

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

**AUDITED
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

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

TUSCUMBIA CITY BOARD OF EDUCATION

Tuscumbia, Alabama

Table of Contents
September 30, 2013

INDEPENDENT AUDITORS' REPORT	1-2
REQUIRED SUPPLEMENTARY INFORMATION	3
Management's Discussion and Analysis	4-11
GOVERNMENT-WIDE FINANCIAL STATEMENTS	12
Statement of Net Position	13
Statement of Activities	14
FUND FINANCIAL STATEMENTS	15
Balance Sheet-Governmental Funds	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	19
Statement of Fiduciary Assets and Liabilities	20
Notes to Financial Statements	21-36
REQUIRED SUPPLEMENTARY INFORMATION	37
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	38
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Title I, Part A	39
Notes to the Required Supplementary Information	40
SUPPLEMENTARY INFORMATION	41
Schedule of Expenditures of Federal Awards	42
Notes to Schedule of Expenditures of Federal Awards	43
ADDITIONAL INFORMATION	44
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 <i>Government Auditing Standards</i>	45-46
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	47-48
Schedule of Findings and Questioned Costs	49-51
Schedule Summary of Prior Year Audit Findings	52

Independent Auditors' Report

Members of the Board
Tuscumbia City Board of Education

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 Tuscumbia City Board of Education as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Tuscumbia City Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management 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.

Auditors' 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 of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and 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 Tuscumbia City Board of Education, as of September 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-11 and 37-39 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.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) is the responsibility of management and were derived from and relate 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 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, on our consideration of the Tuscumbia City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tuscumbia City Board of Education's internal control over financial reporting and compliance.



The Sparks CPA Firm, P.C.
Certified Public Accountants
June 27, 2014

REQUIRED SUPPLEMENTARY INFORMATION

TUSCUMBIA CITY BOARD OF EDUCATION
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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, 2013. 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 FY13 school term, which began August 2012, totaled 1509 students. At that time, the Board employed 124 certificated employees, including administrators, librarians, counselors and teachers, as well as, 52 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 \$7.68 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 Position* (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 Position* (Exhibit A) presents information on all of the Board's assets less liabilities, which results in net position. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net position help determine whether the Board's financial position is improving or deteriorating.

TUSCUMBIA CITY BOARD OF EDUCATION
Management's Discussion and Analysis
For the Year Ended September 30, 2013

The *Statement of Activities* (Exhibit B) provides information which shows how the Board's net position changed as a result of the year's activities. The statement uses the accrual basis of 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, Title I, Part A, Debt Service Fund – County Sales Tax, Capital Outlay Fund . 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 position is reported as Governmental Activities.

**TUSCUMBIA CITY BOARD OF EDUCATION
Management's Discussion and Analysis
For the Year Ended September 30, 2013**

TUSCUMBIA CITY BOARD OF EDUCATION
Summary of Net Position as of September 30, 2013
(in millions)

	Governmental Activities 2013		Governmental Activities 2012	
Current and other assets*	\$ 8.31	56.38%	\$ 5.28	43.74%
Capital assets	6.43	43.62%	6.79	56.26%
Total assets	\$ 14.74	100.00%	\$ 12.07	100.00%
Current and other liabilities	\$ 0.56	12.02%	\$ 0.54	19.71%
Long-term liabilities	4.10	87.98%	2.20	80.29%
Total liabilities	\$ 4.66	100.00%	\$ 2.74	100.00%
Net Position:				
Net investment in capital assets	\$ 2.34	23.21%	\$ 4.59	49.20%
Restricted net assets:				
Restricted for:				
Capital projects	1.56	15.47%	1.52	16.29%
Debt service	2.12	21.03%	0.04	0.43%
School based activities	0.86	8.53%	0.54	5.79%
Unrestricted	3.20	31.75%	2.64	28.30%
Total Net Position	\$ 10.08	100.00%	\$ 9.33	100.00%

*Other Assets include restricted Public School and College Authority (PSCA) monies totaling \$184,260 and US Bank \$2,722.

The Board's assets exceeded liabilities by \$10.08 million at the close of the fiscal year. A large portion of the Board's net position is 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 position—the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirement—totaled \$3.20 million 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, 2013, 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, 2013**

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

**TUSCUMBIA CITY BOARD OF EDUCATION
Changes in Net Position**

	Governmental Activities 2013		Governmental Activities 2012	
<u>Revenues</u>				
Program Revenues:				
Charges for services	\$ 1.63	11.37%	\$ 1.45	10.03%
Operating grants/contributions	8.63	60.22%	8.98	62.10%
Capital grants/contributions	0.42	2.93%	0.42	2.90%
General Revenues:				0.00%
Property taxes	1.54	10.75%	1.45	10.03%
Sales tax	0.86	6.00%	0.90	6.22%
Alcohol beverage tax	0.03	0.21%	0.04	0.28%
Other taxes	0.02	0.14%	0.02	0.14%
Grants and contrigutions not restricted for specific programs	0.37	2.58%	0.37	2.56%
Investment earnings	0.00	0.00%	0.00	0.00%
Other general revenues	0.83	5.79%	0.83	5.74%
Total Revenues	\$ 14.33	100.00%	\$ 14.46	100.00%
<u>Expenditures</u>				
Instructional services	7.51	55.30%	7.48	55.04%
Instructional support services	2.47	18.19%	2.37	17.44%
Operation & maintenance services	1.15	8.47%	1.28	9.42%
Student transportation services	0.15	1.10%	0.14	1.03%
Food services	1.04	7.66%	0.98	7.21%
General administrative services	1.03	7.58%	1.09	8.02%
Debt service	0.09	0.66%	0.08	0.59%
Other expenses	0.14	1.03%	0.17	1.24%
Total Expenditures	\$ 13.58	100.00%	\$ 13.59	100.00%
Change in Net Position	.75		.87	
Net Position, Beginning	9.33		8.60	
Net Position, Restated			8.46	
Net Position, Ending	10.08		9.33	

Program revenues, specifically operating grants and contributions, are the largest component of total revenues 74.58%.

