

**TUSCUMBIA CITY BOARD OF EDUCATION
TUSCUMBIA, ALABAMA**

**AUDITED
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2011

**The Sparks CPA Firm, P.C.
Certified Public Accountants**

TUSUMBIA CITY BOARD OF EDUCATION

Tuscumbia, Alabama

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September 30, 2011

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204 5th Avenue SE
P.O. Box 1366
Red Bay, Alabama 35582-1366
Phone: (256) 356-9375
Fax: (256) 356-8378
E-mail: sparkscpa@bellsouth.net

The Sparks CPA Firm, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

2013 Avalon Avenue
P.O. Box 2321
Muscle Shoals, AL 35661
Phone: (256) 314-5082
Fax: (256) 314-5084

204 E. Fifth Street
Tuscumbia, AL 35674
Phone: (256) 383-6490
Fax: (256) 383-6773

INDEPENDENT AUDITORS' REPORT

Members of the Board
Tuscumbia City Board of Education

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuscumbia City Board of Education, Tuscumbia, Alabama, as of and for the year ended September 30, 2011, which collectively comprise the Tuscumbia City Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tuscumbia City Board of Education, Tuscumbia, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tuscumbia City Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2012, on our consideration of the Tuscumbia City Board of Education, Tuscumbia, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 33 through 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
May 18, 2012

REQUIRED SUPPLEMENTARY INFORMATION

TUSCUMBIA CITY BOARD OF EDUCATION

Management's Discussion and Analysis

For the Year Ended September 30, 2011

INTRODUCTION

The Management's Discussion and Analysis (MD&A) of Tuscumbia City Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2011. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. The notes to the financial statements should also be reviewed in order to enhance one's understanding of the Tuscumbia City Board of Education's financial performance.

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

The Tuscumbia City Board of Education operates one primary school, one intermediate school, one middle school, one high school, one vocational school, and one alternative school located on the high school campus. The Southern Association of Colleges and Schools (*Accrediting Division of Advanced Ed) accredit all K-12 schools; the vocational school is business and industry certified (BIC).

Enrollment for the FY11 school term, which began August 2010, totaled 1551 students. At that time, the Board employed 120.50 certificated employees, including administrators, librarians, counselors and teachers, as well as, 61 support workers.

FINANCIAL ANALYSIS OF THE BOARD'S FUNDS

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's government funds reported combined ending fund balances of \$3.95 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The *Statement of Activities* (Exhibit B) provides information which shows how the Board's net assets changed as a result of the year's activities. The statement uses the accrual basis of

TUSCUMBIA CITY BOARD OF EDUCATION

Management's Discussion and Analysis

For the Year Ended September 30, 2011

accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

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

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

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

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) consisting of a budgetary comparison schedule for the general fund and each major special revenue fund that has a legally adopted annual budget. Major funds identified for the Tuscumbia City Board of Education include the General Fund, the Special Revenue Funds, the Capital Project Funds and Debt Service Funds. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

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

TUSCUMBIA CITY BOARD OF EDUCATION
Management's Discussion and Analysis
For the Year Ended September 30, 2011

TUSCUMBIA CITY BOARD OF EDUCATION
Summary of Net Assets as of September 30, 2011
(in millions)

	Governmental Activities 2010		Governmental Activities 2011	
Current and other assets*	\$ 3.65	33.09%	\$ 4.64	39.62%
Capital assets	7.38	66.91%	7.07	60.38%
Total assets	\$ 11.03	100.00%	\$ 11.71	100.00%
Current and other liabilities	\$ 0.70	21.08%	\$ 0.70	22.51%
Long-term liabilities	2.62	78.92%	2.41	77.49%
Total liabilities	\$ 3.32	100.00%	\$ 3.11	100.00%
Net Assets:				
Invested in capital assets, net of related debt	\$ 4.78	62.00%	\$ 4.67	54.30%
Restricted net assets:				
Expendable:				
Capital projects	1.45	18.81%	1.67	19.42%
Debt service	0.04	0.52%	0.04	0.47%
School based activities	0.63	8.17%	0.62	7.21%
Unrestricted	0.81	10.50%	1.60	18.60%
Total Net Assets	\$ 7.71	100.00%	\$ 8.60	100.00%

*Other Assets include restricted Public School and College Authority (PSCA) monies totaling \$423,588.72 (2007 Bond Proceeds = \$407,479.50 and 2006 Bond Proceeds = \$11,462.22 and FY11 Fleet Renewal 2010C = \$4,647)

The Board's assets exceeded liabilities by \$8.60 million at the close of the fiscal year. The majority of the Board's net assets are invested in capital assets owned by the Board such as land, buildings and equipment. These assets are not available for future expenditures since they will not be sold. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirement—totaled \$1,602,067 at the end of the year. This means that the Board has enough resources to cover all outstanding obligations, including non-capital liabilities as of September 30, 2011, with resources left over to use for next year's operations.

