



# Mobile County

## PUBLIC SCHOOLS

**File includes the following documents:**

MCPSS Department of Examiners of Public  
Accounts Audit

MCPSS Corrective Action Plan

LEA Summary of Selected Facts

Report on the

# Mobile County Board of School Commissioners

Mobile County, Alabama

October 1, 2014 through September 30, 2015

Filed: April 22, 2016



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*





State of Alabama  
 Department of  
**Examiners of Public Accounts**

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Ronald L. Jones  
 Chief Examiner

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Mobile County Board of School Commissioners, Mobile County, Alabama, for the period October 1, 2014 through September 30, 2015.

Notary Public - Alabama State At Large  
 My Commission Expires  
 April 10, 2017

Sworn to and subscribed before me this  
 the 22<sup>nd</sup> day of March, 2016.

Edith Gray Nassar  
 Notary Public

Sworn to and subscribed before me this  
 the 28<sup>th</sup> day of March, 2016.

Jan Ethel  
 Notary Public

Sworn to and subscribed before me this  
 the 28<sup>th</sup> day of March, 2016.

Jan Ethel  
 Notary Public

Respectfully submitted,

Angela B. Waters  
 Angela B. Waters  
 Examiner of Public Accounts

Ashley T. Carlisle  
 Ashley T. Carlisle  
 Examiner of Public Accounts

John Geary  
 John Geary  
 Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Mobile County Board of School Commissioners  
October 1, 2014 through September 30, 2015**

The Mobile County Board of School Commissioners (the "Board") is governed by a five-member body elected by the citizens of Mobile County. The members and administrative personnel in charge of governance of the Board are listed in Exhibit 13. The Board is the governmental agency that provides general administration and supervision for Mobile County public schools, preschool through high school, with the exception of schools administered by the Saraland City Board of Education, City of Satsuma Board of Education, and the City of Chickasaw Board 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 unmodified opinion was issued on the financial statements, which means that the Board's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2015.

Findings are numbered and reported by the fiscal year in which the finding originally occurred.

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and it is summarized below.

**CURRENT FINDING**

- ◆ 2015-001 related to teachers and personnel being reimbursed for non-travel expenses which were greater than the allowed amount in the Board's policies and procedures.

A finding that was presented in prior audits has not been resolved as shown on the Schedule of State and Local Compliance and Other Findings and it is summarized below.

**UNRESOLVED PRIOR FINDING**

- ◆ 2007-002 related to local schools not following proper receipting procedures.

The following officials/administrative personnel were invited to an exit conference to discuss the results of the audit: Superintendent: Martha L. Peek; Chief School Financial Officer: Dinish Simpson; and Board Members: Douglas Harwell, Jr., Don Stringfellow, Dr. Reginald Crenshaw, Robert Battles, Dr. William Foster, and Tracie Roberson.

The following individuals attended the exit conference, held at the Board's office: Superintendent: Martha L. Peek; Chief School Financial Officer: Dinish Simpson; Board Members: Don Stringfellow, Dr. Reginald Crenshaw, Robert Battles and Dr. William Foster; and representatives from the Department of Examiners of Public Accounts: Brian Wheeler, Audit Manager, and Angela Waters, Examiner. Results of the report were discussed with Board Member Douglas Harwell via phone.

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*Schedule of State and Local  
Compliance and Other Findings*

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***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2015***

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<b>Ref. No.</b>	<b>Finding/Noncompliance</b>
2015-001	<p><b><u>Finding:</u></b> Based on the Mobile County Board of School Commissioners' policies and procedures regarding non-travel expense reimbursements, expenses for individual purchases shall be reimbursable up to \$100.00. Teachers and school personnel at Davidson High School were reimbursed for individual purchases in excess of the policy limit.</p> <p><b><u>Recommendation:</u></b> Policies and procedures of the Mobile County Board of School Commissioner's should be followed regarding non-travel expense reimbursements.</p>
2007-002	<p><b><u>Finding:</u></b> The Mobile County Board of School Commissioners Local School Accounting Department requires certain receipting procedures to be followed by all local school personnel. All funds collected and receipted by teachers should be turned into the school's office on a daily basis and the funds should be deposited daily. A multiple receipt listing form should be used when teachers collect less than \$25.00 from each student and a teacher receipt written for the total amount. Teachers did not always turn in funds collected from students to the office in a timely manner at E. R. Dickson Elementary and Davidson High School nor did they use the multiple receipt listing form when collections were less than \$25.00 per student at Grand Bay Middle School. Also, monies collected for basketball events at Davidson High School were not deposited in a timely manner.</p> <p><b><u>Recommendation:</u></b> Proper receipting and deposit procedures should be followed at all local schools.</p>

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*Independent Auditor's Report*



## **Independent Auditor's Report**

To: Members of the Mobile County Board of School Commissioners, Superintendent and Chief School Financial Officer

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mobile County Board of School Commissioners, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Mobile County Board of School Commissioners' basic financial statements, as listed in the table of contents as Exhibits 1 through 7.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mobile County Board of School Commissioners, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 17 to the financial statements, in the fiscal year ended September 30, 2015, the Mobile County Board of School Commissioners adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions*** – an amendment of GASB Statement Number 27. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Net Pension Liability, the Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 8 through 11), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Mobile County Board of School Commissioners has not presented a Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mobile County Board of School Commissioners' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 12) as required by U. S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with ***Government Auditing Standards***, we have also issued our report dated March 8, 2016, on our consideration of the Mobile County Board of School Commissioners' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Mobile County Board of School Commissioners' internal control over financial reporting and compliance.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

March 8, 2016

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# *Basic Financial Statements*

**Statement of Net Position**  
**September 30, 2015**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 47,080,749.77
Investments	20,640,631.65
Ad Valorem Property Taxes Receivable	84,635,528.12
Receivables (Note 4)	12,690,084.04
Inventories	3,752,035.08
Restricted Assets - Cash and Cash Equivalents	42,731,738.43
Restricted Assets - Cash with Fiscal Agent	16,958,266.70
Prepaid Items	257,889.00
Capital Assets (Note 5):	
Nondepreciable	55,937,900.27
Depreciable, Net	431,131,347.31
Total Assets	<u>715,816,170.37</u>
<b>Deferred Outflows of Resources</b>	
Loss on Refunding of Debt	5,150,867.07
Employer Pension Contribution	32,561,886.73
Total Deferred Outflows of Resources	<u>37,712,753.80</u>
<b>Liabilities</b>	
Payables (Note 9)	2,400,425.95
Accrued Interest Payable	1,695,238.71
Unearned Revenue	989,644.88
Salaries and Benefits Payable	31,537,304.68
Long-Term Liabilities:	
Portion Payable Within One Year:	
Bonds/Warrants Payable	4,176,015.76
Funding Agreement	6,945,000.00
Lease-Purchase Payable	2,040,823.58
Less: Unamortized Discount	(173,951.30)
Plus: Unamortized Premium	106,739.77
Liability for Compensated Absences	260,000.00
Portion Payable After One Year:	
Bonds/Warrants Payable	146,518,461.33
Funding Agreement	163,345,000.00
Tax Credit Warrants	23,135,000.00
Lease-Purchase Payable	7,204,323.21
Less: Unamortized Discount	(2,803,947.32)
Plus: Unamortized Premium	365,786.95
Net Pension Liability	402,759,000.00
Liability for Compensated Absences	3,965,761.98
Total Liabilities	<u>\$ 794,466,628.18</u>

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

	<b>Governmental Activities</b>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	\$ 84,635,528.12
Revenue Received in Advance - Motor Vehicle Taxes	3,814,598.97
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	31,737,000.00
Total Deferred Inflows of Resources	<u>120,187,127.09</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	203,909,128.74
Restricted for:	
Capital Projects	14,171,920.39
Debt Service	16,346,691.04
Other Purposes	5,291,857.86
Unrestricted	<u>(400,844,429.13)</u>
Total Net Position	<u>\$ (161,124,831.10)</u>

***Statement of Activities***  
***For the Year Ended September 30, 2015***

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 275,130,129.20	\$ 6,327,319.42	\$ 212,495,935.52
Instructional Support	82,358,844.08	4,470,498.22	61,560,889.89
Operation and Maintenance	61,792,104.51	476,493.13	13,393,881.28
Auxiliary Services:			
Student Transportation	31,538,666.26	365,931.32	26,383,815.25
Food Services	43,258,806.63	32,133,662.75	1,802,880.05
General Administrative and Central Support	29,648,062.30	77,711.81	12,643,466.64
Interest and Fiscal Charges	14,294,660.78		
Other Expenses	16,383,502.41	1,124,984.62	10,519,496.38
Total Governmental Activities	<u>\$ 554,404,776.17</u>	<u>\$ 44,976,601.27</u>	<u>\$ 338,800,365.01</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 Position

Net Position - Beginning of Year, as Restated (Note 17)

Net Position - End of Year

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

		<b>Net (Expenses) Revenues and Changes in Net Position</b>	
<b>Capital Grants and Contributions</b>		<b>Total Governmental Activities</b>	
\$	12,339,751.70	\$	(43,967,122.56)
	215,213.46		(16,112,242.51)
	2,887,699.88		(45,034,030.22)
	3,241,010.39		(1,547,909.30)
			(9,322,263.83)
	3,406,353.56		(13,520,530.29)
			(14,294,660.78)
			(4,739,021.41)
<u>\$</u>	<u>22,090,028.99</u>		<u>(148,537,780.90)</u>

89,811,796.60
35,313,292.22
9,768,800.05
2,646,684.96
4,146,732.02
23,376.00
3,216,337.97
10,152,728.16
<u>155,079,747.98</u>
6,541,967.08
<u>(167,666,798.18)</u>
<u>\$ (161,124,831.10)</u>



***Balance Sheet***  
***Governmental Funds***  
***September 30, 2015***

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 24,660,624.56	\$ 9,467,229.69
Cash with Fiscal Agents		
Investments		640,631.65
Ad Valorem Property Taxes Receivable	62,156,058.85	
Receivables (Note 4)	3,278,932.54	8,815,468.97
Interfund Receivables	3,524,515.29	1,557,679.04
Inventories	2,108,212.63	1,436,013.06
Prepaid Items	257,889.00	
Total Assets	<u>95,986,232.87</u>	<u>21,917,022.41</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Payables (Note 9)	735,608.98	1,305,799.92
Interfund Payables	2,359,057.13	3,524,515.29
Unearned Revenue	18,785.18	970,859.70
Salaries and Benefits Payable	30,036,741.62	1,500,563.06
Liability for Compensated Absences	230,000.00	
Total Liabilities	<u>33,380,192.91</u>	<u>7,301,737.97</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue - Property Taxes	62,156,058.85	
Revenue Received in Advance - Motor Vehicle Taxes	2,351,086.34	
Total Deferred Inflows of Resources	<u>64,507,145.19</u>	
<b><u>Fund Balances</u></b>		
Nonspendable:		
Inventories	2,108,212.63	1,436,013.06
Prepaid Items	257,889.00	
Restricted for:		
Debt Service		
Capital Projects		
Child Nutrition Program		3,374,630.55
Fleet Renewal		
Other Purposes		481,214.25
Assigned to:		
Local Schools		9,297,891.64
Other Purposes	500,000.00	25,534.94
Unassigned	(4,767,206.86)	
Total Fund Balances	<u>(1,901,105.23)</u>	<u>14,615,284.44</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 95,986,232.87</u>	<u>\$ 21,917,022.41</u>