- Operating grants and contributions contribute 80.78% of program revenues and 60.24% 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, 2013

General revenues, primarily property taxes and sales taxes, are used to provide \$3.64 million 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 54.96%. 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* include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, speech therapists, school nurses and professional development expenses.
- ✓ *Operation and maintenance services* include utilities, security services, janitorial services, maintenance services and depreciation of maintenance vehicles.
- ✓ *Unallocated depreciation* is used to report depreciation expense only for those assets that are used by multiple functions.
- ✓ 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 FY2013 budget. These hearings were held on August 8, 2012 and September 17, 2012 for public input. The original 2013 fiscal year budget, adopted on September 17, 2012, 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: January 22, 2013 and June 17, 2013.

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
- Aligned teachers to match LEAPS report

**TUSCUMBIA CITY BOARD OF EDUCATION
Management's Discussion and Analysis
For the Year Ended September 30, 2013**

Amendment # 2

- ❑ Amended the local school revenue based on an analysis of the expenditures for October 2012 to June 2013
- ❑ Revised allocations for Title I and Title II-A
- ❑ Budgeted LSA activity fund balances
- ❑ Amended budget in all funding sources based on analysis of actual expenses
- ❑ Budgeted for National Teacher Certification compensation

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 \$2.81 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—On September 30, 2013, the Board had approximately \$6.43 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 2013		Governmental Activities 2012
	\$	\$	\$	\$
Land and land improvements	0.29	0.29		0.29
Buildings	2.64	2.64		2.79
Building improvements	3.19	3.19		3.47
Vehicles	0.12	0.12		0.02
Equipment	0.19	0.19		0.22
Total Capital Assets	6.43	6.43		6.79

Net capital assets decreased by \$356,620 for the 2013 fiscal year. As of September 30, 2013, the Tuscumbia City Board of Education had approximately \$15.06 million invested in capital assets including land, buildings, equipment costing \$5,000 or more and vehicles. The Board expended available resources to acquire \$195,946 in capital asset additions during the year. These additions are reduced by the current year's depreciation expense of \$552,566. 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:

- ❖ Press Box Renovations (\$72,042)
- ❖ New roof DHS (\$5,260)
- ❖ Baseball Scoreboard (\$6,850)
- ❖ Driver's Education Vehicle (\$9,217)
- ❖ Special Needs School Bus (\$102,577)

**TUSCUMBIA CITY BOARD OF EDUCATION
Management's Discussion and Analysis
For the Year Ended September 30, 2013**

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 \$4.10 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 \$135,000 in outstanding warrants during the fiscal year 2013. This debt issue was refunded into a new Special Tax School Warrants Series 2013 bond in the principal amount \$2,625,000. Proceeds from this debt were used for capital improvements to the Deshler Gymnasium.
- The Board paid down its Public School Fund debt issued in 2012, retiring \$38,108 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 \$53,950. 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.

FACTORS INFLUENCING FUTURE FINANCIAL CONDITIONS

Economic Factors and Next Year's Budget

The following are currently known factors concerning the Tuscumbia City Schools going into the 2013-2014 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 FY14. There have been some positive local economic factors with new industrial site growth in the Shoals area. The one-cent sales tax in the county remained steady from FY12 to FY13.

Student enrollment—Student enrollment decreased slightly in FY13 from FY12 to 1,509. The current unit money for FY13 was zero as it was for FY12. However, funds will be received in FY14. These numbers are taken from the first 20-day report submitted to the State Department of Education each year.

<u>Fiscal Year</u>	<u>ADM</u>
2005	1,558.50
2006	1,529.00
2007	1,557.00
2008	1,561.75
2009	1,560.00
2010	1,549.35
2011	1,551.45
2012	1,518.75
2013	1,509.00

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, 2013**

Medical and Retirement Costs—Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs remained at \$714 per month per employee in 2013 and will remain the same in FY14. Also, the employer contribution rate to the Teachers Retirement System (TRS) was 10.08% for Tier I and 9.44% for Tier II for the fiscal year 2013 and will increase to 11.71% for Tier I and 11.05% for Tier II in FY14. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds. In FY13, the board employed 9.88 local teaching units funded by local general fund monies compared to 7.50 local teaching units in FY12. Employer match for Social Security and Medicare will remain constant at 7.65%.