TUSCUMBIA CITY BOARD OF EDUCATION

Management's Discussion and Analysis

For the Year Ended September 30, 2011

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

TUSCUMBIA CITY BOARD OF EDUCATION

Changes in Net Assets

	Governmental Activities September 30, 2010		Governmental Activities September 30, 2011	
<u>Revenues</u>				
Program Revenues:				
Charges for Services	\$ 1.52	10.56%	\$ 1.58	10.17%
Operating grants/contributions	8.87	61.59%	9.66	62.16%
Capital grants/contributions	0.47	3.26%	0.42	2.70%
General Revenues:				
Property taxes	1.26	8.75%	1.36	8.75%
Sales tax	0.78	5.42%	0.91	5.86%
Alcohol beverage tax	0.04	0.28%	0.04	0.26%
Other taxes	0.01	0.07%	0.01	0.06%
City Council appropriations	0.42	2.91%	0.43	2.77%
Investment earnings	0.04	0.28%	0.01	0.06%
Other general revenues	0.99	6.88%	1.12	7.21%
Total Revenues	\$ 14.40	100.00%	\$ 15.54	100.00%
<u>Expenditures</u>				
Instructional services	7.98	54.89%	8.18	55.84%
Instructional support services	2.68	18.43%	2.66	18.16%
Operation & Maintenance services	1.30	8.94%	1.27	8.67%
Student transportation services	0.14	0.96%	0.15	1.02%
Food services	1.01	6.95%	0.94	6.42%
General administrative services	1.06	7.29%	1.03	7.03%
Debt service	0.13	0.89%	0.12	0.82%
Other expenses	0.24	1.65%	0.30	2.05%
Total Expenditures	\$ 14.54	100.00%	\$ 14.65	100.00%
Change in Net Assets	(.14)		.89	
Net Assets, Beginning	7.86		7.71	
Net Assets, Ending	7.71		8.60	

Program revenues, specifically operating grants and contributions, are the largest component of total revenues 75.03%.

- Operating grants and contributions contribute 82.85% of program revenues and 62.16% of total revenues. The major sources of revenues in this category are State Foundation Program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

TUSCUMBIA CITY BOARD OF EDUCATION

Management's Discussion and Analysis

For the Year Ended September 30, 2011

General revenues, primarily property taxes and sales taxes, are used to provide \$3,894,249 for expenses not covered by program revenues.

Expenditures

- ✓ *Instructional services expenses*, primarily salaries and benefits for classroom teachers, are the largest expense function of the Tuscumbia City Board of Education 55.85%. In addition to teacher salaries and benefits, instructional services includes teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development and classroom instructional materials, supplies and equipment.
- ✓ *Instructional support services* includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, speech therapists, school nurses and professional development expenses.
- ✓ *Operation and maintenance services* includes utilities, security services, janitorial services, maintenance services and depreciation of maintenance vehicles.
- ✓ In addition to bus driver salaries and benefits, *student transportation service* includes bus inspections, bus maintenance and repair expenses, vehicle fuel, depreciation of buses and bus insurance. The system does not operate a transportation system to transport children to school; student transportation is for extracurricular activities
- ✓ *Food services* includes salaries and benefits for cooks, servers, lunchroom managers and cashiers, as well as donated purchased food, food preparation and service supplies, kitchen and lunchroom equipment and depreciation of lunchroom equipment and facilities.
- ✓ *General administrative services* includes salaries and benefits for the superintendent, administrative assistant, clerical and financial staff and other personnel that provide system-wide support for the schools. Also included are legal and auditing expenses, liability insurance, training for board members and general administrative staff, printing costs and depreciation of the central office equipment and facilities.
- ✓ *Other expenses* include the salaries and benefits for the preschool teacher and extended day personnel. Also included are the materials, supplies, equipment, related depreciation and other expenses for operating programs outside of those for educating students in K through 12 instructional programs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Two public budget hearings were held by the Board on the FY011 budget. These hearings were held on August 16, 2010 and September 20, 2010 for public input. The original 2011 fiscal year budget, adopted on September 20, 2010, was based on a "bare bones" approach that reflected only guaranteed revenues and necessary expenditures since some of the state-funded programs had not been authorized at this point. The original budget figures were amended when revenues or expenditures exceeded 10% and/or when additional revenue sources were made available from the State Department of Education. Over the course of the year, the Board revised the annual operating budget two times: February 28, 2011 and June 27, 2011.

The differences between the original budget and the final amended budget of the Board are summarized as follows:

Amendment # 1

- ❑ Budgeted all actual fund balances
- ❑ Budgeted all federal carryover balances
- ❑ Budgeted SED Grant 2011 of \$20,000 for tutoring and building improvement at the Alternative School
- ❑ Budgeted grants (Compass Learning of \$22,910 and Access Learning of \$7,500)

TUSCUMBIA CITY BOARD OF EDUCATION

Management's Discussion and Analysis

For the Year Ended September 30, 2011

Amendment # 2

- ❑ Amended the local school revenue based on an analysis of the expenditures for October 2010 to June 2011
- ❑ Budgeted Current Unit money of \$3,472
- ❑ Budgeted Proration of 3% on state funding sources
- ❑ Budgeted LSA activity fund balances
- ❑ Amended budget in all funding sources based on analysis of actual expenses
- ❑ Budgeted new funding source Hurricane Recovery of \$13,739

Overall, the final budget amendment is reflective of the actual operating activity for the year. Actual revenues were slightly higher than original budget estimates and actual expenditures were slightly lower than budgetary estimates. An ending fund balance in the General Fund was estimated to be \$1,298,517.82; however actual fund balance was \$1,602,067.28 which was a positive variance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—On September 30, 2011, the Board had approximately \$7.07 million invested in capital assets including land, buildings, equipment costing \$5,000 or more, and vehicles. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year.