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

Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
\$ 55,684,633.95	\$	\$ 89,812,488.20
	16,958,266.70	16,958,266.70
20,000,000.00		20,640,631.65
22,479,469.27		84,635,528.12
595,682.53		12,690,084.04
801,378.09		5,883,572.42
207,809.39		3,752,035.08
		257,889.00
<u>99,768,973.23</u>	<u>16,958,266.70</u>	<u>234,630,495.21</u>
359,017.05		2,400,425.95
		5,883,572.42
		989,644.88
		31,537,304.68
		230,000.00
<u>359,017.05</u>		<u>41,040,947.93</u>
22,479,469.27		84,635,528.12
1,463,512.63		3,814,598.97
<u>23,942,981.90</u>		<u>88,450,127.09</u>
207,809.39		3,752,035.08
		257,889.00
	16,958,266.70	16,958,266.70
74,418,924.02		74,418,924.02
		3,374,630.55
1,928,648.78		1,928,648.78
		481,214.25
		9,297,891.64
		525,534.94
(1,088,407.91)		(5,855,614.77)
<u>75,466,974.28</u>	<u>16,958,266.70</u>	<u>105,139,420.19</u>
<u>\$ 99,768,973.23</u>	<u>\$ 16,958,266.70</u>	<u>\$ 234,630,495.21</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
September 30, 2015***

Total Fund Balances - Governmental Funds (Exhibit 3)		\$ 105,139,420.19
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The Cost of Capital Assets is	\$ 803,677,416.27	
Accumulated Depreciation is	<u>(316,608,168.69)</u>	487,069,247.58
Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current period expenditures and therefore are deferred on the Statement of Net Position.		
		5,150,867.07
Deferred outflows and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
		824,886.73
Long-term liabilities, including bonds/warrants 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	13,124,627.81	
Noncurrent Portion of Long-Term Debt	<u>\$ 744,489,386.15</u>	(757,614,013.96)
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.		
Accrued Interest Payable		<u>(1,695,238.71)</u>
Total Net Position - Governmental Activities (Exhibit 1)		<u><u>\$ (161,124,831.10)</u></u>

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, 2015***

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b><u>Revenues</u></b>		
State	\$ 289,359,820.39	\$
Federal	23,376.00	79,315,391.76
Local	113,213,103.68	16,967,963.39
Other	448,728.86	1,029,998.30
Total Revenues	403,045,028.93	97,313,353.45
<b><u>Expenditures</u></b>		
Current:		
Instruction	235,778,642.15	28,807,638.13
Instructional Support	65,913,851.89	16,604,304.00
Operation and Maintenance	46,386,548.75	207,378.71
Auxiliary Services:		
Student Transportation	27,836,762.08	1,630,297.29
Food Services	10,399.90	47,636,397.79
General Administrative and Central Support	19,934,751.04	3,135,421.01
Other	3,316,373.83	11,001,433.57
Capital Outlay	208,558.72	1,217,742.04
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	399,385,888.36	110,240,612.54
Excess (Deficiency) of Revenues Over Expenditures	3,659,140.57	(12,927,259.09)
<b><u>Other Financing Sources (Uses)</u></b>		
Indirect Cost	6,275,822.14	
Transfers In	17,780,527.33	11,491,259.03
Other Financing Sources	51,552.33	6,340.68
Sale of Capital Assets	74,350.95	5,557.00
Transfers Out	(27,179,994.46)	(2,091,791.90)
Total Other Financing Sources (Uses)	(2,997,741.71)	9,411,364.81
Net Changes in Fund Balances	661,398.86	(3,515,894.28)
Fund Balances - Beginning of Year	(2,562,504.09)	18,131,178.72
Fund Balances - End of Year	\$ (1,901,105.23)	\$ 14,615,284.44

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

<b>Capital Projects Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Funds</b>
\$ 22,048,510.99	\$	\$ 311,408,331.38
		79,338,767.76
36,293,273.36	643,108.95	167,117,449.38
31,337.00		1,510,064.16
<u>58,373,121.35</u>	<u>643,108.95</u>	<u>559,374,612.68</u>
1,319,397.12		265,905,677.40
502,188.35		83,020,344.24
15,268,626.57		61,862,554.03
5,591.71		29,472,651.08
		47,646,797.69
7,763,529.08		30,833,701.13
		14,317,807.40
44,090,346.16		45,516,646.92
3,786,390.46	10,975,000.00	14,761,390.46
914,287.17	13,059,901.49	13,974,188.66
<u>73,650,356.62</u>	<u>24,034,901.49</u>	<u>607,311,759.01</u>
<u>(15,277,235.27)</u>	<u>(23,391,792.54)</u>	<u>(47,937,146.33)</u>
		6,275,822.14
	23,781,697.10	53,053,483.46
348,032.16	1,166,205.40	1,572,130.57
		79,907.95
<u>(23,781,697.10)</u>		<u>(53,053,483.46)</u>
<u>(23,433,664.94)</u>	<u>24,947,902.50</u>	<u>7,927,860.66</u>
(38,710,900.21)	1,556,109.96	(40,009,285.67)
114,177,874.49	15,402,156.74	145,148,705.86
<u>\$ 75,466,974.28</u>	<u>\$ 16,958,266.70</u>	<u>\$ 105,139,420.19</u>

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***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, 2015***

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (40,009,285.67)

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 differed from capital outlays in the period.

Capital Outlays	\$ 45,516,646.92	
Depreciation Expense	<u>(15,920,692.15)</u>	29,595,954.77

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 14,761,390.46

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

Proceeds from Sale of Capital Assets	\$ (79,907.95)	
Loss on Disposition of Capital Assets	<u>(398,564.06)</u>	(478,472.01)

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 Decrease	\$ 95,095.77	
Compensated Absences, Current Year Decrease in Noncurrent Portion	538,964.92	
Amortization of Discounts/Premiums/Loss on Refunding	(415,567.89)	
Pension Expense, Current Year Decrease	<u>2,453,886.73</u>	<u>2,672,379.53</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 6,541,967.08

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



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***Statement of Fiduciary Net Position***  
***September 30, 2015***

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	<b>Agency Funds</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 824,248.34
Receivables	25,347.84
Total Assets	<u>849,596.18</u>
<b><u>Liabilities</u></b>	
Salaries and Benefits Payable	849,596.18
Total Liabilities	<u>\$ 849,596.18</u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Mobile County Board of School Commissioners (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 five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County (with the exception of cities having a city board of education).

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

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

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government, 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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

#### **Fund Financial Statements**

The fund financial statements provide information about the Board's funds, 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Board reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board 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, 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 proceeds from the county sales tax that are to be used exclusively for capital improvement, capital construction and maintenance purposes are also accounted for and reported in this fund. Some of the significant funding sources include the funds that are received for capital projects such as the Public School Fund – Capital Outlay, State Paid on Behalf, Fleet Renewal, and Special County Ad Valorem funding sources.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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The Board reports the following fund type in the Other Governmental Fund column:

#### **Governmental Fund Type**

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

The Board reports the following fiduciary fund type:

#### **Fiduciary Fund Type**

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

#### **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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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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 is both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

***1. Deposits and Investments***

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

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

Investments are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost, and certificates of deposit, which are reported at cost. The Board reports all money market investments – U. S. Treasury bills and bankers' acceptances having a remaining maturity at time of purchase of one year or less – at amortized 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **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.

#### **5. Restricted Assets**

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, are classified as restricted assets on the balance sheet because they are maintained separately and their use is limited. The Public School Capital Projects, Fleet Renewal, Bond Issue Payments, Bonds and Warrants, and Qualified Zone Academy Bonds funding sources are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it become due.

#### **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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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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	\$50,000	20 years
Buildings	\$50,000	50 years
Building Improvements	\$50,000	7 – 30 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 years
Equipment Under Capital Lease	\$ 5,000	15 – 20 years

**7. Deferred Outflows of Resources**

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

**8. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the debt. Bonds/Warrants payable are reported gross of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as an expense in the period incurred.

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **9. Compensated Absences**

The Board's annual leave policy consists of the following: All administrative and supervisory personnel who are employed for twelve months are entitled to earn annual leave.

Annual leave for current twelve-month employees (240 days), those assigned or hired prior to July 1, 1999, accrues in accordance with the following policy:

An employee with 119 months of service or less accrues annual leave at a rate of ten (10) days per year. An employee with 120 months of service or more accrues annual leave at a rate of fifteen (15) days per year.

Newly hired or transferred twelve-month employees (260 days) are those assigned after June 30, 1999. The 260-day employees will accrue annual leave at a rate of five (5) days per year until they have twelve (12) months of service, when it increases to ten (10) days per year.

Annual leave will be fifteen (15) days per year after 120 months of service and twenty (20) days per year after 240 months of service.

A maximum of forty-five (45) days of annual leave may be accumulated and paid upon retirement or termination of service.

For twelve-month employees, effective June 30, 2003, any annual leave in excess of forty-five (45) days shall become sick leave days and may be used as sick leave or accumulated for purposes of retirement, subject to the Retirement Systems of Alabama (RSA) rules at the time of retirement.

#### **10. Deferred Inflows of Resources**

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



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **11. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

#### **12. Net Position/Fund Balances**

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

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

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*Notes to the Financial Statements*  
*For the Year Ended September 30, 2015*

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

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the school system for specific purposes. The Board or its designee makes the 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 an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the determination of the Board or its designee 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 determination of the Board or its designee that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**Note 2 – Stewardship, Compliance, and Accountability**

**A. 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, motor vehicle 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. The Capital Projects Fund adopts project-length budgets. All appropriations lapse at fiscal year-end.

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

**B. Deficit Fund Balances/Net Position of Individual Funds**

At September 30, 2015, the following governmental fund had a deficit fund balance:

General Fund	\$1,901,105.23
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The deficit in the General Fund is a result of the salary accrual adjustment. Salaries and benefits payable at September 30, 2015, are funded with an appropriation from the State of Alabama that is not legally available to the Board until October 1, and therefore is not reflected as revenue in the Board's financial statements as of September 30, 2015.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**Note 3 – Deposits and Investments**

**A. Deposits and Certificates of Deposit**

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

The Board has \$20,640,631.65 of its funds 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **B. Cash with Fiscal Agent**

The Board has deposits totaling \$16,958,266.70 in the Debt Service Fund which are shown as cash with fiscal agents on the fund financial statements and restricted assets on the government-wide financial statements. Funds are invested in short-term money market funds and amounts in excess of FDIC coverage are required by the provisions of the bond covenant to be invested in federal securities. Amounts on deposit with fiscal agents are invested as shown below:

Investment Type	Fair Value	Maturity	Rating
Series 2006 Refunding Bonds			
RMK Select Treasury Money Market CLA	\$ 3,530.73	Less than 60 days	Standard & Poor's AAA
Series 2009-A Warrant Fund			
RMK Select Treasury Money Market CLA	\$ 267.50	Less than 60 days	Standard & Poor's A+
Series 2009-B Warrant Fund			
RMK Select Treasury Money Market CLA	\$ 117.68	Less than 60 days	Standard & Poor's A+
Series 2009-TC Warrant Fund			
RMK Select Treasury Money Market CLA	\$ 25.76	Less than 60 days	Standard & Poor's AA-
Series 2009-TC Sinking Fund Account			
Natixis Bank	\$6,169,800.34	Less than 60 days	Unrated
Series 2010 Taxable-Direct Subsidy			
QSCB-RMK	\$ 3.54	Less than 60 days	Standard & Poor's AA-
Series 2010 Taxable-Direct Subsidy			
QSCB-Sinking Fund Acct-Natixis Bank	\$4,840,406.34	Less than 60 days	Unrated
2011 Capital Pool Warrants (SDE)			
Qualified Zone Academy Bonds	\$4,277,481.17	Less than 60 days	N/A
Series 2012 Capital Outlay Warrants			
RMK Select Treasury Money Market CLA	\$ 4,755.53	Less than 60 days	Standard & Poor's AA-
QZAB 2003 Trust Fund			
U. S. Treasury NTS SEC Stripped	\$ 876,463.82	Less than 60 days	Unrated
QZAB 2003 Trust Fund			
U. S. Treasury Bills	\$ 8,214.66	Less than 60 days	Unrated
QZAB 2005 Trust Fund			
U. S. Treasury Bills	\$ 777,199.63	Less than 60 days	Unrated

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit rating, if applicable and available, is presented in the table of investments. The Board has no policy on credit risk.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**Custodial Credit Risk** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Board does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Board does not have a formal investment policy that limits the amount the Board may invest in any one issuer.