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 Sherry Langley, Chief School Finance Officer, 303 North Commons Street East, Tusculmbia, 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 slangle@tuscumbia.k12.al.us.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TUSCUMBIA CITY BOARD OF EDUCATION
Statement of Net Position
September 30, 2013

		Governmental Activities
<hr/>		
<u>Assets</u>		
Cash and cash equivalents	\$	7,552,120
Cash with fiscal agent		186,982
Investments		718
Intergovernmental receivables		450,291
Inventories		28,375
Deferred Issue Costs		93,862
Capital assets, non-depreciable:		
Land		295,266
Capital assets, net of accumulated depreciation:		
Land improvements		1,816
Buildings		2,636,020
Building improvements		3,194,780
Equipment and furniture		187,962
Vehicles		118,933
		<hr/>
Total Assets		14,747,125
		<hr/>
<u>Liabilities</u>		
Salaries and benefits payable		488,237
Unearned revenue		53,442
Accrued interest payable		21,568
Long-term liabilities:		
Portion due or payable within one year:		
Notes payable		176,070
Portion due or payable after one year:		
Notes payable		3,921,630
		<hr/>
Total Liabilities		4,660,947
		<hr/>
<u>Net Position</u>		
Net investment in capital assets		2,337,077
Restricted for:		
Expendable:		
Capital projects		1,561,059
Debt service		2,122,150
School based activities		861,759
Unrestricted		3,204,133
Total Net Position	\$	<hr/> <hr/> 10,086,178

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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instructional services	\$ 7,511,623	230,191	6,000,442	141,023	(1,139,967)
Instructional support services	2,469,224	383,858	1,675,339		(410,027)
Operation and maintenance services	1,151,653	31,126	277,002	55,279	(788,246)
Auxiliary services:					
Student transportation	145,964	39,443	28,079	5,580	(72,862)
Food service	1,040,693	899,336	44,729		(96,628)
General administration and central support	1,032,468	5,513	543,658	218,206	(265,091)
Interest and fiscal charges	90,594				(90,594)
Other expenditures	135,619	44,960	65,686		(24,973)
Total Governmental Activities	\$ <u>13,577,838</u>	<u>1,634,427</u>	<u>8,634,935</u>	<u>420,088</u>	<u>(2,888,388)</u>
<u>General Revenues:</u>					
Taxes:					
Property taxes for general purposes					862,146
Property taxes for specific purposes					670,930
Sales tax					856,594
Alcohol beverage tax					32,199
Other taxes					18,140
Grants and contributions not restricted for specific programs					367,024
Investment earnings					3,138
Miscellaneous					833,608
Total General Revenues					<u>3,643,779</u>
Change in Net Position					755,391
Net Position - Beginning					<u>9,330,787</u>
Net Position - End of Year					\$ <u><u>10,086,178</u></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, 2013

	<u>Major Funds</u>				<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Title I Part A</u>	<u>Debt Service Fund - County Sales Tax</u>	<u>Capital Outlay Fund</u>		
Assets						
Cash and cash equivalents	\$ 3,268,138	49,475	2,049,856	1,077,220	1,107,431	7,552,120
Cash with fiscal agent					186,982	186,982
Investments					718	718
Intergovernmental receivables	377,976			6,984	65,331	450,291
Inventories					28,375	28,375
Total Assets	<u>\$ 3,646,114</u>	<u>49,475</u>	<u>2,049,856</u>	<u>1,084,204</u>	<u>1,388,837</u>	<u>8,218,486</u>
Liabilities and Fund Balances						
Liabilities:						
Salaries and benefits payable	\$ 441,981	8,751			37,505	488,237
Unearned revenue		49,475			3,967	53,442
Total Liabilities	<u>441,981</u>	<u>58,226</u>			<u>41,472</u>	<u>541,679</u>
Fund Balances						
Nonspendable:						
Inventory					28,375	28,375
Restricted:						
Capital projects				1,084,204	476,855	1,561,059
Debt service			2,049,856			2,049,856
Assigned:						
School based activities					842,135	842,135
Unassigned	3,204,133	(8,751)				3,195,382
Total Fund Balances	<u>3,204,133</u>	<u>(8,751)</u>	<u>2,049,856</u>	<u>1,084,204</u>	<u>1,347,365</u>	<u>7,676,807</u>
Total Liabilities and Fund Balances	<u>\$ 3,646,114</u>	<u>49,475</u>	<u>2,049,856</u>	<u>1,084,204</u>	<u>1,388,837</u>	<u>8,218,486</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 Position
September 30, 2013

Exhibit C-1

Total fund balances for governmental funds \$ 7,676,807

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$	295,266	
Land improvements, exhaustible		2,690	
Buildings and improvements		13,691,278	
Equipment and furniture		903,279	
Vehicles		460,462	
Accumulated depreciation		<u>(8,918,198)</u>	6,434,777

Other long-term assets are not available to pay for current period expenditures and therefore, are deferred on the statement of net position.

93,862

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Accrued interest payable		21,568	
Current portion of long-term debt		176,070	
Noncurrent portion of long-term debt		<u>3,921,630</u>	<u>(4,119,268)</u>

Total Net Position - Governmental Activities \$ 10,086,178

TUSCUMBIA CITY BOARD OF EDUCATION
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2013