Capital Assets (Net of Depreciation) (In millions)

	Governmental Activities September 30, 2010		Governmental Activities September 30, 2011
Land and Land Improvements	\$ 0.29	\$	0.29
Buildings	3.09		2.94
Building Improvements	3.68		3.53
Vehicles	0.03		0.03
Equipment	0.28		0.28
Total Capital Assets	\$ 7.37	\$	7.07

Net capital assets decreased by \$318,699 for the 2011 fiscal year. As of September 30, 2011, the Tuscumbia City Board of Education had approximately \$14.63 million invested in capital assets including land, buildings, equipment costing \$5,000 or more and vehicles. The Board expended available resources to acquire \$207,692.25 in capital asset additions during the year. These additions are reduced by the current year's depreciation expense of \$518,546.30. Additional information on the Board's capital assets is presented in the notes to the basic financial statements. The additions to capital assets were primarily for the following:

- ❖ New roof DHS Band Room (\$75,109)
- ❖ New roof RET Gym (\$82,343)
- ❖ Playground Equipment RET (\$18,590)
- ❖ Polaris Ranger for football program (\$8,999)
- ❖ Combi Oven for RET Cafeteria (\$14,806)

TUSCUMBIA CITY BOARD OF EDUCATION

Management's Discussion and Analysis

For the Year Ended September 30, 2011

Long-Term Debt—Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. At year-end, the Board had \$2.46 million in bonds and warrants payable. (Additional information on the Board's long-term debt is presented in the notes to the basic financial statements.)

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

- The Board continued to pay down its warrant debt issued in 1996, retiring \$120,000 in outstanding warrants during the fiscal year 2011.
- The Board paid down its Public School Fund debt issued in 2003, retiring \$34,953.36 of the debt principal. Proceeds from this debt were used to renovate GWT Primary and DMS Middle Schools.
- The Board paid down the Public School Fund debt issued in 2006 (\$49,011.63). Proceeds from this bond issue were used for construction of a new Central Office Building, construction of a new Media Center at R E Thompson Intermediate School and reroofing of the system's Multi-use Building. Balance of \$11,462.22 remains as cash w/fiscal agent.

FACTORS INFLUENCING FUTURE FINANCIAL CONDITIONS

Economic Factors and Next Year's Budget

The following are currently known factors concerning the Tusculmbia City Schools going into the 2011-2012 fiscal year.

Signs of economic growth—Economic growth has taken a plunge nationally and is recovering slowly. It is anticipated that no proration of state Foundation Program funds will occur in FY12 as it did in FY11. National legislation (ARRA) provided two year funding for education which ended September 30, 2011. There has been some positive local economic factors with new industrial site growth in the Shoals area. The one-cent sales tax in the county increased by 15.88% from October 1, 2010 to September 30, 2011.

Student enrollment—Student enrollment decreased slightly in FY11 from FY10 resulting in less current unit money coming into the system. The current unit money for FY11 totaled \$3,472 compared to \$60,651 in FY10. It is anticipated that enrollment will again decrease slightly for FY12. These numbers are taken from the first 20-day report submitted to the State Department of Education each year.

Fiscal Year	ADM
2005	1475.73
2006	1558.50
2007	1529.00
2008	1557.00
2009	1561.75
2010	1560.00
2011	1551.00
2012	1518.75

At the time these financial statements were prepared and audited, the Board was not aware of any circumstances that could significantly affect the Board's financial health in the future. A healthy fund balance has been obtained which should provide needed funds for the system over the next several years.

TUSCUMBIA CITY BOARD OF EDUCATION
Management's Discussion and Analysis
For the Year Ended September 30, 2011

Medical and Retirement Costs—Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs remained constant from 2010 to 2011 at \$752 per month per employee. For FY12, the employer portion will decrease to \$714 per month per employee. Also, the employer contribution rate to the Teachers Retirement System (TRS) was 12.51% for the fiscal year 2011. This rate will decrease to 10% for FY12. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds. In FY11, the board employed 4.35 local teaching units funded by local general fund monies. Employer match for social security will remain constant at 6.2% while beginning January 1, 2011 the employee contribution will decrease from 6.2% to 4.2%.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sandra S. Carpenter, Administrator for Financial Affairs/Chief School Finance Officer, 303 North Commons Street East, Tuscumbia, Alabama 35674 or by calling (256)389-2900 ext. 210 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:00p.m., central standard time or by email at sscarpenter@tuscumbia.k12.al.us.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TUSCUMBIA CITY BOARD OF EDUCATION
Statement of Net Assets
September 30, 2011

		<u>Governmental Activities</u>
<u>Assets</u>		
Cash and cash equivalents	\$	3,768,857
Cash with fiscal agent		418,940
Investments		56,266
Intergovernmental receivables		357,224
Inventories		35,201
Capital assets, non-depreciable:		
Land		295,266
Capital assets, net of accumulated depreciation:		
Land improvements		2,085
Buildings		2,940,473
Building improvements		3,542,791
Equipment and furniture		267,210
Vehicles		28,833
		<hr/>
Total Assets		11,713,146
		<hr/>
<u>Liabilities</u>		
Salaries and benefits payable		681,631
Deferred revenue		2,475
Accrued interest payable		13,714
Long-term liabilities:		
Portion due or payable within one year:		
Notes payable		212,754
Portion due or payable after one year:		
Notes payable		2,203,003
		<hr/>
Total Liabilities		3,113,577
		<hr/>
<u>Net Assets</u>		
Invested in capital assets, net of related debt		4,672,363
Restricted net assets:		
Expendable:		
Capital projects		1,662,745
Debt service		41,834
School based activities		620,560
Unrestricted		1,602,067
Total Net Assets	\$	<u><u>8,599,569</u></u>

The notes to the financial statements are an integral part of this statement.