**Note 4 – Receivables**

On September 30, 2015, receivables for the Board’s individual major funds are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
<b>Receivables:</b>				
Accounts	\$ 55,711.90	\$ 120.00	\$	\$ 55,831.90
Intergovernmental	3,173,045.27	8,814,126.97	595,682.53	12,582,854.77
Other	50,175.37	1,222.00		51,397.37
<b>Total Receivables</b>	<b>\$3,278,932.54</b>	<b>\$8,815,468.97</b>	<b>\$595,682.53</b>	<b>\$12,690,084.04</b>

## Notes to the Financial Statements

### For the Year Ended September 30, 2015

#### Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance 10/01/2014	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2015
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 9,101,965.92	\$	\$	\$ 9,101,965.92
Construction in Progress	16,361,263.72	41,958,408.91	(11,483,738.28)	46,835,934.35
Total Capital Assets, Not Being Depreciated	<u>25,463,229.64</u>	<u>41,958,408.91</u>	<u>(11,483,738.28)</u>	<u>55,937,900.27</u>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements (Exhaustible)	7,345,249.47	2,090,694.91	(12,214.69)	9,423,729.69
Buildings	471,968,231.75	820,854.15	(994,884.00)	471,794,201.90
Buildings Improvements	182,100,971.32	9,823,897.23	(350,048.22)	191,574,820.33
Equipment and Vehicles	58,040,280.34	2,306,530.00	(2,396,954.26)	57,949,856.08
Assets Under Capital Lease	16,996,908.00			16,996,908.00
Total Capital Assets Being Depreciated	<u>736,451,640.88</u>	<u>15,041,976.29</u>	<u>(3,754,101.17)</u>	<u>747,739,516.00</u>
<b>Less Accumulated Depreciation for:</b>				
Land Improvements (Exhaustible)	(2,186,474.57)	(419,377.19)	152.69	(2,605,699.07)
Buildings	(232,025,895.85)	(6,772,836.56)	994,884.00	(237,803,848.41)
Buildings Improvements	(20,522,408.41)	(3,738,313.58)	11,674.98	(24,249,047.01)
Equipment and Vehicles	(45,845,466.07)	(2,865,550.33)	2,268,917.49	(46,442,098.91)
Assets Under Capital Lease	(3,382,860.80)	(2,124,614.49)		(5,507,475.29)
Total Accumulated Depreciation	<u>(303,963,105.70)</u>	<u>(15,920,692.15)</u>	<u>3,275,629.16</u>	<u>(316,608,168.69)</u>
Total Capital Assets Being Depreciated, Net	<u>432,488,535.18</u>	<u>(878,715.86)</u>	<u>(478,472.01)</u>	<u>431,131,347.31</u>
Governmental Activities Capital Assets, Net	<u>\$ 457,951,764.82</u>	<u>\$ 41,079,693.05</u>	<u>\$(11,962,210.29)</u>	<u>\$ 487,069,247.58</u>
(*) Included in the "Additions/Reclassifications" and the "Retirements/Reclassifications" columns are \$11,483,738.28 in reclassifications for assets.				

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
Instruction	\$10,778,321.10
Instructional Support	3,417.78
Operation and Maintenance	152,178.96
Auxiliary Services – Transportation	2,196,045.74
Auxiliary Services – Food Services	474,411.23
General Administrative and Central Support	160,413.10
Other	2,155,904.24
Total Depreciation Expense – Governmental Activities	<u>\$15,920,692.15</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **Note 6 – Defined Benefit Pension Plan**

##### **A. Plan Description**

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Title 16, Chapter 25, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

##### **B. Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2015, was 11.71% of annual pay for Tier 1 members and 11.05% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$32,561,886.73 for the year ended September 30, 2015.

#### D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the Board reported a liability of \$402,759,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the Board's proportion was 4.433443%, which was a decrease of 0.020103% from its proportion measured as of September 30, 2013.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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For the year ended September 30, 2015, the Board recognized pension expense of \$30,108,000.00. At September 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		30,198,000.00
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,539,000.00
Employer contributions subsequent to the measurement date	32,561,886.73	
Total	\$32,561,886.73	\$31,737,000.00

The \$32,561,886.73 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2016	\$(7,907,000)
2017	\$(7,907,000)
2018	\$(7,907,000)
2019	\$(7,907,000)
2020	\$ (109,000)
Thereafter	\$

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment Rate of Return (*)	8.00%
Projected Salary Increases	3.5%-8.25%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the actuarial valuation as of September 30, 2013, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for males or females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	
(*) Includes assumed rate of inflation of 2.50%.		

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**F. Discount Rate**

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Board's proportionate share of collective net pension liability	\$548,683	\$402,759	\$279,079
(Dollar Amounts in Thousands)			

**H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **Note 7 – Other Postemployment Benefits (OPEB)**

##### **A. Plan Description**

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

##### **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 2015
Individual Coverage – Non-Medicare Eligible	\$151.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$391.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$250.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$250.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$700.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$934.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$907.00
Surviving Spouse – Medicare Eligible	\$354.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$595.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$568.00

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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

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
2015	\$780.00	\$180.76	23.17%	\$15,576,637.52	100%
2014	\$714.00	\$220.09	30.83%	\$19,204,780.34	100%
2013	\$714.00	\$216.90	30.38%	\$18,878,642.69	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.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2015**

**Note 8 – Construction and Other Significant Commitments**

As of September 30, 2015, the Board was obligated under the following significant construction contracts:

	Total Amount Paid	Total Contract Amount
Hoar Program Management	\$ 2,836,245.25	\$ 3,743,844.00
Citronelle High School	9,486,452.96	25,000,000.00
Lott Middle School	3,078,763.60	10,000,000.00
Dauphin Island Elementary School	482,770.84	1,200,000.00
Chastang Middle School/Brazier Elementary School	2,497,111.67	14,000,000.00
Phillips Preparatory School	2,952,641.22	10,000,000.00
Mae Eanes Middle School	396,579.98	7,600,000.00
Barton Academy Restoration	2,904,137.21	3,500,000.00
Tanner Williams Elementary School	1,727,300.75	7,000,000.00
Cranford Burns Middle School	895,979.86	2,100,000.00
Leflore Magnet High School	186,282.50	3,400,000.00
Williamson High School	558,499.21	1,600,000.00
Indian Springs Elementary School	97,041.77	2,000,000.00
Orchard Elementary School	478,248.29	2,000,000.00
Ella Grant Elementary School	575,446.10	2,000,000.00
Hall Elementary School	1,193,306.98	2,000,000.00
St. Elmo Elementary School	1,009,739.39	2,000,000.00
Burroughs Elementary School	494,308.55	2,000,000.00
Robbins Elementary School	722,721.38	2,000,000.00
Total	<u>\$32,573,577.51</u>	<u>\$103,143,844.00</u>

The Board's significant encumbrances by the Board's individual major funds at September 30, 2015, are as follows:

General Fund	\$ 288,675.25
Special Revenue Fund	16,147,592.22
Capital Projects Fund	58,216,047.01
Total	<u>\$74,652,314.48</u>

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

**Note 9 – Payables**

On September 30, 2015, payables for the Board’s individual major funds are as follows:

	Vendors	Intergovernmental	Other Payables	Total Payables
<b>Governmental Activities:</b>				
General Fund	\$ 716,152.43	\$8,071.29	\$11,385.26	\$ 735,608.98
Special Revenue Fund	1,272,612.70		33,187.22	1,305,799.92
Capital Projects Fund	359,017.05			359,017.05
Total Governmental Activities	<u>\$2,347,782.18</u>	<u>\$8,071.29</u>	<u>\$44,572.48</u>	<u>\$2,400,425.95</u>

**Note 10 – Lease Obligations**

**Capital Leases**

The Board is obligated under a certain lease accounted for as a capital lease. Assets under capital lease totaled \$16,996,908.00 at September 30, 2015. 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, 2015:

Fiscal Year Ending	Governmental Activities
September 30, 2016	\$ 2,279,839.23
2017	2,279,839.23
2018	1,279,839.23
2019	845,511.98
2020	845,511.98
2021-2023	<u>2,530,224.22</u>
Total Minimum Lease Payments	10,060,765.87
Less: Amount Representing Interest	<u>(815,619.08)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 9,245,146.79</u>



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**Note 11 – Funding Agreements**

**2006 Funding Agreement**

In 2006, the Public Educational Building Authority of the City of Mobile, (the “Authority”) issued the Series 2006-A Limited Obligation Bonds for the purpose of refunding the Series 2001-A Capital Outlay Warrants and the 2001-B Capital Outlay Warrants that were issued under the indenture in order to provide funds to allow the Authority to pay the Board the purchase price of the Educational Facilities which, in turn, were leased and occupied by the Board. Pursuant to the agreement, the Board sold Rosa Lott Middle School, Orchard Elementary School, St. Elmo Elementary School, Alma Bryant High School, Citronelle High School, Collier Elementary School, and Davidson High School (the “Educational Facilities”) to the Authority.

The Board agreed to pay principal and interest due on the warrants. At the end of the term of the agreement the Board can purchase the educational facilities for \$100.00. The initial term of the agreement ends on September 30, 2006, with the options of making automatic annual renewals extending until the final maturity of the Series 2006-A Bonds.

**2009-A Funding Agreement**

In 2009, the Public Educational Building Authority of the City of Mobile, (the “Authority”) issued the Series 2009-A Limited Obligation School Bonds for the purpose of partially refunding the Limited Obligation School Warrants, Series 2003 that were issued under the indenture in order to provide funds to allow the Authority to pay the Board the purchase price of the Educational Facilities which, in turn, were leased and occupied by the Board. Pursuant to the agreement, the Board sold Palmer Pillans Middle School, Calloway-Smith Middle School, Craighead Elementary School, Denton Middle School, Dunbar Magnet School, Gilliard Elementary School, Florence Howard Elementary School, Mertz Elementary, and Mobile County Training School (the “Educational Facilities”) to the Authority.

The Board agreed to pay principal and interest due on the warrants. At the end of the term of the agreement, the Board can purchase the educational facilities for \$100.00. The initial term of the agreement ends on September 30, 2009, with the options of making automatic annual renewals extending until the final maturity of the Series 2009-A Bonds.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### 2009-B Funding Agreement

In 2010, the Public Educational Building Authority of the City of Mobile, (the “Authority”) issued the Series 2009-B Limited Obligation School Bonds for the purpose of refunding the remaining portion of the Limited Obligation School Warrants, Series 2003 that were issued under the indenture in order to provide funds to allow the Authority to pay the Board the purchase price of the Educational Facilities which, in turn, were leased and occupied by the Board. Pursuant to the agreement, the Board sold Palmer Pillans Middle School, Calloway-Smith Middle School, Craighead Elementary School, Denton Middle School, Dunbar Magnet School, Gilliard Elementary School, Florence Howard Elementary School, Mertz Elementary, and Mobile County Training School (the “Educational Facilities”) to the Authority.

The Board agreed to pay principal and interest due on the warrants. At the end of the term of the agreement, the Board can purchase the educational facilities for \$100.00. The initial term of the agreement ends on September 30, 2010, with the options of making automatic annual renewals extending until the final maturity of the Series 2009-B Bonds.

If the Board completes the payments according to the schedule below, which is the stated intent of the Board, ownership of the assets will pass to the Board.

The following is a schedule of future minimum payments under the funding agreements, together with the new present value of the minimum payments as of September 30, 2015.