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Part A	Debt Service Fund - County Sales Tax	Capital Outlay Fund		
Revenues:						
State sources	\$ 7,833,809			315,026	103,995	8,252,830
Federal sources	1,399	320,629			972,769	1,294,797
Local sources	2,215,264		1,181,087		1,204,636	4,600,987
Other sources	100,493				83,307	183,800
Total Revenues	10,150,965	320,629	1,181,087	315,026	2,364,707	14,332,414
Expenditures:						
Instructional services	6,397,482	256,701		16,423	519,342	7,189,948
Instructional support services	1,928,168	1,801			461,906	2,391,875
Operation and maintenance services	1,071,996			21,307	37,176	1,130,479
Auxiliary services:						
Student transportation	95,816				87,973	183,789
Food service					1,098,576	1,098,576
General administration and central support	862,025	24,148		83,694	43,302	1,013,169
Other expenditures	35,541	39,067			61,012	135,620
Capital outlay					77,302	77,302
Debt service:						
Principal			135,000		92,058	227,058
Interest			17,009		68,334	85,343
Debt issuance costs/other debt service			93,637			93,637
Total Expenditures	10,391,028	321,717	245,646	121,424	2,546,981	13,626,796
Excess (Deficiency) of Revenues over (under) Expenditures	(240,063)	(1,088)	935,441	193,602	(182,274)	705,618
Other Financing Sources (Uses)						
Indirect cost	90,135					90,135
Long-term debt issued			2,625,000			2,625,000
Transfers in	1,068,432				437,625	1,506,057
Other financing sources	815					815
Transfers out	(353,742)		(1,068,432)		(83,883)	(1,506,057)
Discounts on long-term debt issued			(41,564)			(41,564)
Payments to refunding escrow agent			(456,928)			(456,928)
Total Other Financing Sources (Uses)	805,640		1,058,076		353,742	2,217,458
Net Changes in Fund Balances	565,577	(1,088)	1,993,517	193,602	171,468	2,923,076
Fund Balances - Beginning of Year	2,638,556	(7,663)	56,339	890,602	1,175,897	4,753,731
Fund Balances - End of Year	\$ 3,204,133	(8,751)	2,049,856	1,084,204	1,347,365	7,676,807

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

TUSCUMBIA CITY BOARD OF EDUCATION
Reconciliation of the Governmental Statement of Revenues, Expenditures and Changes
in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2013

Net changes in fund balances - total governmental funds \$ 2,923,076

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 as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 195,946	
Depreciation expense	<u>(552,566)</u>	(356,620)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred on the statement of net position and are amortized over the life of the debt. In the current period, these amounts are:

Payments of debt principal	227,058	
Discounts/issuance cost	133,811	
Payments to refunding agent	456,928	
Proceeds of debt issuance	(2,625,000)	
Amortization of bond premiums/issuance costs	6,367	
Accrued interest payable	<u>(10,229)</u>	(1,811,065)

Change in net position of governmental activities \$ 755,391

TUSCUMBIA CITY BOARD OF EDUCATION
Statement of Fiduciary Assets and Liabilities
As of September 30, 2013

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash	\$ <u>135,367</u>
Total Assets	\$ <u><u>135,367</u></u>
Liabilities	
Due to student clubs	\$ <u>135,367</u>
Total Liabilities	\$ <u><u>135,367</u></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, 2013

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the Tusculmbia City Board of Education (the Board), have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the Board's accounting policies are described below.

A. Financial 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. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the Board. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the Board's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The Board reports the following major governmental funds:

- General Fund – The general fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board 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.
- Title I, Part A – The Title I, Part A fund accounts for the program revenues of the Title I, Part A program.
- Debt Service Fund - County Sales Tax – The debt service fund – county sales tax accounts for revenues that are to be used for the repayment of the 2013 School Warrants.
- Capital Outlay Fund – The capital projects fund accounts for revenue that is to be used for the acquisition, improvement, or construction of capital assets.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the Board reports the following fund types:

Governmental Fund Types

- Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Debt Service Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
- Capital Projects Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Fiduciary Fund Type

- Agency Funds – Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus, Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented 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 when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

measurable and available. Measurable means knowing or being able to reasonably estimate the amount. 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 government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The effect of inter-fund activity has been eliminated from the government-wide statements

D. Assets, Liabilities and Net Position / Fund Balances

1. Cash, Cash equivalents 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.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

2. Receivables

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

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

3. Inventories

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in/first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

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 capital assets are valued at their estimated fair market value on the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Board as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	<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 position.

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. Compensated Absences

Professional and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may accumulate a maximum of 225 days of sick leave. Employees may use up to 180 days of their accrued sick leave as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

Professional and support personnel are provided days of personal leave per year with pay as follows:

Personal Leave – Full Time Employees

Personal leave consists of two days without loss of pay, plus three additional days with loss of pay for substitute services. Staff members with ten to fifteen years of service receive three personal days without loss of pay, plus two additional days with loss of pay for substitute services, those with

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

fifteen to twenty years of service receive four personal days without loss of pay, plus one additional day with loss of pay for substitute services, and those with twenty or more years of service receive five personal days without loss of pay.

Personal Leave – Part Time Employees

Personal leave will be granted according to full-time equivalency.

Personal leave is non-cumulative. However, unused personal leave may be converted to sick leave.

The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for state and board paid unused personal leave as of June 30 of each year. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Full-time members of the professional staff employed on a twelve-month basis for the fiscal year are entitled to ten (10) days of vacation per year. Unused vacation days are not allowed to accrue from one year to the next.

7. Net Position/Fund Balance

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

- Net investment in capital assets – 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 position that is not subject to externally imposed stipulations. Unrestricted net position 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 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.

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

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 re-appropriated and honored during the subsequent year.

Note 3 – Deposits, Investments and Cash with Fiscal Agent

A. Cash

The carrying amount of the Board's deposits with financial institutions reported in the governmental funds was \$7,739,820 and \$135,367 in the fiduciary funds.

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, 2013

funds, every institution participating in the pool would share the liability for the remaining balance. As of September 30, 2013, \$2,722 of the Board's bank balance of \$8,471,088 was exposed to credit risk.

Cash with Fiscal Agent

The Cash with fiscal agent as of September 30, 2013 was \$184,260 and is held by the Alabama Public Schools and College Authority and \$2,722 is held at US Bank.