TUSCUMBIA CITY BOARD OF EDUCATION
Statement of Activities
For the Year Ended September 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>
<u>Governmental Activities:</u>					
Instructional services	\$ 8,181,916	196,160	6,938,176	160,740	(886,840)
Instructional support services	2,658,228	430,111	1,702,882		(525,235)
Operation and maintenance services	1,271,377	58,997	355,644	37,767	(818,969)
Auxiliary services:					
Student transportation	151,731	30,779	39,252		(81,700)
Food service	934,519	753,992	87,873		(92,654)
General administration and central support	1,030,817	11,753	445,393	220,222	(353,449)
Interest and fiscal charges	123,769				(123,769)
Other expenditures	298,459	88,856	86,805		(122,798)
Total Governmental Activities	<u>\$ 14,650,816</u>	<u>1,570,648</u>	<u>9,656,025</u>	<u>418,729</u>	<u>(3,005,414)</u>
<u>General Revenues:</u>					
Taxes:					
Property taxes for general purposes					783,546
Property taxes for specific purposes					581,164
Sales tax					907,089
Alcohol beverage tax					39,688
Other taxes					16,775
Grants and contributions not restricted for specific programs					428,311
Investment earnings					12,032
Miscellaneous					1,125,644
Total General Revenues					<u>3,894,249</u>
Change in Net Assets					888,835
Net Assets - Beginning					7,710,734
Net Assets - End of Year					<u>\$ 8,599,569</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TUSCUMBIA CITY BOARD OF EDUCATION
Balance Sheet - Governmental Funds
September 30, 2011

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	<u>General Fund</u>	<u>Capital Outlay Fund</u>		
Assets				
Cash and cash equivalents	\$ 2,018,607	681,695	1,068,555	3,768,857
Cash with fiscal agent			418,940	418,940
Investments			56,266	56,266
Intergovernmental receivables	193,196	175	163,853	357,224
Inventories			35,201	35,201
Total Assets	<u>\$ 2,211,803</u>	<u>681,870</u>	<u>1,742,815</u>	<u>4,636,488</u>
Liabilities and Fund Balances				
Liabilities:				
Salaries and benefits payable	\$ 609,736		71,895	681,631
Deferred revenue			2,475	2,475
Total Liabilities	<u>609,736</u>		<u>74,370</u>	<u>684,106</u>
Fund Balances				
Nonspendable:				
Inventory			35,201	35,201
Restricted:				
Capital Projects		681,870	418,939	1,100,809
Assigned:				
Capital Projects			573,398	573,398
Debt Service			55,548	55,548
Unassigned	1,602,067		585,359	2,187,426
Total Fund Balances	<u>1,602,067</u>	<u>681,870</u>	<u>1,668,445</u>	<u>3,952,382</u>
Total Liabilities and Fund Balances	<u>\$ 2,211,803</u>	<u>681,870</u>	<u>1,742,815</u>	<u>4,636,488</u>

The notes to the financial statements are an integral part of this statement.

TUSCUMBIA CITY BOARD OF EDUCATION
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	Amount
Total Fund Balances - Governmental Funds	\$ 3,952,382
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$7,844,909.	7,076,658
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(2,415,757)
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.	(13,714)
Total Net Assets - Governmental Activities	\$ 8,599,569

TUSCUMBIA CITY BOARD OF EDUCATION
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Outlay Fund</u>		
Revenues:				
State sources	\$ 7,773,473	256,879	160,741	8,191,093
Federal sources	2,686		2,292,684	2,295,370
Local sources	2,143,323		2,795,110	4,938,433
Other sources	94,025		14,013	108,038
Total Revenues	<u>10,013,507</u>	<u>256,879</u>	<u>5,262,548</u>	<u>15,532,934</u>
Expenditures:				
Instructional services	6,383,606		1,353,423	7,737,029
Instructional support services	1,753,567		936,489	2,690,056
Operation and maintenance services	1,144,706	14,629	110,797	1,270,132
Auxiliary services:				
Student transportation	55,969		28,810	84,779
Food service			1,028,942	1,028,942
General administration and central support	714,530	84,877	254,450	1,053,857
Other expenditures	50,818		247,641	298,459
Capital outlay			176,042	176,042
Debt service:				
Principal			162,298	162,298
Interest			166,305	166,305
Debt issuance costs/other debt service			1,370	1,370
Total Expenditures	<u>10,103,196</u>	<u>99,506</u>	<u>4,466,567</u>	<u>14,669,269</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(89,689)</u>	<u>157,373</u>	<u>795,981</u>	<u>863,665</u>
Other Financing Sources (Uses)				
Indirect cost	123,102			123,102
Transfers in	983,048		350,735	1,333,783
Other financing sources	370		6,348	6,718
Transfers out	(227,116)		(1,106,667)	(1,333,783)
Total Other Financing Sources (Uses)	<u>879,404</u>		<u>(749,584)</u>	<u>129,820</u>
Net Changes in Fund Balances	789,715	157,373	46,397	993,485
Fund Balances - Beginning of Year	812,352	524,497	1,622,048	2,958,897
Fund Balances - End of Year	<u>\$ 1,602,067</u>	<u>681,870</u>	<u>1,668,445</u>	<u>3,952,382</u>

The notes to the financial statements are an integral part of this statement.