Fiscal Year Ending	Governmental Activities
September 30, 2016	\$ 14,251,909.41
2017	14,260,806.28
2018	14,266,668.78
2019	14,271,962.53
2020	14,273,028.15
2021-2025	71,495,140.68
2026-2030	71,719,721.89
2031-2033	31,089,400.00
Total Minimum Payments	245,628,637.72
Less: Amount Representing Interest	(75,338,637.72)
Present Value of Net Minimum Payments	<u>\$170,290,000.00</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**Note 12 – Qualified Zone Academy Bonds (QZAB’s) and Qualified School Construction Bonds (OSCB’s)**

**Certificate of Participation – Qualified Zone Academy Bonds**

A Trustee issued Certificates of Participation in Qualified Zone Academy Bonds (QZAB’s) which were to be sold to one or more commercial banks. The ratable portion of the proceeds of the sale of the Certificates of Participation allocable to the Mobile County Board of School Commissioners, \$2,000,000 issued April 3, 2001, \$1,000,000 issued May 22, 2003 and \$1,000,000 issued April 27, 2005, were deposited in a separate account of the Project Fund and are available for use only for the Mobile County Board of School Commissioners and its QZAB projects. As also described in the Official Proposal Forms, it is contemplated that the Alabama School Finance Cooperative and the Trustee (with written endorsement of each Board of Education) will enter into a guaranteed investment contract that will provide for the investments of moneys sufficient to pay each Board’s payment at the maturity date of the QZAB’s. The Mobile County Board of School Commissioners will make level annual installment payments of \$134,490.57, \$78,891.74 and \$73,685.00 beginning April 3, 2002, May 22, 2004 and April 27, 2006 through and including April 3, 2011, May 22, 2013 and April 27, 2015, respectively, sufficient to make the payment at the maturity dates, whereupon the Board’s obligation will be satisfied. None of the base payment represents the payment of interest. Deposits made into the escrow fund shall remain the property of the Board pledged to the payment of the base payments to the Alabama School Finance Cooperative on the base payment due dates.

**Series 2011 Qualified Zone Academy Bonds**

In 2011, the Alabama Public School and College Authority (the “Authority”) issued the Series 2011 Qualified Zone Academy Bonds (the “Warrant”) Capital Outlay Pool Warrant on behalf of various Boards of Education in the State. The Warrant was issued for the purpose of rehabilitating or repairing the public school facility in which the academy is established and providing equipment for use at such academy. The Board had a 38.612% participation in the warrants resulting in the Board’s share of principal, issuance costs, and net proceeds of \$19,796,745.00, \$74,068.49, and \$19,722,676.51, respectively. The Board is required to make sinking fund deposits of \$991,730.08 on May 1 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the warrants upon maturity and are pledged to pay the debt service requirements of the warrants. This Warrant will be payable solely out of and secured by the annual amounts of Public School Fund Capital Purchase Funds.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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***Series 2010 Taxable-Direct Subsidy Qualified School Construction Bonds***

On October 1, 2010, the Mobile County Board of School Commissioners issued Capital Outlay Warrants Qualified School Construction Bonds Series 2010 (Taxable-Direct Subsidy QSCB) in the amount of \$25,415,000.00 with an interest rate of 4.95%. The Warrants were issued for the purposes of providing funding to finance the construction, rehabilitation, or repair of public school facilities. The Board is required to make sinking fund deposits of \$1,107,009.92 on October 20 in each year for seventeen 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 payments are payable from and secured by a pledge of the Board's special tax proceeds (the One-Half Cent Sales Tax) levied annually for public school purposes. The Board will receive Subsidy Payments from the United States Treasury in connection with the amount of interest payable. The Subsidy Payments are to be paid to the Board and may be used by the Board for any lawful purpose, including debt service on the Warrants.

***Note 13 – Long-Term Debt***

***Qualified Zone Academy Bonds (QZAB's) and Qualified School Construction Bonds (OSCB's)***

The Board issued Qualified Zone Academy Bonds for the purpose of acquiring certain capital improvements and the purchase and installation of equipment. The Board issued Qualified School Construction Bonds for the purposes of financing the construction, rehabilitation, or repairing public school facilities.

***Funding Agreements (2006, 2009-A and 2009-B)***

The Board issued the 2006 Funding Agreement in order to refund the 2001-A and 2001-B Capital Outlay Warrants that were originally issued for the purpose of funding various capital improvements. The Board issued the 2009-A Funding Agreement and the 2009-B Funding Agreement in order to refund the Series 2003 Warrants, to pay the cost of terminating an existing interest rate swap transaction that pertains to the Series 2003 Warrants, and to make a deposit to the debt service fund for the Series 2003 Warrants.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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***Series 2009 Tax Credit Warrants***

On December 15, 2009, the Mobile County Board of School Commissioners issued Capital Outlay Warrants Qualified School Construction Bonds Series 2009-TC (Tax Credit Warrants) in the amount of \$23,135,000.00 with a tax credit rate of 5.68% and interest rate of 2.07%. The Board is required to make sinking fund deposits of \$1,106,315.00 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 special tax proceeds (the Twelve Mill Tax) levied annually for public school purposes.

***Series 2012 Capital Outlay School Warrants***

On September 1, 2012, the Mobile County Board of School Commissioners issued Capital Outlay School Warrants Series 2012 in the amount of \$100,900,000.00. The Warrants were issued for the purpose of acquiring and constructing various capital improvements to the educational facilities of the Board.

***PSCA Capital Outlay Warrants***

The Board is obligated for the Series 2009-B Pool Bonds issued for the purpose of refunding the Series 1999-D Pool Bonds which were issued for the purpose of funding capital improvements. The Board's obligation is paid solely from the Board's portion of the Public School Funds received from the State of Alabama.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2015**

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2015:

	Debt Outstanding 10/01/2014 (*)	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2015	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds/Warrants and Funding Agreements Payable:</b>					
2006 Funding Agreement	\$ 70,110,000.00	\$	\$ (2,815,000.00)	\$ 67,295,000.00	\$ 2,925,000.00
2009-A Funding Agreement	89,670,000.00		(3,280,000.00)	86,390,000.00	3,375,000.00
2009-B Funding Agreement	17,230,000.00		(625,000.00)	16,605,000.00	645,000.00
2009 Tax Credit Warrants	23,135,000.00			23,135,000.00	
Certificate of Participation – Qualified Zone Academy Bonds	4,000,000.00		(2,000,000.00)	2,000,000.00	
2010 Qualified School Construction Bonds	25,415,000.00			25,415,000.00	
2011 Qualified Zone Academy Bonds	19,796,745.00			19,796,745.00	
Capital Outlay Warrants, PSCA Funds	9,900,024.63		(1,792,292.54)	8,107,732.09	1,876,015.76
Capital Outlay School Warrants, Series 2012	97,630,000.00		(2,255,000.00)	95,375,000.00	2,300,000.00
Sub-Total Bonds/Warrants and Funding Agreements Payable	356,886,769.63		(12,767,292.54)	344,119,477.09	11,121,015.76
<b>Unamortized Amounts:</b>					
Add: Unamortized Premium	579,266.49		(106,739.77)	472,526.72	106,739.77
Less: Unamortized Discount	(3,151,849.92)		173,951.30	(2,977,898.62)	(173,951.30)
Total Bonds/Warrants and Funding Agreements Payable, Net	354,314,186.20		(12,700,081.01)	341,614,105.19	11,053,804.23
<b>Other Liabilities:</b>					
Compensated Absences	4,764,726.90		(538,964.92)	4,225,761.98	260,000.00
Capital Lease Contracts Payable	11,239,244.71		(1,994,097.92)	9,245,146.79	2,040,823.58
Net Pension Liability	436,235,000.00		(33,476,000.00)	402,759,000.00	
Total Governmental Activities Long-Term Liabilities	\$806,553,157.81	\$	\$(48,709,143.85)	\$757,844,013.96	\$13,354,627.81
(*) Beginning balance was restated due to the implementation of new GASB standards pertaining to Net Pension Liability.					

Payments on the PSCA Capital Outlay Warrants are made by the Capital Projects Fund with Public School Funds withheld from the Board's allocation from the Alabama Department of Education.

Payments on the 2006, 2009-A, 2009-B Funding Agreements and the Certificates of Participation are made by the Debt Service Fund with property taxes.

Payments on the Series 2009-TC and Series 2012 Capital Outlay School Warrants are made by the Debt Service Fund with property taxes.

Payments on the Lease-Purchase Agreements are made by the Debt Service Fund.

The compensated absences liability will be liquidated by the General Fund.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2015**

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

Fiscal Year Ending	2006 Funding Agreement		2009-A Funding Agreement	
	Principal	Interest	Principal	Interest
September 30, 2016	\$ 2,925,000.00	\$ 2,833,156.28	\$ 3,375,000.00	\$ 3,761,671.88
2017	3,060,000.00	2,713,456.28	3,480,000.00	3,652,387.50
2018	3,195,000.00	2,588,356.28	3,595,000.00	3,532,925.00
2019	3,340,000.00	2,457,656.28	3,720,000.00	3,400,262.50
2020	3,485,000.00	2,318,978.15	3,860,000.00	3,253,312.50
2021-2025	20,040,000.00	9,203,271.93	21,765,000.00	13,737,456.25
2026-2030	25,385,000.00	4,273,765.64	27,015,000.00	8,288,562.50
2031-2035	5,865,000.00	131,962.50	19,580,000.00	1,500,500.00
2036-2040				
2041-2042				
<b>Total</b>	<b>\$67,295,000.00</b>	<b>\$26,520,603.34</b>	<b>\$86,390,000.00</b>	<b>\$41,127,078.13</b>

Fiscal Year Ending	QZAB		2009 Tax Credit Warrants		Series 2012 Warrants	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2016	\$	\$	\$	\$ 478,894.52	\$ 2,300,000.00	\$ 3,288,531.26
2017				478,894.52	2,365,000.00	3,218,556.26
2018	1,000,000.00			478,894.52	2,440,000.00	3,146,481.26
2019				478,894.52	2,510,000.00	3,072,231.26
2020				478,894.52	2,585,000.00	3,008,731.26
2021-2025	1,000,000.00		15,360,000.00	1,997,032.60	13,855,000.00	14,081,018.80
2026-2030			7,775,000.00	40,235.63	15,900,000.00	11,939,625.05
2031-2035					19,400,000.00	8,303,437.54
2036-2040					23,390,000.00	4,281,284.38
2041-2042					10,630,000.00	412,312.50
<b>Total</b>	<b>\$2,000,000.00</b>	<b>\$</b>	<b>\$23,135,000.00</b>	<b>\$4,431,740.83</b>	<b>\$95,375,000.00</b>	<b>\$54,752,209.57</b>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2015**

2009-B Funding Agreement		Lease Contracts Payable 2012 Bus Purchase		Lease Contracts Payable 2014 Bus Purchase	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 645,000.00	\$ 712,081.25	\$1,324,149.19	\$110,178.06	\$ 716,674.39	\$128,837.59
665,000.00	689,962.50	1,359,901.22	74,426.03	731,652.89	113,859.09
690,000.00	665,387.50	396,618.55	37,708.70	746,944.43	98,567.55
715,000.00	639,043.75			762,555.57	82,956.41
745,000.00	610,737.50			778,492.98	67,019.00
4,195,000.00	2,554,412.50			2,428,157.57	102,066.65
5,210,000.00	1,547,393.75				
3,740,000.00	271,937.50				
<b>\$16,605,000.00</b>	<b>\$7,690,956.25</b>	<b>\$3,080,668.96</b>	<b>\$222,312.79</b>	<b>\$6,164,477.83</b>	<b>\$593,306.29</b>

2011 QZAB		2010 QSCB		Capital Outlay 2009-B PSCA		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	Principal	Interest	
\$	\$ 991,730.08	\$	\$ 1,258,042.50	\$1,876,015.76	\$ 405,386.60	\$ 27,130,349.36
	991,730.08		1,258,042.50	1,970,450.63	311,585.83	27,134,905.33
	991,730.08		1,258,042.50	2,069,687.27	213,063.28	27,144,406.92
	991,730.08		1,258,042.50	2,191,578.43	109,577.90	25,729,529.20
	991,730.08		1,258,042.50			23,440,938.49
	4,958,650.40		6,290,212.50			131,567,279.20
19,796,745.00	991,730.08	25,415,000.00	2,516,085.00			156,094,142.65
						58,792,837.54
						27,671,284.38
						11,042,312.50
<b>\$19,796,745.00</b>	<b>\$10,909,030.88</b>	<b>\$25,415,000.00</b>	<b>\$15,096,510.00</b>	<b>\$8,107,732.09</b>	<b>\$1,039,613.61</b>	<b>\$515,747,985.57</b>



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### Deferred Loss on Refunding, Discounts and Premiums

The Board has deferred amounts associated with several of its debt issues. All are being amortized using the straight-line method.

