

Report on the

**Coosa County
Board of Education**

Coosa County, Alabama

October 1, 2010 through September 30, 2011

Filed: August 31, 2012



**Department of
Examiners of Public Accounts**

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Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

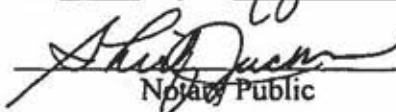
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Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

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

Sworn to and subscribed before me this
the 14th day of Aug., 2011.


Notary Public

rb

Respectfully submitted,



Dixie Broadwater
Examiner of Public Accounts

Table of Contents

| | <i>Page</i> |
|--|--------------------|
| Summary | A |
| Contains items pertaining to federal, state and local legal compliance, Board operations and other matters. | |
| Independent Auditor's Report | B |
| Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP). | |
| Management's Discussion and Analysis | E |
| Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Board introducing the basic financial statements and providing an analytical overview of the Board's financial activities for the year. This information has not been audited, and no opinion is provided about the information. | |
| <u>Basic Financial Statements</u> | 1 |
| Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Board's financial position and results of operations in accordance with GAAP. | |
| Exhibit #1 Statement of Net Assets | 2 |
| Exhibit #2 Statement of Activities | 3 |
| Exhibit #3 Balance Sheet – Governmental Funds | 5 |
| Exhibit #4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | 7 |
| Exhibit #5 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 8 |
| Exhibit #6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 10 |
| Exhibit #7 Statement of Fiduciary Net Assets | 11 |

Table of Contents

| | <i>Page</i> |
|---|-------------|
| Exhibit #8 Statement of Changes in Fiduciary Net Assets | 12 |
| Notes to the Financial Statements | 13 |
| <u>Required Supplementary Information</u> | 33 |
| Provides information required by the GASB to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information. | |
| Exhibit #9 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund | 34 |
| Exhibit #10 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund | 38 |
| <u>Supplementary Information</u> | 42 |
| Contains financial information and notes relative to federal financial assistance. | |
| Exhibit #11 Schedule of Expenditures of Federal Awards | 43 |
| Notes to the Schedule of Expenditures of Federal Awards | 47 |
| <u>Additional Information</u> | 48 |
| Provides basic information related to the Board, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits. | |
| Exhibit #12 Board Members and Administrative Personnel – a listing of the Board members and administrative personnel. | 49 |
| Exhibit #13 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> – a report on internal controls related to the financial statements and on whether the Board complied with laws and regulations which could have a direct and material effect on the Board's financial statements. | 50 |

Table of Contents

Page

| | | |
|-------------|---|----|
| Exhibit #14 | 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 – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the Board complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program. | 52 |
| Exhibit #15 | Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133. | 55 |



Department of Examiners of Public Accounts

SUMMARY

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

The Coosa County Board of Education (the "Board") is governed by a five-member body elected by the citizens of Coosa County. The members and administrative personnel in charge of governance of the Board are listed on Exhibit 12. The Board is the governmental agency that provides general administration and supervision for Coosa County public schools, preschool through high school.

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

An unqualified opinion was issued on the financial statements, which means that the Board's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2011.

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

The following officials/employees were invited to an exit conference to discuss the contents of this report: Dennis Sanford, Superintendent; Amy D. Norford, Chief School Financial Officer; and Board Members: David L. Edwards, Larry W. Goodgame, Randall L. Hardman, David M. Tuck, and David L. McElrath. The following individuals attended the exit conference, held at the offices of the Coosa County Board of Education: Dennis Sanford, Superintendent; Amy D. Norford, Chief School Financial Officer; Members of the Board of Education: David M. Tuck and David L. McElrath; and representatives from the Department of Examiners of Public Accounts: Elizabeth Crowson, Audit Manager and Dixie Broadwater, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coosa County Board of Education, as of and for the year ended September 30, 2011, which collectively comprise the Coosa County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the Coosa County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

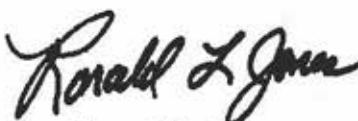
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Coosa County Board of Education, as of September 30, 2011, and the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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2012 on our consideration of the Coosa County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coosa County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 11) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

August 10, 2012

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

Management Discussion and Analysis (MD&A)

Introduction

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

The MD&A is an element of the new 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.

Overview of the Financial Statements

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

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

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

The *Statement of Activities* provides information which shows how the Board's net assets changed as a result of the year's activities. The statement uses the accrual basis of 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. Two kinds of funds - governmental funds and fiduciary funds - are presented in the fund financial statements.

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* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* - 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 you 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, we provide additional information that explains the relationship (or differences) between them.

Fiduciary funds - Fiduciary funds are used to account for assets held by the Board in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the Board cannot use these assets for its operations. Fiduciary funds of the Board, consisting of agency funds and private-purpose trust funds, are reported in the *Statement of Fiduciary Net Assets* using an accrual basis of accounting. Agency funds held by the Board involve only the receipt, temporary investment, and remittance of resources to individuals, private organizations, or other governments in a purely custodial capacity (assets equal liabilities). The agency funds reported by the Board include a payroll clearing account, an accounts payable clearing account, and student organization accounts such as clubs and classes. Private-purpose trust funds - also reported in a *Statement of Changes in Fiduciary Net Assets* - report all trust agreements under which principal and income benefit individuals, private organizations, or other governments. Private-purpose trust funds reported by the Board include the OB White Scholarship Fund.