TUSCUMBIA CITY BOARD OF EDUCATION
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2011

	Amount
Net Changes in Fund Balances - Total Governmental Funds	\$ 993,485
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives. Capital asset purchases amounted to \$207,692 and the depreciation expense amounted to \$518,546.	(310,854)
Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	203,964
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	2,240
Change in Net Assets of Governmental Activities	\$ <u>888,835</u>

The notes to the financial statements are an integral part of this statement.

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Tusculmbia City Board of Education (the Board), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

The Tusculmbia City Board of Education is a primary government and has financial accountability and control over all activities related to the public school education in the City of Tusculmbia, Alabama. The Board receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. Statement No. 14 of the Governmental Accounting Standards Board establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens in, the primary government or the nature and significance of their relationship to 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. Basis of Presentation, Basis of Accounting

Government-wide Financial Statements

The statement of net assets and the statement of activities display the financial activities of the overall government, except for fiduciary activities. Eliminations have been made, if required, to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

Fund Financial Statements

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

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2011

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 received revenue from the Educational Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
- Capital Outlay Fund – The capital outlay fund accounts for revenue that is to be used for the District's computer software conversion.

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

Governmental Fund Types

- Special Revenue Funds – These funds account for the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative actions.
- Debt Service Funds – These funds account for the accumulation of resources to be used for and the payment of the Board's principal and interest on governmental bonds.
- Capital Projects Funds – These funds account for the financial resources to be used for the acquisition, improvement, or construction of capital assets, including fleet renewal.

C. Measurement Focus, Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses 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 the property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental fund financial statements are reported using 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 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 and claims and judgments which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing resources.

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

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2011

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

D. Assets, Liabilities and Net Assets / Fund Balances

1. Deposits and Investments

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

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

2. Receivables

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

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

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

3. Inventories

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

4. Capital Assets

Capital Assets, which include property, equipment, and infrastructure assets, are reported in the applicable governmental column in the government-wide financial statements. Such assets are valued at cost where historical records are available and 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 completed.

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2011

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 1	N/A
Land Improvements	50,000	20 years
Buildings	50,000	20-50 years
Building Improvements	50,000	5-30 years
Equipment and Furniture	5,000	5-20 years
Vehicles	5,000	8-15 years
Equipment under Capital Lease	5,000	5-20 years

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities statement of net assets.

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

6. Net Assets/Fund Balance

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

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

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

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.

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

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2011

constitutional provisions or enabling legislation. Examples of restricted fund balances include: restricted grants.

Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action of the Board before the end of the fiscal year and that require the same level of formal action to remove the constraint.

Assigned fund balances consist of amounts that are intended to be used by the school system for specific purposes. The Board authorizes the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

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

On or before October 1 of each year, the Board is required to prepare and submit to the State Superintendent of Education the annual budget to be adopted by the Board. The Superintendent or City Board of Education cannot approve any budget for operations of the school system for any fiscal year, which shows expenditures in excess of income estimated to be available, plus any balances on hand.

Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Note 3 – Deposits, Investments and Cash with Fiscal Agent

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

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2011

funds, every institution participating in the pool would share the liability for the remaining balance. As of September 30, 2011 the board had a cash balance of \$3,768,857.

The **Code of Alabama 1975** Sections 19-3-120 and 19-3-120.1 outline the provisions for investments of funds. The Board's investments and cash with fiscal agent are to be invested in accordance with the applicable statutes. As of September 30, 2011 the Board has investments in the form of a certificate of deposit in the amount of \$718 and AAA U.S. Treasury Securities in a Money Market account in the amount of \$55,548. The Cash with fiscal agent as of September 30, 2011 was \$418,940 and is held by the Alabama Public Schools and College Authority.

Note 4 – Receivables and Payables

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

<u>Accounts Receivable:</u>	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental</u>	<u>Total</u>
Taxes	\$ 191,589			\$ 191,589
Other	1,607	175	163,853	165,635
Total Accounts Receivable	<u>\$ 193,196</u>	<u>175</u>	<u>163,853</u>	<u>\$ 357,224</u>

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

<u>Deferred Revenue:</u>	<u>Unearned</u>
IDEA – Part B	\$ 1,694
IDEA – Preschool	781
Total Deferred Revenue	<u>\$ 2,475</u>

Other payables and liabilities consisted of the following as of September 30, 2011:

<u>Governmental Activities</u>	<u>Vendor</u>
Salaries and Benefits Payable	\$ 681,631
Accrued Interest	13,714
Total Other Payables and Liabilities	<u>\$ 695,345</u>