- ◆ The Series 2009-A Funding Agreement has a discount and deferred loss on refunding which are being amortized over 25 years.
- ◆ The Series 2009-B Funding Agreement has a discount and deferred loss on refunding which are being amortized over 25 years.
- ◆ The 2009-B Refunding PSCA Funding Agreement has a premium and deferred loss on refunding which are being amortized over 10 years.
- ◆ The Series 2006 Funding Agreement has a discount and deferred loss on refunding which are being amortized over 25 years.
- ◆ The 2010 Qualified School Construction Bonds has a premium which is being amortized over 17 years.
- ◆ The Series 2012 Warrants has a discount which is being amortized over 30 years.

	Loss on Refunding of Debt	Discount	Premium
Total Deferred Loss on Refunding, Discount and Premium	\$7,780,080.65	\$4,360,894.50	\$1,107,269.39
Amount Amortized Prior Years	2,280,857.22	1,209,044.58	528,002.90
Balance Deferred Loss on Refunding, Discount and Premium	5,499,223.43	3,151,849.92	579,266.49
Current Amount Amortized	348,356.36	173,951.30	106,739.77
Balance Deferred Loss on Refunding, Discount and Premium	\$5,150,867.07	\$2,977,898.62	\$ 472,526.72

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### *Pledged Revenues*

In 2006, the Board entered into a funding agreement with the Public Education Building Authority of the City of Mobile in which the Authority issued Series 2006 Limited Obligation Bonds in the amount of \$89,485,000 for the purpose of refunding previously issued bonds and funding various capital improvements. The Authority simultaneously entered into a sale-leaseback agreement with the Board. The Board pledged to repay the funding agreement from proceeds of ad valorem taxes. Future revenues of \$93,815,603.34 are pledged to repay the principal and interest on the 2006 Funding Agreement at September 30, 2015. Funds in the amount of \$5,759,437.53 were used to pay principal and interest on the funding agreement during the 2015 fiscal year. The Series 2006 Funding Agreement will mature in fiscal year 2031.

In 2009, the Board entered into a funding agreement with the Public Education Building Authority of the City of Mobile in which the Authority issued Limited Obligation School Bonds, Series 2009-A, in the amount of \$99,060,000.00 for the purpose of refunding previously issued bonds, to pay the cost of terminating an existing interest rate swap transaction of the Board, and to make a deposit to the debt service fund for the Series 2003 Warrants. The Authority simultaneously entered into a sale-leaseback agreement with the Board. The Board pledged to pay the funding agreement from proceeds of ad valorem taxes. Future revenues of \$127,517,078.13 are pledged to repay the principal and interest on the Series 2009-A Funding Agreement at September 30, 2015. Funds in the amount of \$7,143,606.26 were used to pay principal and interest on the funding agreement during the 2015 fiscal year. The Series 2009-Funding Agreement will mature in fiscal year 2033.

On November 1, 2009, the Board entered into a funding agreement with the Public Education Building Authority of the City of Mobile in which the Authority issued Limited Obligation School Bonds, Series 2009-B in the amount of \$19,020,000.00 for the redemption of \$18,575,000.00 principal amount of the County's Funding Agreement, Series 2003. The Authority simultaneously entered into a sale-leaseback agreement with the Board. The Board pledged to repay the funding agreement from proceeds of ad valorem taxes. Future revenues of \$24,295,956.25 are pledged to repay the principal and interest on the Series 2009-B Funding Agreement at September 30, 2015. Funds in the amount of \$1,356,937.50 were used to pay principal and interest on the funding agreement during the 2015 fiscal year. The Series 2009-B Funding Agreement will mature in fiscal year 2033.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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On December 15, 2009, the Board issued \$23,135,000.00 of Capital Outlay Warrants, Series 2009-TC (the "Tax Credit Warrants"). The Board intends to use the proceeds from the sale of the Tax Credit Warrants to finance the construction, rehabilitation or repair of public school facilities. The Tax Credit Warrants are limited obligations of the Board. The Board pledges to repay the bonds from proceeds of ad valorem taxes. Future revenues of \$27,566,740.83 are pledged to repay the principal and interest on the Series 2009-TC Warrants at September 30, 2015. Funds in the amount of \$478,894.52 were used to pay interest on the funding agreement during the 2015 fiscal year. The Series 2009-TC Warrant will mature in fiscal year 2026.

On October 21, 2009, the Alabama Public School and College Authority issued Capital Improvement Pool Refunding Bonds, Series 2009-B, to refund the previously issued Series 1999-D Bonds, which were outstanding in the aggregate principal amount of \$151,170,000. Proceeds of the 1999-D Bonds were used to make loans to local boards of education in the State of Alabama in order to finance capital improvements approved by the Authority and the State Superintendent of Education. The proceeds of the 2009-B Bonds are used to refund the Series 1999-D Bonds and to pay costs of issuance on the 2009-B Bonds. The Board had a 12.312% participation in the Bonds (aggregate issue amount of \$174,960,000). The Board pledged to repay the principal, sinking fund deposits and interest payable on the loan from the proceeds of the capital outlay funds allocated to the local board from the Public School Fund. Future revenues of \$9,147,345.70 are pledged to repay the sinking fund deposits and interest payable through August 2019. Funds in the amount of \$2,278,059.60 were used to pay principal and interest on the bonds during the 2015 fiscal year.

On October 1, 2010, the Mobile County Board of School Commissioners issued Capital Outlay Warrants Qualified School Construction Bonds Series 2010 (Taxable-Direct Subsidy QSCB) in the amount of \$25,415,000.00 with an interest rate of 4.95%. The sinking fund payments are payable from and secured by a pledge of the Board's special tax proceeds (the One-Half Cent Sales Tax) levied annually for public school purposes. The Board will receive Subsidy Payments from the United States Treasury in connection with the amount of interest payable. The Subsidy Payments are to be paid to the Board and may be used by the Board for any lawful purpose, including debt service on the Warrants. Future revenues of \$40,511,510.00 are pledged to repay the sinking fund deposits and interest payable through September 2027. Funds in the amount of \$1,258,042.50 were used to pay interest on the bonds during the 2015 fiscal year.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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In 2011, the Alabama Public School and College Authority issued the Series 2011 Qualified Zone Academy Bonds Capital Outlay Pool Warrant on behalf of various Boards of Education in the State. The Board had a 38.612% participation in the warrants resulting in the Board's share of principal, issuance costs, and net proceeds of \$19,796,745.00, \$74,068.49, and \$19,722,676.51, respectively. The Board is required to make sinking fund deposits of \$991,730.08 on May 1 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the warrants upon maturity and are pledged to pay the debt service requirements of the warrants. This Warrant will be payable solely out of and secured by the annual amounts of Public School Fund Capital Purchase Funds. Future revenues of \$30,705,775.88 are pledged to repay the sinking fund deposits and interest payable through May 2026. Funds in the amount of \$991,730.08 were used to pay interest on the bonds during the 2015 fiscal year.

On September 1, 2012, the Mobile County Board of School Commissioners issued Capital Outlay School Warrants Series 2012 in the amount of \$100,900,000.00. The warrants were issued for the purpose of acquiring and constructing various capital improvements to the educational facilities of the Board. The Board pledged to repay the warrants from proceeds of ad valorem taxes. Future revenues of \$150,127,209.57 are pledged to repay the principal and interest on the Series 2012 Warrants at September 30, 2015. The Series 2012 Warrants will mature in fiscal year 2042. Funds in the amount of \$5,600,581.26 were used to pay principal and interest on the warrants during the 2015 fiscal year.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### *Note 14 – 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 \$1 million per occurrence up to a maximum of \$2 million. Automobile liability insurance and errors and omissions insurance are purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the Board's coverage in the current fiscal year.

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, 2015***

**Note 15 – Interfund Transactions**

**Interfund Receivables and Payables**

The interfund receivables and payables at September 30, 2015, were as follows:

	Interfund Receivables			Totals
	General Fund	Special Revenue Fund	Capital Projects Fund	
<u>Interfund Payables:</u>				
General Fund	\$	\$1,557,679.04	\$801,378.09	\$2,359,057.13
Special Revenue Fund	3,524,515.29			3,524,515.29
Totals	<u>\$3,524,515.29</u>	<u>\$1,557,679.04</u>	<u>\$801,378.09</u>	<u>\$5,883,572.42</u>

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2015, were as follows:

	Transfers Out			Total
	General Fund	Special Revenue Fund	Capital Projects Fund	
<u>Transfers In:</u>				
General Fund	\$	\$2,091,791.90	\$15,688,735.43	\$17,780,527.33
Special Revenue Fund	11,491,259.03			11,491,259.03
Other Governmental Funds	15,688,735.43		8,092,961.67	23,781,697.10
Totals	<u>\$27,179,994.46</u>	<u>\$2,091,791.90</u>	<u>\$23,781,697.10</u>	<u>\$53,053,483.46</u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### Note 16 – Subsequent Events

On March 2, 2016, the Mobile County Board of School Commissioners authorized the issuance of Series 2016-A Capital Outlay Refunding Warrants in the amount of \$54,855,000 for the purposes of (i) refunding the Limited Obligation Bonds, Series 2006-A, issued in the aggregate principal amount of \$89,485,000 and currently outstanding in the aggregate principal amount of \$67,295,000, and (ii) paying the costs of issuance of the Series 2016-A Warrants.

On March 2, 2016, the Mobile County Board of School Commissioners authorized the issuance of Series 2016-B Capital Outlay Refunding Warrants in the amount of \$80,825,000 for the purposes of (i) advance refunding the Limited Obligation Bonds, Series 2009-A, issued in the aggregate principal amount of \$99,060,000 and currently outstanding in the aggregate principal amount of \$86,390,000, (ii) advance refunding the Limited Obligation Bonds, Series 2009-B, issued in the aggregate principal amount of \$19,020,000 and currently outstanding in the aggregate principal amount of \$16,605,000, and (iii) paying the costs of issuance of the Series 2016-B Warrants.

#### Note 17 – Restatements

In fiscal year 2015, the Board adopted Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Board's financial statements. For fiscal year 2015, the Board made prior period adjustments due to the adoption of GASB 68 which required the restatement of the September 30, 2014, net position in Governmental Activities.