B. Investments

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, 2013 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 \$2,722. These investments are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Board had \$2,722 in negotiable instruments during the year ended September 30, 2013 that were not covered by FDIC insurance.

Concentration 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 held approximately 79.13% of its investments at US Bank, and approximately 96.83% of its demand deposits were held at Bank Independent.

Custodial Credit Risk – Custodial credit risk is the risk that the Board will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. The Board had \$2,722 in negotiable instruments during the year ended September 30, 2013.

Note 4 – Receivables and Payables

On September 30, 2013, 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 Funds</u>	<u>Total</u>
Taxes	\$ 377,976			\$ 377,976
Other		6,984	65,331	72,315
Total Accounts Receivable	<u>\$ 377,976</u>	<u>6,984</u>	<u>65,331</u>	<u>\$ 450,291</u>

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

Note 5 – Capital Assets

Capital asset activity for the year ended September 20, 2013 was as follows:

	Balance 10/1/12	Additions	Retirements/ Reclassifications	Balance 9/30/13
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 295,266			\$ 295,266
Total capital assets not being depreciated	295,266			295,266
Capital assets being depreciated:				
Land improvements - exhaustible	2,690			2,690
Buildings	6,556,634			6,556,634
Building improvements	7,057,342	77,302		7,134,644
Equipment & furniture	896,429	6,850		903,279
Vehicles	348,668	111,794		460,462
Total assets being depreciated	14,861,763	195,946		15,057,709
Less Accumulated Depreciation for:				
Land improvements - exhaustible	740	134		874
Buildings	3,768,388	152,226		3,920,614
Building improvements	3,592,228	347,636		3,939,864
Equipment and furniture	673,515	41,802		715,317
Vehicles	330,761	10,768		341,529
Total accumulated depreciation	8,365,632	552,566		8,918,198
Total capital assets being depreciated, net	6,496,131	(356,620)		6,139,511
Governmental activities capital assets, net	\$ 6,791,397	(356,620)		\$ 6,434,777

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

<u>Governmental Activities:</u>	<u>Depreciation Expense</u>
Instructional services	\$ 330,891
Instructional support services	84,198
Operations & maintenance services	21,174
Student transportation	64,764
Food service	22,931
General administrative	28,608
Total Depreciation Expense - Governmental Activities	\$ 552,566

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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

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

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

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

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

B. Funding Policy

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

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30,	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Percentage of Covered Payroll (Tier 1)	17.58%	17.25%	17.51%
Total Percentage of Covered Payroll (Tier 2)	15.44%		
Contributions:			
Percentage Contributed by the Board (Tier 1)	10.08%	10.00%	12.51%
Percentage Contributed by the Employees (Tier 1)	7.50%	7.25%	5.00%
Percentage Contributed by the Board (Tier 2)	9.44%		
Percentage Contributed by the Employees (Tier 2)	6.00%		
Contributed by the Board	\$ 727,524	\$ 733,954	\$ 963,447
Contributed by the Employees	540,493	531,767	385,071
Total Contribution	<u>\$ 1,268,017</u>	<u>\$ 1,265,721</u>	<u>\$ 1,348,518</u>

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. 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. The report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab or by writing to PEEHIB, c/o The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama, 36130-2150.

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:

	<u>Fiscal Year 2013</u>
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 Depended Medicare Eligible	\$ 250.00
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$ 250.00

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

Family Coverage - Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 109.00
Surviving Spouse - Non-Medicare Eligible	\$ 671.00
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare	\$ 860.00
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible	\$ 829.00
Surviving Spouse - Medicare Eligible	\$ 317.00
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible	\$ 506.00
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible	\$ 475.00

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 who retire on or after January 1, 2012 are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to 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 smoke.

Participating school systems are required to contribute at a rate established annually by the Legislature, currently \$714.00 per active employee per month. For the year, 30.38% (\$216.90) of the employer's contributions were used to assist in funding retiree benefit payments. PEEHIB recommends the monthly employer premium to the Legislature and the Legislature sets the required employer allocation per employee. The Board has no responsibility for the payment of healthcare benefits, beyond the payment of premium, for retired employees.

The following table presents the annual required contribution and the percentage contributed.

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 1,445,832	100%
2012	1,442,280	100%
2011	1,616,377	100%

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

Note 8 – Long Term Debt

The following is a summary of the general long-term debt transactions for the Board for the year ended September 30, 2013:

<u>Description</u>	<u>Balance 10/1/12</u>	<u>Additions</u>	<u>Refunding</u>	<u>Reductions</u>	<u>Balance 9/30/13</u>	<u>Amounts Due Within One Year</u>
Special School Tax Warrants 1996	\$ 585,000		(450,000)	135,000		\$
Capital Outlay Pool Warrant Series 2006	1,044,306			53,950	990,356	56,789
Capital Outlay Pool Warrant Series 2012-A	497,286			38,108	459,178	39,707
Special Tax School Warrant Series 2013		2,625,000			2,625,000	75,000
Less: Discount on Warrants		(41,564)			(41,564)	(1,663)
Plus: Premium on Warrants	89,931			7,494	82,437	7,494
Less: Loss-Early Extinguishment of debt	(11,759)	(6,928)		(980)	(17,707)	(1,257)
	<u>\$ 2,204,764</u>	<u>2,576,508</u>	<u>(450,000)</u>	<u>233,572</u>	<u>4,097,700</u>	<u>\$ 176,070</u>

Special School Tax Warrants 1996 and 2013

The Tuscumbia City Board of Education, Special School Tax Warrants, was authorized in the amount of \$2,000,000, at a rate of 5.6% and a maturity date of June 1, 2016. On August 7, 2013 the Tuscumbia City Board of Education issued Special School Tax Warrants Series 2013 in the amount of \$2,625,000 with a rate of 2.00% to 4.70% and a maturity date of August 1, 2038. The Special School Tax Warrants Series 2013 is a current refunding of the Special School Tax Warrants Series 1996. The warrants were issued to finance various capital improvement projects throughout the district.

