N/A
Sub-Total National School Lunch Program		
Total U. S. Department of Agriculture/Child Nutrition Cluster		
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of</u>		
<u>Rehabilitation Services</u>		
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	AE1087JC15
<u>Passed Through Alabama Department of Education</u>		
Title I, Part A Cluster:		
Title I Grants to Local Educational Agencies	84.010	N/A
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A
Sub-Total Title I, Part A Cluster (M)		
Special Education Cluster:		
Special Education - Grants to States	84.027	N/A
Special Education - Preschool Grants	84.173	N/A
ARRA - Special Education - Grants to States, Recovery Act	84.391	N/A
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	N/A
Sub-Total Special Education Cluster (M)		
Career and Technical Education - Basic Grants to States	84.048	N/A
Education of Homeless Children and Youth Cluster:		
Education for Homeless Children and Youth	84.196	N/A
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	N/A
Sub-Total Education of Homeless Children and Youth Cluster		
Tech-Prep Education	84.243	N/A
Education Technology State Grants Cluster:		
Education Technology State Grants	84.318	N/A
ARRA - Education Technology State Grants, Recovery Act	84.386	N/A
Sub-Total Education Technology State Grants Cluster (M)		
Special Education - State Personnel Development	84.323	N/A
English Language Acquisition Grants	84.365	N/A
Improving Teacher Quality State Grants	84.367	N/A
College Access Challenge Grant Program	84.378	N/A
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act (M)	84.394	N/A
Education Jobs Fund (M)	84.410	N/A
Total U. S. Department of Education		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2010-09/30/2011	\$ 673,270.62	\$ 673,270.62	\$ 673,270.62	\$ 673,270.62
10/01/2010-09/30/2011	2,262,341.67	2,262,341.67	2,262,341.67	2,262,341.67
10/01/2010-09/30/2011	308,792.45	308,792.45	308,792.45	308,792.45
	2,571,134.12	2,571,134.12	2,571,134.12	2,571,134.12
	3,244,404.74	3,244,404.74	3,244,404.74	3,244,404.74
10/01/2010-09/30/2011	96,224.99	27,530.26	7,752.44	7,752.44
10/01/2010-09/30/2011	2,210,441.38	2,210,441.38	2,006,710.75	2,006,710.75
10/01/2010-09/30/2011	571,007.88	571,007.88	571,007.88	571,007.88
	2,781,449.26	2,781,449.26	2,577,718.63	2,577,718.63
10/01/2010-09/30/2011	2,576,028.41	2,576,028.41	1,978,414.82	1,978,414.82
10/01/2010-09/30/2011	21,796.96	21,796.96	21,796.96	21,796.96
10/01/2010-09/30/2011	819,131.56	819,131.56	819,131.56	819,131.56
10/01/2010-09/30/2011	74,220.00	74,220.00	74,220.00	74,220.00
	3,491,176.93	3,491,176.93	2,893,563.34	2,893,563.34
10/01/2010-09/30/2011	113,097.00	113,097.00	113,097.00	113,097.00
10/01/2010-09/30/2011	30,000.00	30,000.00	30,000.00	30,000.00
10/01/2010-09/30/2011	30,002.12	30,002.12	30,002.12	30,002.12
	60,002.12	60,002.12	60,002.12	60,002.12
10/01/2010-09/30/2011	11,053.00	11,053.00	11,053.00	11,053.00
10/01/2010-09/30/2011	85,729.75	85,729.75	85,729.75	85,729.75
10/01/2010-09/30/2011	14,434.00	14,434.00	14,434.00	14,434.00
	100,163.75	100,163.75	100,163.75	100,163.75
10/01/2010-09/30/2011	38,667.00	38,667.00	27,328.58	27,328.58
10/01/2010-09/30/2011	68,281.85	68,281.85	51,738.56	51,738.56
10/01/2010-09/30/2011	507,699.43	507,699.43	394,741.05	394,741.05
10/01/2010-09/30/2011	30,000.00	30,000.00	30,000.00	30,000.00
10/01/2010-09/30/2011	2,237,270.00	2,237,270.00	2,237,270.00	2,237,270.00
10/01/2010-09/30/2011	1,892,072.00	1,892,072.00	1,864,527.00	1,864,527.00
	11,427,157.33	11,358,462.60	10,368,955.47	10,368,955.47
	\$ 14,671,562.07	\$ 14,602,867.34	\$ 13,613,360.21	\$ 13,613,360.21

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>Social Security Administration</u>		
<u>Passed Through Alabama Department of Education</u>		
Social Security - Disability Insurance	96.001	N/A
Total Expenditures of Federal Awards		

(M) = Major Program

N/A = Not Available/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		
	\$ 14,671,562.07	\$ 14,602,867.34	\$ 13,613,360.21	\$ 13,613,360.21
10/01/2010-09/30/2011	3,690.00	3,690.00	3,690.00	3,690.00
	<u>\$ 14,675,252.07</u>	<u>\$ 14,606,557.34</u>	<u>\$ 13,617,050.21</u>	<u>\$ 13,617,050.21</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2011***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Calhoun 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, 2010 through September 30, 2011

Board Members		Term Expires
Hon. Dale Harbin	President	2012
Hon. David Gilmore	Vice-President	2012
Hon. June Evans	Member	2012
Hon. Mike Almaroad	Member	2012
Hon. Thomas H. Young	Member	2012
Hon. Phil Murphy	Member	2012
Hon. Larry Stewart	Member	2012

Administrative Personnel

Mr. Joe Dyar (*)	Superintendent	June 2014
Dr. Judy Stiefel	Superintendent	Retired May 1, 2011
Ms. Lesley Poe	Chief School Financial Officer	June 2013
Ms. Kimberly McPherson	Chief School Financial Officer	Retired February 1, 2011

(*) Acting Interim Superintendent 1/3/2011 – 4/30/2011

***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***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Calhoun County Board of Education (the “Board”) as of and for the year ended September 30, 2011, which collectively comprise the Board’s basic financial statements and have issued our report thereon dated June 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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

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

This report is intended solely for the information and use of management, members of the Calhoun County Board of Education, the Superintendent, the Chief School Financial Officer, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

June 8, 2012

***Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

Independent Auditor's Report

Compliance

We have audited the Calhoun 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, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the Board's compliance with those requirements.

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

***Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

Internal Control Over Compliance

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

***Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

This report is intended solely for the information and use of management, members of the Calhoun County Board of Education, the Superintendent, the Chief School Financial Officer, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

June 8, 2012

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

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

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

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

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

Any audit findings disclosed that 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
84.010 and 84.389	Title I, Part A Cluster
84.027, 84.173, 84.391 and 84.392	Special Education Cluster
84.318 and 84.386	Education Technology State Grants Cluster
84.394	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$408,511.51

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

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

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.	