The impact of the restatements on the net position as previously reported are as follows:

	Governmental Activities
Net Position, September 30, 2014, as Previously Reported	\$ 236,721,201.82
<u>Restatements Due to the Adoption of GASB</u>	
<u>Statement Number 68:</u>	
Net Pension Liability	(436,235,000.00)
Deferred Outflows of Resources	31,847,000.00
Net Position, September 30, 2014, as Restated	<u>\$(167,666,798.18)</u>

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*Required Supplementary Information*



***Schedule of the Employer's Proportionate Share of the  
Net Pension Liability  
For the Year Ended September 30, 2015  
(dollar amounts in thousands)***

	<b>2015</b>
Employer's proportion of the net pension liability	4.433443%
Employer's proportionate share of the net pension liability	\$ 402,759
Employer's covered-employee payroll during the measurement period (*)	\$ 281,258
Employer's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	143.20%
Plan fiduciary net position as a percentage of the total collective pension liability	71.01%

(\*) Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2015, the measurement period is October 1, 2013 - September 30, 2014.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions  
For the Year Ended September 30, 2015  
(dollar amounts in thousands)***

	<b>2015</b>
Contractually required contribution	\$ 32,561
Contributions in relation to the contractually required contribution	<u>\$ 32,561</u>
Contribution deficiency (excess)	\$
Board's covered-employee payroll	\$ 279,248
Contributions as a percentage of covered-employee payroll	11.66%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2015***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<b><u>Revenues</u></b>			
State	\$ 289,626,613.87	\$ 288,790,492.13	\$ 289,359,820.39
Federal	47,000.00	47,000.00	23,376.00
Local	111,943,175.00	112,692,335.96	113,350,970.12
Other			448,728.86
Total Revenues	<u>401,616,788.87</u>	<u>401,529,828.09</u>	<u>403,182,895.37</u>
<b><u>Expenditures</u></b>			
Current:			
Instruction	243,206,601.48	243,626,212.14	237,298,492.71
Instructional Support	67,140,135.41	68,535,723.09	66,197,140.08
Operation and Maintenance	38,933,200.64	46,029,770.48	45,084,184.47
Auxiliary Services:			
Student Transportation	28,235,899.68	28,903,890.78	27,872,864.92
Food Services			10,399.90
General Administrative and Central Support	21,036,213.64	22,220,703.31	19,943,268.72
Other	1,826,415.33	1,903,006.33	3,238,309.98
Capital Outlay	8,560.00	129,903.07	208,558.72
Total Expenditures	<u>400,387,026.18</u>	<u>411,349,209.20</u>	<u>399,853,219.50</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,229,762.69</u>	<u>(9,819,381.11)</u>	<u>3,329,675.87</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Indirect Cost	5,656,718.91	5,574,394.36	6,275,822.14
Transfers In	19,800,218.49	19,800,218.49	17,780,527.33
Other Financing Sources			51,552.33
Sale of Capital Assets			74,350.95
Transfers Out	(27,989,032.54)	(28,088,434.86)	(27,179,994.46)
Other Fund Uses	(147,000.00)	(125,000.00)	
Total Other Financing Sources (Uses)	<u>(2,679,095.14)</u>	<u>(2,838,822.01)</u>	<u>(2,997,741.71)</u>
Net Changes in Fund Balances	(1,449,332.45)	(12,658,203.12)	331,934.16
Fund Balances - Beginning of Year	<u>28,088,710.00</u>	<u>30,056,479.49</u>	<u>30,059,792.14</u>
Fund Balances - End of Year	<u>\$ 26,639,377.55</u>	<u>\$ 17,398,276.37</u>	<u>\$ 30,391,726.30</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$ 289,359,820.39
		23,376.00
(1)	(137,866.44)	113,213,103.68
		448,728.86
	<u>(137,866.44)</u>	<u>403,045,028.93</u>
(2)	1,519,850.56	235,778,642.15
(2)	283,288.19	65,913,851.89
(2)	(1,302,364.28)	46,386,548.75
(2)	36,102.84	27,836,762.08
		10,399.90
(2)	8,517.68	19,934,751.04
(2)	(78,063.85)	3,316,373.83
		208,558.72
	<u>467,331.14</u>	<u>399,385,888.36</u>
	<u>329,464.70</u>	<u>3,659,140.57</u>
		6,275,822.14
		17,780,527.33
		51,552.33
		74,350.95
		(27,179,994.46)
		<u>(2,997,741.71)</u>
	329,464.70	661,398.86
(3)	<u>(32,622,296.23)</u>	<u>(2,562,504.09)</u>
	<u>\$ (32,292,831.53)</u>	<u>\$ (1,901,105.23)</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2015***

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**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 motor vehicle ad valorem tax revenue as it is received, rather than on the modified accrual basis.
- (2) The Board budgets salaries and benefits as they are actually paid, rather than on the modified accrual basis.

Net Increase 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 because of the cumulative effect of transactions such as those described above.

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\$ (137,866.44)

467,331.14

\$ 329,464.70

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<b>Revenues</b>			
Federal	\$ 80,442,878.33	\$ 78,424,929.41	\$ 79,315,391.76
Local	14,912,332.50	14,912,332.50	16,967,963.39
Other	1,011,876.96	1,160,109.71	1,029,998.30
Total Revenues	<u>96,367,087.79</u>	<u>94,497,371.62</u>	<u>97,313,353.45</u>
<b>Expenditures</b>			
Current:			
Instruction	30,636,061.46	28,749,053.95	28,807,638.13
Instructional Support	16,639,281.29	17,359,047.33	16,604,304.00
Operation and Maintenance	129,012.37	144,206.37	207,378.71
Auxiliary Services:			
Student Transportation	2,105,359.00	2,142,241.55	1,630,297.29
Food Services	40,854,217.68	41,382,391.53	46,557,287.52
General Administrative and Central Support	2,584,643.63	3,603,564.81	3,135,421.01
Other	12,064,311.99	11,293,800.54	11,001,433.57
Capital Outlay	2,290,233.84	1,387,481.07	1,217,742.04
Total Expenditures	<u>107,303,121.26</u>	<u>106,061,787.15</u>	<u>109,161,502.27</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,936,033.47)</u>	<u>(11,564,415.53)</u>	<u>(11,848,148.82)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	13,255,125.78	13,354,528.10	11,491,259.03
Other Financing Sources			6,340.68
Sale of Capital Assets	23,593.75	23,593.75	5,557.00
Transfers Out	(3,938,820.50)	(3,938,820.50)	(2,091,791.90)
Total Other Financing Sources (Uses)	<u>9,339,899.03</u>	<u>9,439,301.35</u>	<u>9,411,364.81</u>
Net Changes in Fund Balances	(1,596,134.44)	(2,125,114.18)	(2,436,784.01)
Fund Balances - Beginning of Year	<u>15,124,217.12</u>	<u>18,531,841.67</u>	<u>18,526,264.73</u>
Fund Balances - End of Year	<u>\$ 13,528,082.68</u>	<u>\$ 16,406,727.49</u>	<u>\$ 16,089,480.72</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$ 79,315,391.76
		16,967,963.39
		1,029,998.30
		<u>97,313,353.45</u>
		28,807,638.13
		16,604,304.00
		207,378.71
		1,630,297.29
(1)	(1,079,110.27)	47,636,397.79
		3,135,421.01
		11,001,433.57
		1,217,742.04
	(1,079,110.27)	<u>110,240,612.54</u>
	(1,079,110.27)	<u>(12,927,259.09)</u>
		11,491,259.03
		6,340.68
		5,557.00
		(2,091,791.90)
		<u>9,411,364.81</u>
	(1,079,110.27)	(3,515,894.28)
(2)	(395,086.01)	<u>18,131,178.72</u>
	\$ (1,474,196.28)	<u>\$ 14,615,284.44</u>



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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2015***

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**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 salaries and benefits as they are actually 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 because of the cumulative effect of transactions such as those described above.

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\$ (1,079,110.27)

\$ (1,079,110.27)

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## *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2015***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of Education</u></b>		
<b><u>Direct Programs</u></b>		
Indian Education - Grants to Local Educational Agencies	84.060	N.A.
High School Graduation Initiative	84.360	N.A.
Total Direct Programs		
<b><u>U. S. Department of Education</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Title I Grants to Local Educational Agencies	84.010	N.A.
Career and Technical Education - Basic Grants to States	84.048	N.A.
Migrant Education - State Grant Program	84.011	N.A.
Safe and Drug-Free Schools and Communities - National Programs	84.184	N.A.
Special Education - State Personnel Development	84.323	N.A.
Twenty-First Century Community Learning Centers	84.287	N.A.
Education for Homeless Children and Youth	84.196	N.A.
Special Education Cluster:		
Special Education - Grants to States	84.027	N.A.
Special Education - Learning Tree	84.027	X40014701
Special Education - St. Mary's Home	84.027	X40014101
Sub-Total Special Education - Grants to States		
Special Education - Preschool Grants	84.173	N.A.
Sub-Total Special Education Cluster (M)		
Education Research, Development and Dissemination:		
C. F. Vigor High School	84.305	X300580
Mary G. Montgomery High School	84.305	X300581
Theodore High School	84.305	X300586
Sub-Total Education Research, Development and Dissemination		
Advanced Placement Program	84.330	N.A.
Improving Teacher Quality State Grants	84.367	N.A.
English Language Acquisition State Grants	84.365	N.A.
Total U. S. Department of Education		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2014-09/30/2015	\$ 123,935.66	\$ 123,935.66	\$ 123,935.66	\$ 123,935.66
10/01/2014-09/30/2015	1,347,115.64	1,347,115.64	1,347,115.64	1,347,115.64
	<u>1,471,051.30</u>	<u>1,471,051.30</u>	<u>1,471,051.30</u>	<u>1,471,051.30</u>
10/01/2014-09/30/2015	22,956,089.67	22,956,089.67	22,861,527.25	22,861,527.25
10/01/2014-09/30/2015	975,706.00	975,706.00	975,706.00	975,706.00
10/01/2014-09/30/2015	253,403.00	253,403.00	195,657.11	195,657.11
10/01/2014-09/30/2015	1,500.00	1,500.00	271.48	271.48
10/01/2014-09/30/2015	16,665.38	16,665.38	16,665.38	16,665.38
10/01/2014-09/30/2015	450,000.00	450,000.00	433,307.72	433,307.72
10/01/2014-09/30/2015	68,413.00	68,413.00	68,413.00	68,413.00
10/01/2014-09/30/2015	13,546,617.90	13,546,617.90	13,412,070.05	13,412,070.05
10/01/2014-09/30/2015	2,054,191.21	2,054,191.21	2,054,191.21	2,054,191.21
10/01/2014-09/30/2015	91,483.54	91,483.54	91,483.54	91,483.54
	<u>15,692,292.65</u>	<u>15,692,292.65</u>	<u>15,557,744.80</u>	<u>15,557,744.80</u>
10/01/2014-09/30/2015	272,675.00	272,675.00	272,675.00	272,675.00
	<u>15,964,967.65</u>	<u>15,964,967.65</u>	<u>15,830,419.80</u>	<u>15,830,419.80</u>
10/01/2014-09/30/2015	34,598.96	34,598.96	32,678.48	32,678.48
10/01/2014-09/30/2015	39,096.11	39,096.11	31,917.63	31,917.63
10/01/2014-09/30/2015	5,432.02	5,432.02	5,432.02	5,432.02
	<u>79,127.09</u>	<u>79,127.09</u>	<u>70,028.13</u>	<u>70,028.13</u>
10/01/2014-09/30/2015	59,128.00	59,128.00	59,128.00	59,128.00
10/01/2014-09/30/2015	4,278,247.31	4,278,247.31	3,563,935.31	3,563,935.31
10/01/2014-09/30/2015	255,202.30	255,202.30	217,506.41	217,506.41
	<u>46,829,500.70</u>	<u>46,829,500.70</u>	<u>45,763,616.89</u>	<u>45,763,616.89</u>
	\$ 46,829,500.70	\$ 46,829,500.70	\$ 45,763,616.89	\$ 45,763,616.89