The Special School Tax Warrants Series 2013 will be payable out of ½ cent county sales tax. The principal and interest requirements to the above general obligations at September 30, 2013 are as follows:

<u>Fiscal Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service to Maturity</u>
2014	\$ 75,000	\$ 48,198	\$ 123,198
2015	75,000	94,895	169,895
2016	75,000	93,395	168,395
2017		91,895	91,895
2018		91,895	91,895
2019-2023	575,000	432,425	1,007,425
2024-2028	490,000	369,150	859,150
2029-2033	600,000	270,213	870,213
2034-2038	735,000	115,853	850,853
Total	<u>\$ 2,625,000</u>	<u>\$ 1,607,919</u>	<u>\$ 4,232,919</u>

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

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, at a rate of 7.129% and a maturity date of March 1, 2026. 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>
2014	\$ 56,789	43,199	\$ 99,988
2015	59,629	40,289	99,918
2016	62,715	37,230	99,945
2017	65,925	34,014	99,939
2018	69,011	30,986	99,997
2019-2023	394,809	104,896	499,705
2024-2026	281,478	18,358	299,836
Total	\$ <u>990,356</u>	\$ <u>308,972</u>	\$ <u>1,299,328</u>

Capital Outlay Pool Warrant 2012-A

On March 14, 2012, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued \$79,340,000 in Pool Refunding Bonds, Series 2012-A ("Series 2012-A") with interest rates ranging from 3.00% to 5.00% to refund and retire on a current basis \$57,497,698 of outstanding Capital Improvement Pool Bonds, Series 2002-A ("Series 2002-A") and \$21,842,302 of outstanding Capital Improvement and Economic Development and Training Bonds, Series 2003 ("Series 2003") which were scheduled to mature in fiscal years 2013 through 2024 with interest rates ranging from 4.00% to 5.00%. The Board had a 2.2767% participation in the Series 2003. This resulted in the Board being obligated for \$497,286 of the total principal of \$79,340,000.

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>
2014	\$ 39,707	20,619	\$ 60,326
2015	41,273	18,999	60,272
2016	42,903	17,316	60,219
2017	44,752	15,339	60,091
2018	47,071	13,044	60,115
2019-2023	228,147	27,599	255,746
2024	15,325	230	15,555
Total	\$ <u>459,178</u>	\$ <u>113,146</u>	\$ <u>572,324</u>

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

The Board reports warrant premiums of debt in connection with the issuance of its 2012-A Pool Refunding Bonds and its Special School Tax Warrants 2013. The issuance costs, warrant premiums, warrant discounts and loss on early extinguishment of debt are being amortized using the straight-line method over the term of the related debt.

	Issuance Costs	Loss on Early Extinguishment of Debt	Premiums	Discounts
Original amounts	\$ 1,762	\$ 11,759	\$ 89,931	\$
Current year additions	92,247	6,928		41,564
Current amount amortized	147	980	7,494	
Ending balance	<u>\$ 93,862</u>	<u>\$ 17,707</u>	<u>\$ 82,437</u>	<u>\$ 41,564</u>
Current portion	\$ 147	\$ 1,257	\$ 7,494	\$ 1,663
Long-term portion	\$ 1,468	\$ 16,450	\$ 74,943	\$ 39,901

Advanced Refunding

On March 14, 2012, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued \$79,340,000 in Pool Refunding Bonds, Series 2012-A ("Series 2012-A") with interest rates ranging from 3.00% to 5.00% to refund and retire on a current basis \$57,497,698 of outstanding Capital Improvement Pool Bonds, Series 2002-A ("Series 2002-A") and \$21,842,302 of outstanding Capital Improvement and Economic Development and Training Bonds, Series 2003 ("Series 2003") which were scheduled to mature in fiscal years 2013 through 2022 with interest rates ranging from 4.00% to 5.00%. The net proceeds of \$93,407,063 (\$67,692,092 for Series 2002-A and \$25,714,964 for Series 2003) after a premium of \$14,348,162 and payment of \$281,099 in underwriting fees and other issuance costs were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2002-A and Series 2003 bonds. As a result, the bonds that were refunded are considered to be defeased and the liability for this debt has been removed.

The Board has a 2.2767% participation in the Series 2003. This resulted in the Board being obligated for \$497,286 of the total principal of \$79,340,000. The Board's portion of the net proceeds deposited in an irrevocable trust with an escrow agent was \$585,455. The liabilities removed for the Series 2003 was \$573,696.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$76,410. As a result of the refunding, the Board reduced its total debt service requirements which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$94,395.

Note 9 – 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, 2013

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 10 – Interfund Transfers

Interfund transfers during the fiscal year ended September 30, 2013 were as follows:

Transfer In	Transfer Out	Total
General Fund	Debt Service County Sales Tax	1,068,432
Other Governmental Funds	General Fund	353,742
Other Governmental Funds	Other Governmental Funds	83,883
Total Transfers		\$ <u>1,506,057</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 11 – 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 Tusculmbia 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.