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2011

Note 5 – Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ reclassifications</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 295,266			\$ 295,266
Total capital assets not being depreciated.	<u>295,266</u>			<u>295,266</u>
Capital assets being depreciated:				
Land Improvements - Exhaustible	2,690			2,690
Buildings	6,556,634			6,556,634
Building Improvements	6,656,583	165,297		6,821,880
Equipment & Furniture	863,033	33,396		896,429
Vehicles	339,669	8,999		348,668
Total assets being depreciated	<u>14,418,609</u>	<u>207,692</u>		<u>14,626,301</u>
Less Accumulated Depreciation for:				
Land Improvements - Exhaustible	470	134		604
Buildings	3,463,935	152,227		3,616,162
Building Improvements	2,972,532	306,557		3,279,089
Equipment and Furniture	584,083	45,136		629,219
Vehicles	305,343	14,492		319,835
Total accumulated depreciation	<u>7,326,363</u>	<u>518,546</u>		<u>7,844,909</u>
Total capital assets being depreciated, net	<u>7,092,246</u>	<u>(310,854)</u>		<u>6,781,392</u>
Governmental activities capital assets, net	<u>\$ 7,387,512</u>	<u>(310,854)</u>		<u>\$ 7,076,658</u>

Depreciation expense was charged to governmental functions/programs as follows:

	<u>Depreciation Expense</u>
<u>Governmental Activities:</u>	
Instructional services	\$ 287,709
Instructional Support Services	84,577
Operations & Maintenance Services	23,582
Student Transportation	66,952
Food Service	26,797
General Administrative	<u>28,929</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 518,546</u>

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2011

Note 6 – Defined Benefit Pension Plan:

A. Plan Description

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

Substantially all employees are members of the TRS. Membership is mandatory for covered or eligible employees. Benefits vest after ten years of creditable service. Vested employees may retire with full benefits at age 60 with 10 years of service or credit or after 25 years of service at any age. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. A pre-retirement death benefit in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

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

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

B. Funding Policy

Employees are required by statute to contribute five percent of their salary to the TRS. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the TRS recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentage of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30,	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total Percentage of Covered Payroll	17.51%	17.51%	17.07%
Contributions:			
Percentage Contributed by the Board	12.51%	12.51%	12.07%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by the Board	\$ 963,447	\$ 969,378	\$ 924,720
Contributed by the Employees	385,071	387,442	383,066
Total Contribution	<u>\$ 1,348,518</u>	<u>\$ 1,356,820</u>	<u>\$ 1,307,786</u>

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2011

Note 7 – Long Term Debt

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

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 9/30/10</u>	<u>Reductions</u>	<u>Balance 9/30/11</u>	<u>Amounts Due Within One Year</u>
Special School Tax Warrants 1996	6/1/2016	5.600%	830,000	120,000	710,000	125,000
Capital Outlay Pool Warrant Series 2003	6/1/2023	7.129%	645,046	34,954	610,092	36,397
Capital Outlay Pool Warrant Series 2006	3/1/2026	4.1879%	1,144,675	49,010	1,095,665	51,357
Total			<u>2,619,721</u>	<u>203,964</u>	<u>2,415,757</u>	<u>212,754</u>

Special School Tax Warrants 1996

The Tuscumbia City Board of Education, Special School Tax Warrants, was authorized in the amount of \$2,000,000. The warrant was issued to finance capital improvements to the various schools in the system.

The warrant will be payable out of ½ cent county sales tax. The principal and interest requirements to the above general obligations at September 30, 2011 are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service to Maturity</u>
2012	\$ 125,000	41,142	\$ 166,142
2013	135,000	34,017	169,017
2014	140,000	26,255	166,255
2015	150,000	18,135	168,135
2016	160,000	9,360	169,360
Total	<u>\$ 710,000</u>	<u>128,909</u>	<u>\$ 838,909</u>

Capital Outlay Pool Warrant 2003

The Tuscumbia City Board of Education, Capital Outlay Pool Warrant, dated December 30, 2003, was authorized in the amount of \$830,162. The warrant was issued to finance capital improvements to the various schools in the system.

The warrant will be payable solely out of and secured by the annual amounts of Leveraged Funds allocated and distributed to the Tuscumbia City Board of Education (the pledged revenues), pursuant to the said section 16-13-234, Code of Alabama 1975 (the leveraged funds).

Payment of principal and interest on this warrant to the Alabama Public School and College Authority will be made by the finance director of the State of Alabama.

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2011

<u>Fiscal Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service to Maturity</u>
2012	36,397	24,439	60,836
2013	37,899	22,905	60,804
2014	39,464	21,308	60,772
2015	41,094	19,645	60,739
2016	42,790	17,913	60,703
2017-2021	241,958	60,980	302,938
2022-2024	170,490	10,749	181,239
Total	\$ <u>610,092</u>	<u>177,939</u>	\$ <u>788,031</u>

Capital Outlay Pool Warrant 2006

The Tuscumbia City Board of Education, Capital Outlay Pool Warrant, dated March 16, 2006, was authorized in the amount of \$1,344,567. The warrant was issued to finance capital improvements to the various schools in the system.

The warrant will be payable solely out of and secured by the annual amounts of Leveraged Funds allocated and distributed to the Tuscumbia City Board of Education (the pledged revenues), pursuant to the said section 16-13-234, Code of Alabama 1975 (the leveraged funds).

Payment of principal and interest on this warrant to the Alabama Public School and College Authority will be made by the finance director of the State of Alabama.