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2015***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Agriculture</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Child Nutrition Cluster:		
National School Lunch Program:		
Cash Assistance	10.555	N.A.
Non-Cash Assistance (Commodities)	10.555	N.A.
National School Lunch Program Sub-Total		
School Breakfast Program - Cash Assistance	10.553	N.A.
Summer Food Service Program for Children	10.559	N.A.
Sub-Total Child Nutrition Cluster (M)		
Child and Adult Care Food Program	10.558	N.A.
Fresh Fruit and Vegetable Program	10.582	N.A.
Total U. S. Department of Agriculture		
<b><u>Social Security Administration</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Social Security - Disability Insurance	96.001	N.A.
<b><u>U. S. National Oceanic and Atmospheric Administration</u></b>		
<b><u>Passed Through University of Southern Mississippi</u></b>		
Sea Grant Support	11.417	N.A.
<b><u>Other Federal Assistance</u></b>		
<b><u>U. S. Department of Defense</u></b>		
<b><u>Direct Program</u></b>		
Navy ROTC	N.A.	N.A.
Army ROTC	N.A.	N.A.
Total U. S. Department of Defense		
Total Expenditures of Federal Awards		

(M) = Major Program

N.A. = Not Available or Not Applicable

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 46,829,500.70	\$ 46,829,500.70	\$ 45,763,616.89	\$ 45,763,616.89
10/01/2014-09/30/2015	21,924,399.81	21,924,399.81	21,924,399.81	21,924,399.81
10/01/2014-09/30/2015	1,406,338.11	1,406,338.11	1,406,338.11	1,406,338.11
	<u>23,330,737.92</u>	<u>23,330,737.92</u>	<u>23,330,737.92</u>	<u>23,330,737.92</u>
10/01/2014-09/30/2015	8,315,144.55	8,315,144.55	8,315,144.55	8,315,144.55
10/01/2014-09/30/2015	356,954.64	356,954.64	356,954.64	356,954.64
	<u>32,002,837.11</u>	<u>32,002,837.11</u>	<u>32,002,837.11</u>	<u>32,002,837.11</u>
10/01/2014-09/30/2015	186,068.74	186,068.74	186,068.74	186,068.74
10/01/2014-09/30/2015	404,288.52	404,288.52	404,288.52	404,288.52
	<u>32,593,194.37</u>	<u>32,593,194.37</u>	<u>32,593,194.37</u>	<u>32,593,194.37</u>
10/01/2014-09/30/2015	23,376.00	23,376.00	23,376.00	23,376.00
10/01/2014-09/30/2015	32,156.00	32,156.00	32,156.00	32,156.00
10/01/2014-09/30/2015	69,293.99	69,293.99	69,293.99	69,293.99
10/01/2014-09/30/2015	857,130.51	857,130.51	857,130.51	857,130.51
	<u>926,424.50</u>	<u>926,424.50</u>	<u>926,424.50</u>	<u>926,424.50</u>
	<u>\$ 80,404,651.57</u>	<u>\$ 80,404,651.57</u>	<u>\$ 79,338,767.76</u>	<u>\$ 79,338,767.76</u>



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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2015***

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***Note 1 – Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Mobile County Board of School Commissioners 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.

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## *Additional Information*

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***Board Members and Administrative Personnel***  
***October 1, 2014 through September 30, 2015***

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**Board Members**

**Term Expires**

L. Douglas Harwell, Jr.	President	November 2018
Don Stringfellow	Vice-President	November 2018
Reginald A. Crenshaw, Ph.D.	Member	November 2020
Robert E. Battles	Member	November 2020
William C. Foster, Ed.D.	Member	November 2016
Tracie Roberson	Member	November 2014

**Administrative Personnel**

Martha L. Peek	Superintendent	June 2017
Dinish Simpson	Chief School Financial Officer	

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

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**Independent Auditor's Report**

To: Members of the Mobile County Board of School Commissioners, Superintendent and Chief School Financial Officer

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mobile County Board of School Commissioners, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Mobile County Board of School Commissioners' basic financial statements, and have issued our report thereon dated March 8, 2016.

**Internal Control Over Financial Reporting**

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

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

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

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

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**Compliance and Other Matters**

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

**Mobile County Board of School Commissioners' Response to Findings**

The Mobile County Board of School Commissioners' response to the findings identified in our audit is described in the accompanying Auditee Response. The Mobile County Board of School Commissioners' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

March 8, 2016

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

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***Independent Auditor's Report***

To: Members of the Mobile County Board of School Commissioners, Superintendent and Chief School Financial Officer

***Report on Compliance for Each Major Federal Program***

We have audited the Mobile County Board of School Commissioners' 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 Mobile County Board of School Commissioners' major federal programs for the year ended September 30, 2015. The Mobile County Board of School Commissioners' major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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***Opinion on Each Major Federal Program***

In our opinion, the Mobile County Board of School Commissioners complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

***Report on Internal Control Over Compliance***

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

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

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

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

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



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

March 8, 2016



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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2015***

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

**Financial Statements**

Type of opinion issued: Unmodified  
 Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ Yes     X  No  
 Significant deficiency(ies) identified? \_\_\_\_\_ Yes     X  None reported  
 Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     X  No

**Federal Awards**

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes     X  No  
 Significant deficiency(ies) identified? \_\_\_\_\_ Yes     X  None reported  
 Type of auditor's report issued on compliance for major programs: Unmodified  
 Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes     X  No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555 and 10.559 84.027 and 84.173	Child Nutrition Cluster Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$2,380,163.03  
 Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes     X  No

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2015***

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**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.	

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# *Auditee Response*



# Mobile County PUBLIC SCHOOLS

1 Magnum Pass | Mobile, Alabama 36688 | 251-221-4000 | [www.mcpsd.com](http://www.mcpsd.com)

**BOARD OF SCHOOL COMMISSIONERS**  
Don Stringfellow, President - District 2  
Reginald A. Crenshaw, Ph.D., V. President - District 3  
L. Douglas Harwell, Jr. - District 1  
Robert F. Battles, Sr. - District 4  
William C. Foster, Ed.D. - District 5

**SUPERINTENDENT** Martha J. Peek

April 1, 2016

Mr. Briar Wheeler  
Examiner of Public Accounts  
P. O. box 302251  
Montgomery, AL 36130-2251

Dear Mr. Wheeler:

Please find enclosed our "Corrective Action Plan" for the year ended September 30, 2015.

If I can be of further assistance please do not hesitate to contact me.

Sincerely,

  
Dinish Simpson  
Chief Financial Officer

DPS/ck



# Mobile County PUBLIC SCHOOLS

1 Magnum Pass | Mobile, Alabama 36618 | 251-221-4000 | www.mcpsd.com

**BOARD OF SCHOOL COMMISSIONERS**  
Don Stringfellow, President - District 2  
Reginald A. Crenshaw, Ph.D., V. President - District 3  
L. Douglas Harwell, Jr. - District 1  
Robert F. Battles, Sr. - District 4  
William C. Foster, Ed.D. - District 5

**SUPERINTENDENT** Martha I. Peek

March 15, 2016

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## *Corrective Action Plan*

### *For the Year Ended September 30, 2015*

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As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .315 (c), the **Mobile County Board of School Commissioners** has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2015.

**Finding  
Ref.  
No.**

**Corrective Action Plan Details**

---

**2007-002**

**Finding:** *The Mobile County Board of School Commissioners' Local School Accounting Department requires certain receipting procedures to be followed by all local school personnel. All funds collected and receipted by teachers should be submitted to the school's office on a daily basis and the funds should be deposited daily. A multiple receipt listing form should be used when teachers collect less than \$25.00 from each student and a teacher receipt written for the total amount. Teachers did not always turn in funds collected from students to the office in a timely manner at E R Dickson Elementary and Davidson High School nor did they use the multiple receipt listing form when collections were less than \$25.00 per student at Grand Bay Middle School. Also, monies collected for basketball events at Davidson High School were not deposited in a timely manner.*

**Corrective Action:** *The "Local School Accounting Procedures" requires Teachers/Sponsors to turn all collected funds in on a daily basis. If funds are turned in late a "Late Teacher Receipt Form" is to be utilized. The "Local School Accounting Procedures" allows teachers to use a multiple receipt listing form to document funds received by multiple students on a single teacher receipt when the amount received from each student is less than \$25.00. The "Local School Accounting Procedures" requires a daily bank deposit to be made if receipts are \$25.00 or more. Continued training and emphasis on procedures will be provided to local school personnel.*

**Completion Date:** *Ongoing*

**Contact Person:** *Dinish P. Simpson, Chief Financial Officer  
Lori Zirlott, Comptroller*



# Mobile County PUBLIC SCHOOLS

**BOARD OF SCHOOL COMMISSIONERS**  
Don Stringfellow, President - District 2  
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William C. Foster, Ed.D. - District 5

1 Magnum Pass | Mobile, Alabama 36688 | 251-221-4000 | www.mcps.com

**SUPERINTENDENT** Martha L. Peek

**2015-001**

**Finding:** *Based on the Mobile County Board of School Commissioners' policies and procedures regarding non-travel expense reimbursements, expenses for individual purchases shall be reimbursable up to \$100.00. Teachers and school personnel at Davidson high School were reimbursed for individual purchases in excess of the policy limit.*

**Corrective Action:** *The "Mobile County Public School System Policies" currently allow for reimbursement of non-travel expenses for up to \$100.00 incurred in the performance of duties provided the expenses are authorized by the appropriate supervisor and the expenses appear to be reasonable. Continued training and emphasis on procedures will be provided to local school personnel. Also, it is the intent of the Chief Financial Officer to recommend a higher policy limit that will be more reflective of current economic dollars.*

**Completion Date:** *Ongoing*

**Contact Person:** *Dinish P. Simpson, Chief Financial Officer  
Lori Zirlott, Comptroller*

MOBILE COUNTY || MOBILE, AL (Survey Year: 2013)  
 NCES ID: 0102370

**LEA Summary of Selected Facts**

**LEA Characteristics and Membership**

<b>Number of Schools in this District:</b>	93
<b>Grades Offered:</b>	Preschool,K,1,2,3,4,5,6,7,8,9,10,11,12,Ungraded
<b>Student Enrollment</b>	56,376
American Indian/Alaska Native	1.3%
Asian	2.3%
Black	49.2%
Hispanic	2.5%
Native Hawaiian/Other Pacific Islander	0.3%
Two or More Races	1.5%
White	43.0%
Female	49.2%
Male	50.8%
Students with Disabilities (IDEA)	11.6%
Students with Disabilities (Section 504 Only)	0.2%
Students with Limited English Proficiency (LEP)	0.9%
Free and Reduced-price Lunch (FRPL)	71.2%

SOURCE: U.S. Department of Education, National Center for Education Statistics

	Student Enrollment	Chronically Absent
All Students	100%	4.6%
American Indian/Alaska Native	1.3%	0.0%
Asian	2.3%	0.0%
Black	49.2%	2.5%
Hispanic	2.5%	0.0%
Native Hawaiian/Other Pacific Islander	0.3%	0.0%
Two or More	1.5%	0.0%
White	43.0%	1.9%
Limited English Proficiency (LEP)	0.9%	0.0%
Disability (IDEA + Section 504)	11.8%	0.3%

Number of Schools with:	
Title I	78
Special Education School Classification	3
Magnet Program	7
Charter School Classification	0
Alternative School Classification	1
Offering AP	11
Gifted/Talented Programs	67
Single-sex Classes	0

**Special Reports and Other Profile Facts**

- [LEP Summary \(New\)](#)
- [Discipline Report \(New\)](#)
- [Educational Equity Report \(New\)](#)
- Characteristics and Membership >
- [LEP](#)
- [Students w/Disabilities \(IDEA\)](#)
- [Students w/ Disabilities \(504\)](#)
- [EDFacts IDEA](#)
- [Interscholastic Athletics](#)
- [Single-sex classes](#)
- [Civil Rights Coordinators](#)

**Staffing and Finance**

Staffing Characteristics	District
Total Teachers (FTE)	3,743.0
Total Counselors (FTE)	115.0
Teachers Meeting all State Licensing and Certification Requirements (FTE)	100.0%
Teachers in 1st Year of Teaching (FTE)	8.2%
Teachers in 2nd Year of Teaching (FTE)	3.9%
Teachers Absent > 10 Days of the School Year (FTE)	610.0
Students to Teachers Ratio	15.06 : 1

All Schools Expenditures	All Schools Amount	All Schools Per Pupil
Personnel Salary Expenditures - Instructional Staff	\$156,032,280.00	\$2,774.25
Non-Personnel Expenditures	30,640,164	545

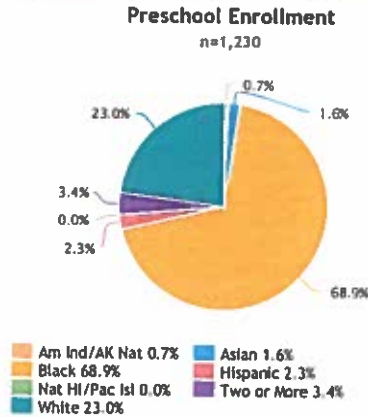
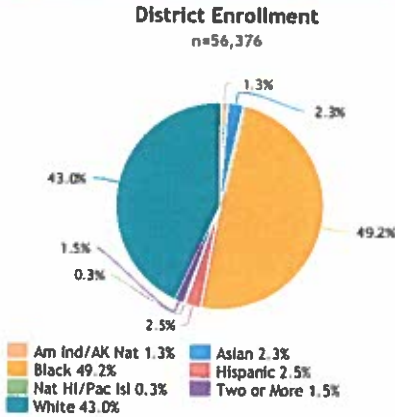


**Pathways to College and Career Readiness**

The District's preschool services/programs are offered to the following:

All Children:	Yes
Children with disabilities (IDEA):	Yes
Children in Title I Schools:	Yes
Children from low income families:	Yes

Compared to overall enrollment, what is the race/ethnicity of children enrolled in Preschool programs?