Note 12 – Deficit Fund Balance

The Alabama State Department of Education does not allow school districts to book the September payroll accrual to their live books at September 30, 2013. As a result the Title I, Part A fund had a deficit fund balance at September 30, 2013, of \$8,751, which is the net effect of the payroll accrual.

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to Financial Statements
For the Year Ended September 30, 2013

Note 13 – Subsequent Events

Events that occur after the Statement of Net Position 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 Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Tuscumbia City Board of Education evaluated the activity of the district through June 27, 2014, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

- On October 28, 2013 the Board approved the baseball hitting barn project in the amount of \$19,330.
- On March 10, 2014 the Board approved the bid for the Deshler Gymnasium New Roof and Mechanical System Modification and Upgrades for GKL Companies, Inc. for \$1,548,000.

REQUIRED SUPPLEMENTARY INFORMATION

TUSCUMBIA CITY BOARD OF EDUCATION
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-- Positive (Negative)
	Original	Final		
Revenues				
State sources	\$ 7,774,028	7,774,028	7,833,809	59,781
Federal sources	700	752	1,399	647
Local sources	2,185,590	2,245,940	2,215,264	(30,676)
Other sources	35,250	47,561	100,493	52,932
Total Revenues	<u>9,995,568</u>	<u>10,068,281</u>	<u>10,150,965</u>	<u>82,684</u>
Expenditures				
Current:				
Instructional services	6,537,512	6,457,601	6,368,225	89,376
Instructional support services	2,040,829	2,067,457	1,923,107	144,350
Operation and maintenance services	1,110,892	1,225,658	1,070,615	155,043
Auxiliary Services:				
Student transportation	58,182	120,633	95,748	24,885
Food service				
General administration and central support	1,003,464	1,043,044	862,905	180,139
Other expenditures	74,354	74,911	34,988	39,923
Capital Outlay				
Debt Service:				
Principal				
Interest				
Total Expenditures	<u>10,825,233</u>	<u>10,989,304</u>	<u>10,355,588</u>	<u>633,716</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(829,665)</u>	<u>(921,023)</u>	<u>(204,623)</u>	<u>716,400</u>
Other Financing Sources (Uses):				
Indirect cost	90,764	90,716	90,135	(581)
Transfers in	986,081	986,132	1,069,079	82,947
Other financing sources		815	815	
Transfers out	(318,435)	(413,360)	(354,390)	58,970
Total Other Financing Sources (Uses)	<u>758,410</u>	<u>664,303</u>	<u>805,639</u>	<u>141,336</u>
Net Change in Fund Balances	(71,255)	(256,720)	601,016	857,736
Fund Balances - Beginning of Year	2,638,556	3,066,635	2,211,803	(854,832)
Fund Balances - End of Year	<u>\$ 2,567,301</u>	<u>2,809,915</u>	<u>2,812,819</u>	<u>2,904</u>

TUSCUMBIA CITY BOARD OF EDUCATION
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Title I Part A
For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget--</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State sources				
Federal sources	328,963	370,104	320,629	49,475
Local sources				
Other sources				
Total Revenues	<u>328,963</u>	<u>370,104</u>	<u>320,629</u>	<u>(49,475)</u>
Expenditures				
Current:				
Instructional services	249,380	293,307	255,733	37,574
Instructional support services	22,000	4,200	1,801	2,399
Operation and maintenance services				
Auxiliary Services:				
Student transportation				
Food service				
General administration and central support	26,561	33,276	24,028	9,248
Other expenditures	31,022	39,321	39,067	254
Capital Outlay				
Debt Service:				
Principal				
Interest				
Total Expenditures	<u>328,963</u>	<u>370,104</u>	<u>320,629</u>	<u>49,475</u>
Excess (Deficiency) of Revenues over (under) Expenditures		-	-	-
Other Financing Sources (Uses):				
Indirect cost				
Transfers in				
Other financing sources				
Transfers out				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances				
Fund Balances - Beginning of Year				
Fund Balances - End of Year	<u>\$</u>			

TUSCUMBIA CITY BOARD OF EDUCATION
Notes to the Required Supplementary Information
For the Year Ended September 30, 2013

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 - Debt Service Fund - County Sales Tax and Capital Outlay Fund

The Board does not adopt, nor is required to adopt, a budget for debt service or capital outlay funds; therefore, no budget comparison schedule is presented for those funds.

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	\$ 10,150,965
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	\$ <u><u>10,150,965</u></u>
Expenditures:	
Actual total expenditures budgetary basis	\$ 10,355,588
Differences--budget to GAAP	
Salaries and related fringe benefits	35,439
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ <u><u>10,391,027</u></u>
Title I Part A	
Sources/inflows of resources	
Actual total revenue budgetary basis	\$ 320,629
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	\$ <u><u>320,629</u></u>
Expenditures:	
Actual total expenditures budgetary basis	\$ 320,629
Differences--budget to GAAP	
Salaries and related fringe benefits	1,088
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ <u><u>321,717</u></u>