<u>Fiscal Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service to Maturity</u>
2012	51,357	48,600	99,957
2013	53,950	45,968	99,918
2014	56,789	43,199	99,988
2015	59,629	40,289	99,918
2016	62,715	37,230	99,945
2017-2021	361,476	154,428	515,904
2022-2026	449,749	68,975	518,724
Total	\$ <u>1,095,665</u>	<u>438,689</u>	\$ <u>1,534,354</u>

Note 8 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of damage to the 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), Alabama Department of finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Errors and omissions insurance and vehicle liability insurance is purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. The Board purchases commercial insurance for fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage.

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2011

The current insurance provides coverage up to \$1 million per occurrence and a maximum \$2 million in aggregate claims. The Board purchases commercial insurance for fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Plan (PEEHIP) administered by the Public Education Employees' Health Insurance Board. 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 set 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 the specified amount monthly to the PEEHIP for each employee. The Board contribution is applied against the employees' premium for the coverage selected and the employee pays any remaining premium.

The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Claims for employee job-related injuries may be filed with the State Board of Adjustment. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board.

Note 9 – Interfund Transfers

Interfund transfers during the fiscal year ended September 30, 2011 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Total</u>
General Fund	Other Governmental Funds	983,048
Other Governmental Funds	General Fund	227,116
Other Governmental Funds	Other Governmental Funds	123,619
Total Transfers		\$ <u>1,333,783</u>

The Board typically uses transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on behalf of the local schools, and to transfer any remaining balance in Debt Service to the General Fund after all debt obligations for the year have been made.

Note 10 – Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds or the general fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Board expects such amounts, if any, to be immaterial.

The Tuscumbia City Board of Education is party to legal proceeding in the normal course of operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Board. The Board has adequate legal defenses, intends to contest the cases vigorously, and believes there is a very good likelihood of favorable outcomes. The potential loss to the Board should be minimal.

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2011

Note 11 – Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Tuscumbia City Board of Education evaluated the activity of the district through May 18, 2012, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

- On December 12, 2011, Dr. Joe Walters offered a letter to terminate his contract as Superintendent as of June 30, 2012. Day to day duties will be discontinued as of December 31, 2011.
- On December 12, 2011, Mrs. Mary Kate Smith was appointed as Interim Superintendent effective January 1, 2012.
- On February 13, 2012, a bid from Pinkston-Hollar Construction Services in Birmingham, AL was selected for the partial roof replacement at Deshler High School in the amount of \$205,400.
- On May 7, 2012, Mrs. Mary Kate Smith was appointed as Superintendent as of July 1, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

TUSCUMBIA CITY BOARD OF EDUCATION
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-- Positive (Negative)
	Original	Final		
Revenues				
State sources	\$ 7,954,082	7,759,542	7,773,473	13,931
Federal sources	1,800	2,764	2,686	(78)
Local sources	1,885,024	2,029,396	2,143,323	113,927
Other sources	42,150	57,844	94,025	36,181
Total Revenues	<u>9,883,056</u>	<u>9,849,546</u>	<u>10,013,507</u>	<u>163,961</u>
Expenditures				
Current:				
Instructional services	6,262,399	6,409,810	6,370,001	39,809
Instructional support services	1,718,084	1,774,156	1,730,386	43,770
Operation and maintenance services	1,724,905	1,608,995	1,146,073	462,922
Auxiliary Services:				
Student transportation	67,427	108,142	54,486	53,656
Food service				
General administration and central support	726,918	760,997	708,048	52,949
Other expenditures	55,826	56,443	50,818	5,625
Capital Outlay				
Debt Service:				
Principal				
Interest				
Total Expenditures	<u>10,555,559</u>	<u>10,718,543</u>	<u>10,059,812</u>	<u>658,731</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(672,503)</u>	<u>(868,997)</u>	<u>(46,305)</u>	<u>822,692</u>
Other Financing Sources (Uses):				
Indirect cost	128,642	131,766	123,102	(8,664)
Transfers in	872,268	966,022	985,259	19,237
Other financing sources		649	370	(279)
Transfers out	(327,662)	(320,367)	(229,327)	91,040
Total Other Financing Sources (Uses)	<u>673,248</u>	<u>778,070</u>	<u>879,404</u>	<u>101,334</u>
Net Change in Fund Balances	745	(90,927)	833,099	924,026
Fund Balances - Beginning of Year	1,233,811	1,389,445	1,378,704	(10,741)
Fund Balances - End of Year	<u>\$ 1,234,556</u>	<u>1,298,518</u>	<u>2,211,803</u>	<u>913,285</u>

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to the Required Supplementary Information
For the Year Ended September 30, 2011

Note 1 - Excess of Expenditures Over Appropriations

The Board budgeted appropriations for General fund expenditures based on anticipated revenue. Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries and related fringe benefits are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements.

Note 2 - Budgetary Comparison Schedule - Capital Outlay Fund

The Board does not adopt, nor is required to adopt, a budget for the capital outlay fund; therefore, no budget comparison schedule is presented for the fund.