Percent of enrollment that is LEP

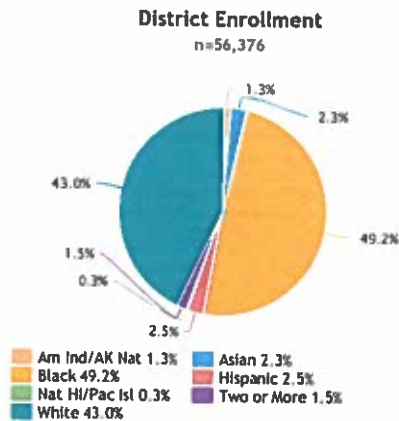
Percent of preschool population that is LEP

LEP Students:

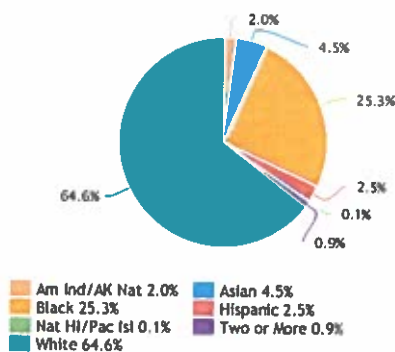
0.9%

0.3%

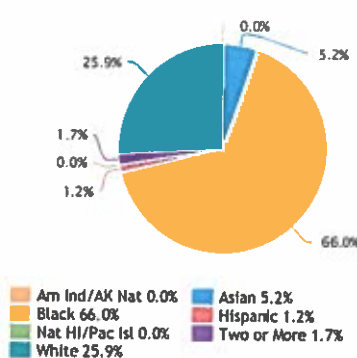
Compared to overall enrollment, what is the race/ethnicity of students enrolled in Gifted and Talented or 7th & 8th Grade Algebra I?



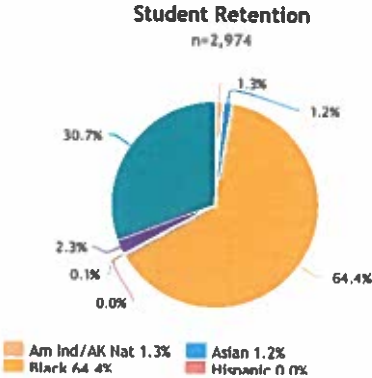
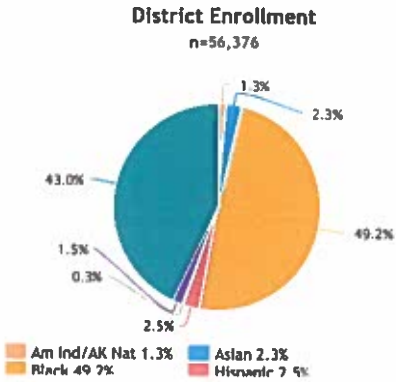
**Gifted & Talented Enrollment**  
n=5,520



**Algebra I Enrollment in 7th or 8th**  
n=344

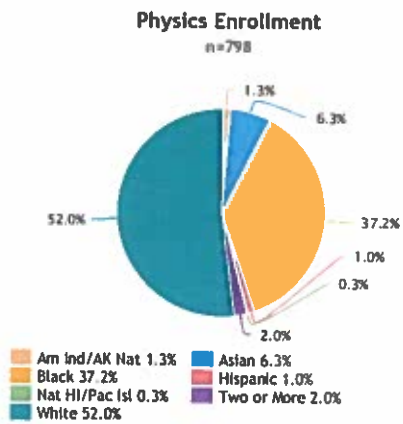
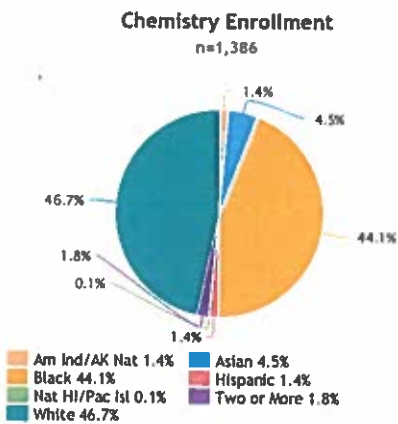
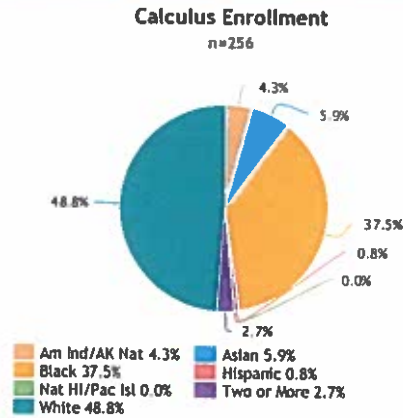
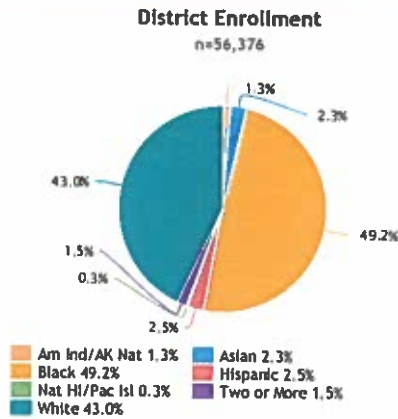


Compared to overall enrollment, what is the race/ethnicity of students who were retained?

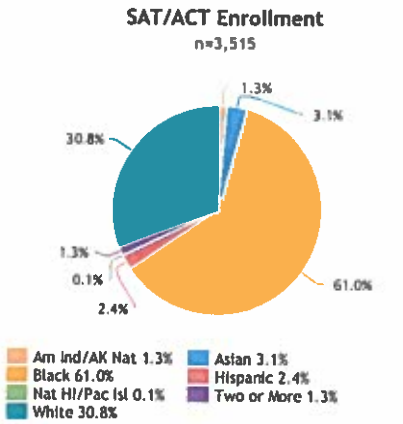
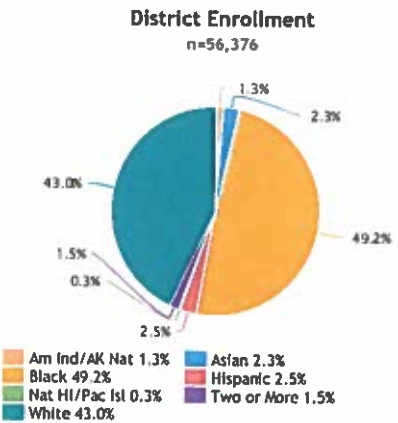


**College and Career Readiness**

Compared to overall enrollment, what is the race/ethnicity of students enrolled in Calculus, Chemistry, or Physics?



Compared to overall enrollment, what is the race/ethnicity of students who took the SAT/ACT?



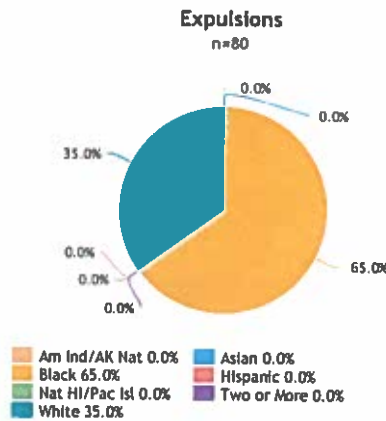
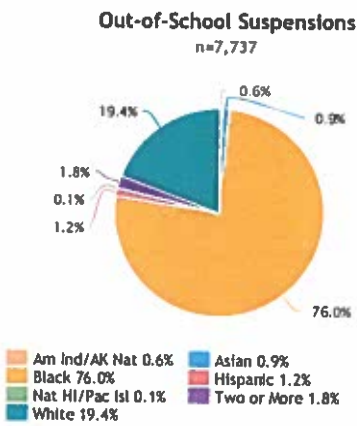
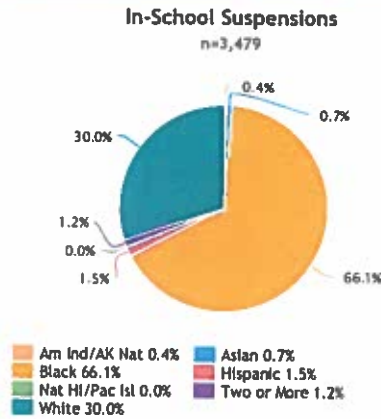
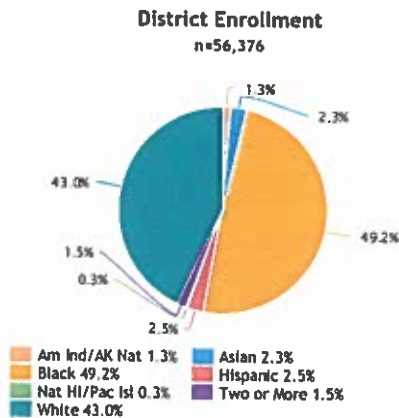
Total number of students participating in SAT/ACT = 3515

Of the students who took the SAT/ACT, what percentage are LEP, of each sex, and students with disabilities?

	% of Enrollment	% of Participants in SAT/ACT
<b>LEP Students</b>	0.99%	0%
<b>Students With Disabilities</b>	11.55%	2.11%
<b>Female/Male</b>	49.19% / 50.81%	50.95% / 49.05%
Dual Enrollment & Credit Recovery		
<b>Total number of schools with students enrolled in a dual enrollment/dual credit program</b>		6
<b>Total number of schools with students who participate in a credit recovery program</b>		1

**Discipline, Restraints/Seclusion, Harassment/Bullying**

Compared to overall enrollment, what is the race/ethnicity of students receiving In-School Suspensions, Out-of-School Suspensions, or Expulsions?



\* Section 504 Only discipline data is not available by race/ethnicity. Number of Section 504 Only students disciplined: In-School Suspensions=2, Out of School Suspensions=10, Expulsions=0

	Total
Total Number of Students Referred to Law Enforcement	173
Total Number of Students with School-Related Arrests	157
Total Number of Students Expelled Under Zero-Tolerance Policies	32
Total Number of Students Who Received Corporal Punishment	0
Total Number of Schools with Sworn Law Enforcement Officers	0

Civil Rights Data Definitions