SUPPLEMENTARY INFORMATION

TUSCUMBIA CITY BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	CFDA Number	Total Federal Awards Expended
U.S. Department of Education		
Impact Aid Program, Recovery Act	84.401	\$ 241
Total Direct Funding From U.S. Department of Education		<u>241</u>
<u>Pass-Through Program From:</u>		
<u>Alabama Department of Education:</u>		
Special Education-Grants to States	84.027	295,037
Special Education-Preschool Grants	84.173	<u>10,790</u>
Sub-Total Special Education Cluster		<u>305,827</u>
Title I Grants to Local Educational Agencies	84.010	320,629
Vocational Educational-Basic Grants to States	84.048	17,219
Improving Teacher Quality State Grants	84.367	<u>84,435</u>
Total passed through the Alabama Department of Education		<u>728,110</u>
Total U.S. Department of Education		<u>728,351</u>
U.S. Department of Agriculture		
<u>Pass-Through Program From:</u>		
<u>Alabama Department of Education:</u>		
School Breakfast Program	10.553	107,567
National School Lunch Program	10.555	440,984
Summer Food Service Program	10.559	<u>16,738</u>
Sub-Total Child Nutrition Cluster		<u>565,289</u>
Total passed through the Alabama Department of Education		<u>565,289</u>
Total U.S. Department of Agriculture		<u>565,289</u>
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	<u>1,158</u>
Total passed through Alabama Department of Education		<u>1,158</u>
Total U.S. Department of Health and Human Services		<u>1,158</u>
Total Federal Awards		<u>\$ 1,295,039</u>

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, 2013

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, 2013. 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.

Note 3 – Non-Cash Awards

The Tuscumbia City Board of Education is the recipient of certain non-cash assistance in the form of donated commodities received from the U.S. Department of Agriculture. Revenues and expenditures are recorded for the value of commodities received. In addition, the Tuscumbia City Board of Education may receive certain other non-cash assistance from federal and state awarding agencies.

ADDITIONAL INFORMATION

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

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 Tuscumbia City Board of Education as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Tuscumbia City Board of Education's basic financial statements, and have issued our report thereon dated June 27, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies at 2013-1 and 2013-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

Tuscumbia City Board of Education's Response to Findings

Tuscumbia City Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Tuscumbia City Board of Education's 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 result of that testing, and not to provide an opinion of 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.

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive style.

The Sparks CPA Firm, P.C.
Certified Public Accountants
June 27, 2014

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

Report on Compliance for Each Major Federal Program

We have audited 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 Tuscumbia City Board of Education's major federal programs for the year ended September 30, 2013. Tuscumbia City Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Tuscumbia City Board of Education, 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, 2013.

Internal Control Over Compliance

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of 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.



The Sparks CPA Firm, P.C.
Certified Public Accountants
June 27, 2014

**TUSCUMBIA CITY BOARD OF EDUCATION
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013**

Section I: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditors' report issued: | |
| | Governmental Activities | Unmodified |
| | General Fund | Unmodified |
| | Title I Part A | Unmodified |
| | Debt Service Fund - County Sales Tax | Unmodified |
| | Capital Outlay Fund | Unmodified |
| | Other Governmental Funds | Unmodified |
| 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)? | Yes |
| 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. Child Nutrition Cluster | |
| | CFDA# 10.553 School Breakfast Program | |
| | CFDA# 10.555 National School Lunch Program | |
| | b. Title I, Part A CFDA# 84.010 | |
| 8. | The dollar threshold used to distinguish between Type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 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? | Yes |

TUSCUMBIA CITY BOARD OF EDUCATION
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section II: Financial Statement Findings

2013-1 Significant Deficiency

Criteria:

A strong system of internal controls should be implemented to ensure that all of the district's policies are followed. Per district policy all purchases between \$1,001 and \$14,999 should receive three competitive quotes, with the district choosing lowest quote.

Condition:

During testing it was noted that the refinishing of the gymnasium floor at Deshler Middle School did not follow school policy and receive three competitive quotes.

Effect:

Failure to comply with district's policy could allow for the overpayment of goods or services.

Cause:

Failure to follow policies established by the district.

Recommendation:

A system of internal controls should be implemented to ensure that all district personnel adhere to established district policies.

Response:

We have procedures in place for the Accounting Department to obtain the three quotes prior to a purchase order is requested and issued.

2013-2 Significant Deficiency

Criteria:

A strong system of internal controls is necessary to ensure that all of the district's policies regarding purchase orders are being followed.

Condition:

During testing it was noted that the invoice for the refinishing of the gymnasium floor at Deshler Middle School did not have two authorized signatures. It was also noted during test work that on two separate occasions purchase orders were dated after the invoice date.

Effect:

Failure to comply with district's policy could allow for the improper purchase of goods or services.

Cause:

Failure to follow policies established by the district.

**TUSCUMBIA CITY BOARD OF EDUCATION
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013**

Recommendation:

A system of internal controls should be implemented to ensure that all district personnel adhere to established district policies.

Response:

We have procedures in place to verify all necessary signatures are received at the time purchase order is issued.

Section III: Federal Award Findings and Questioned Costs

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

**TUSCUMBIA CITY BOARD OF EDUCATION
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2013**

U.S. DEPARTMENT OF AGRICULTURE

Finding 2012-3: Child Nutrition Cluster CFDA# 10.553 & 10.555

Condition: This finding was a noncompliance finding stating that the district did not have a secondary reviewer to ensure the accuracy of the applications.

Recommendation: The auditors recommended that the district implement procedures to ensure that all applications are properly reviewed and the review of those applications is properly documented.

Current Status: This finding has been corrected.

Finding 2012-4: Child Nutrition Cluster CFDA# 10.553 & 10.555

Condition: This finding was a material weakness – significant deficiency stating that it is district policy that all purchase orders over \$500 have two authorized signatures. It was noted that the Child Nutrition Program purchase orders did not have the required two authorized signatures.

Recommendation: The auditors recommended that the district implement procedures to ensure that all Child Nutrition Program purchase orders over \$500 have two authorized signatures.

Current Status: This finding has been corrected.