Note 3 - Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	GENERAL FUND
Sources/inflows of resources	
Actual total revenue budgetary basis	\$ 10,013,507
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	10,013,507
Expenditures:	
Actual total expenditures budgetary basis	10,059,812
Differences--budget to GAAP	
Salaries and related fringe benefits	43,384
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances--governmental funds.	\$ 10,103,196

SUPPLEMENTARY INFORMATION

TUSCUMBIA CITY BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	CFDA Number	Total Federal Awards Expended
U.S. Department of Education		
ARRA - Impact Aid Program, Recovery Act	84.401	\$ 2,164
Total Direct Funding From U.S. Department of Education		2,164
<u>Pass-Through Program From:</u>		
<u>Alabama Department of Education:</u>		
Special Education-Grants to States	84.027	305,039
ARRA - Special Education - Grants to States, Recovery Act	84.391	185,100
Special Education-Preschool Grants	84.173	29,580
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	7,698
Sub-Total Special Education Cluster		527,417
Title I Grants to Local Educational Agencies	84.010	318,707
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	122,096
Sub-Total Title I Cluster		440,803
Vocational Educational-Basic Grants to States	84.048	15,925
Tech-Prep Education	84.243	1,557
Education Technology State Grants	84.318	3,919
Improving Teacher Quality State Grants	84.367	75,797
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	377,385
Education Jobs Fund	84.410	314,511
Immediate Aid to Restart School Operations	84.938	13,739
Total passed through the Alabama Department of Education		1,771,053
Total U.S. Department of Education		1,773,217
U.S. Department of Agriculture		
<u>Pass-Through Program From:</u>		
<u>Alabama Department of Education:</u>		
School Breakfast Program	10.553	86,276
National School Lunch Program	10.555	397,942
Sub-Total Child Nutrition Cluster		484,218
Fresh Fruit and Vegetable Program	10.582	22,608
Total passed through the Alabama Department of Education		506,826
Total U.S. Department of Agriculture		506,826
U.S. Department of Health and Human Services		
<u>Pass-Through Program From:</u>		
<u>Alabama Department of Education</u>		
Temporary Assistance for Needy Families	96.001	522
Total passed through Alabama Department of Education		522
Total U.S. Department of Health and Human Services		522
Total Federal Awards		\$ 2,280,565

The accompanying notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Tuscumbia City Board of Education under programs of the federal government for the year ended September 30, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Tuscumbia City Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Tuscumbia City Board of Education.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts show on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity indentifying numbers are presented where available.

ADDITIONAL INFORMATION

204 5th Avenue SE
P.O. Box 1366
Red Bay, Alabama 35582-1366
Phone: (256) 356-9375
Fax: (256) 356-8378
E-mail: sparkscpa@bellsouth.net

The Sparks CPA Firm, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2013 Avalon Avenue
P.O. Box 2321
Muscle Shoals, AL 35661
Phone: (256) 314-5082
Fax: (256) 314-5084

204 E. Fifth Street
Tuscumbia, AL 35674
Phone: (256) 383-6490
Fax: (256) 383-6773

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuscumbia City Board of Education as of and for the year ended September 30, 2011, which collectively comprise the Tuscumbia City Board of Education's basic financial statements and have issued our report thereon, dated May 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Tuscumbia City Board of Education in a separate letter dated May 18, 2012.

This report is intended solely for the information and use of management, the Board, others within the entity, the Alabama State Department of Education, and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
May 18, 2012

204 5th Avenue SE
P.O. Box 1366
Red Bay, Alabama 35582-1366
Phone: (256) 356-9375
Fax: (256) 356-8378
E-mail: sparkscpa@bellsouth.net

The Sparks CPA Firm, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2013 Avalon Avenue
P.O. Box 2321
Muscle Shoals, AL 35661
Phone: (256) 314-5082
Fax: (256) 314-5084

204 E. Fifth Street
Tuscumbia, AL 35674
Phone: (256) 383-6490
Fax: (256) 383-6773

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

Members of the Board
Tuscumbia City Board of Education
Tuscumbia, Alabama 35565

Compliance

We have audited the Tuscumbia City Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Tuscumbia City Board of Education's major federal programs for the year ended September 30, 2011. The Tuscumbia City Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Tuscumbia City Board of Education's management. Our responsibility is to express an opinion on the Tuscumbia City Board of Education's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuscumbia City Board of Education as of and for the year ended September 30, 2011, and have issued our report thereon dated May 18, 2012. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Tuscumbia City Board of Education's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board, others within the entity, the Alabama State Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



The Sparks CPA Firm, P.C.
Certified Public Accountants
May 18, 2012

**TUSCUMBIA CITY BOARD OF EDUCATION
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011**

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|--|
| 1. | Type of auditors' report issued:
Governmental Activities
General Fund
Capital Outlay Fund
Other Governmental Funds | Unqualified
Unqualified
Unqualified
Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified that are not Considered to be material weakness(es)? | None reported |
| 5. | Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 6. | Any findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Identification of major programs: | |
| a. | CFDA# 84.394 State Fiscal Stabilization Fund (SFSF)
Education State Grants, Recovery Act | |
| b. | Special Education Cluster

CFDA# 84.027 Special Education Grants to States
CFDA# 84.173 Special Education Preschool Grants
CFDA# 84.391 ARRA - Special Education Grants to States, Recovery Act
CFDA# 84.392 ARRA - Special Education Preschool Grants, Recovery Act | |
| c. | Title I, Part A Cluster

CFDA# 84.010 Title I Grants to Local Educational Agencies
CFDA# 84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act | |
| d. | CFDA# 84.410 Education Jobs Fund | |

**TUSCUMBIA CITY BOARD OF EDUCATION
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011**

- | | | |
|-----|---|-----------|
| 8. | The dollar threshold used to distinguish between Type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |
| 10. | Prior year audit findings and questioned cost relative to federal awards which would required the auditee to prepare a summary schedule of prior audit findings as discussed in Section 315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.