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) other than the MD&A consisting of a budgetary comparison schedule for the general fund and each major special revenue fund that has a legally adopted annual budget. 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 Coosa County Board of Education has no business-type activities. Consequently, all of the Board's net assets are reported as Governmental Activities.

COOSA COUNTY BOARD OF EDUCATION

| | Net Assets | |
|---|---|---|
| | <u>Governmental Activities</u> <u>September 30, 2011</u> | <u>Governmental Activities</u> <u>September 30, 2010</u> |
| Current and other assets | \$ 2,807,919 | \$ 5,430,094 |
| Capital assets | <u>\$12,968,650</u> | <u>\$11,469,831</u> |
| Total assets | \$15,776,569 | \$16,899,925 |
| Current and other liabilities | \$ 3,298,757 | \$ 4,077,935 |
| Long-term liabilities | <u>\$ 5,932,021</u> | <u>\$ 6,790,360</u> |
| Total liabilities | \$ 9,230,778 | \$10,868,295 |
| Net assets: | | |
| Invested in capital assets, net of related debt | \$ 3,964,627 | \$ 6,812,441 |
| Restricted | \$ 369,168 | \$ 379,459 |
| Unrestricted | <u>\$ 2,211,996</u> | <u>\$(1,169,270)</u> |
| Total net assets | \$ 6,545,791 | \$ 6,031,630 |

The Board's assets exceeded liabilities by \$6,545,791 at the close of the fiscal year. The majority of the Board's net assets are invested in capital assets (land, buildings, and equipment) owned by the Board. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements are \$2,211,996 at the end of the year.

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

COOSA COUNTY BOARD OF EDUCATION

| | Changes in Net Assets | |
|---|--------------------------------|--------------------------------|
| | <u>Governmental Activities</u> | <u>Governmental Activities</u> |
| | <u>September 30, 2011</u> | <u>September 30, 2010</u> |
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services | \$ 1,051,725 | \$ 1,033,009 |
| Operating grants and contributions | \$ 9,529,559 | \$ 9,511,827 |
| Capital grants and contributions | \$ 452,008 | \$ 441,894 |
| General revenues: | | |
| Property taxes | \$ 1,789,960 | \$ 1,668,313 |
| Federal and state aid not restricted to specific purposes | \$ 8,475 | \$ 8,439 |
| Sales Tax | \$ 373,082 | \$ 397,870 |
| Other general revenues | \$ 281,295 | \$ 288,005 |
| Total revenues | \$13,486,104 | \$13,349,357 |
| <u>Expenses</u> | | |
| Instructional services | \$ 6,445,267 | \$ 7,160,658 |
| Instructional support services | \$ 2,250,450 | \$ 2,447,415 |
| Operation & maintenance services | \$ 743,109 | \$ 712,160 |
| Student transportation services | \$ 1,267,482 | \$ 1,150,393 |
| Food services | \$ 846,756 | \$ 914,221 |
| General administrative services | \$ 896,787 | \$ 1,143,124 |
| Debt service | \$ 306,905 | \$ 323,773 |
| Other expenses | \$ 215,187 | \$ 256,879 |
| Total expenses | \$12,971,943 | \$14,108,623 |
| Change in net assets | \$ 514,161 | \$ (759,267) |
| Net assets, beginning | \$ 6,031,630 | \$ 6,790,897 |
| Net assets, ending | \$ 6,545,791 | \$ 6,031,630 |

Program revenues, specifically operating grants and contributions, are the largest component of total revenues 81.81%.

- o Operating grants and contributions contribute 86.37% of program revenues and 70.66% 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.
- o Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- o Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

General revenues, primarily property taxes and sales taxes, are used to provide funding for expenses not covered by program revenues.

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board 67.03%.

- In addition to teacher salaries and benefits, instructional services includes teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, and professional development expenses.
- Operation/maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- In addition to bus driver salaries and benefits, student transportation services includes mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance.
- Food services includes salaries and benefits for cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Debt service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefits for preschool teachers and aides, and extended day personnel. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.

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.

General Fund – The general fund is the primary operating fund of the Board. Property taxes remained stable from the previous year. Student enrollment drives state funded teacher units. Student enrollment dropped from 1,331.85 in FY10 to 1,311.25 in FY11. This represents a loss of 20.60 students resulting in a loss of 1.12 teacher units.

In order to comply with the School Fiscal Accountability Law Act No. 2006-196, the Coosa County Board needed \$745,506 in the general fund to achieve a 1 months operating balance. The year ended with none of the required 1 month balance and a deficit fund balance of -\$698,537. The loss of required funding can be contributed to proration being declared for the past 3 years at the following rates: 11% in FY09, 9.50% in FY10, and 3.00% in FY11. The three years of proration resulted in a total loss of \$1,758,204 in funding.

For FY11 the local board had flexibility on certain line items. The flexibility could not exceed 20% in any line item and could not create a reduction of earned teacher units and/or education support personnel. The Board took advantage of this flexibility wherever possible and utilized the funds to help with general operating expenditures.

On July 13, 2010, the State Board of Education approved a resolution allowing for financial intervention in the Coosa County School System. The board continues to cooperate fully with this intervention.

The Board strives to be diligent in making cuts wherever possible to help improve the boards' financial position.

Capital Projects Fund – The Coosa County Commission levied a one cent sales tax in 2009 to fund a \$2,700,000 bond issue which is being used to construct a new gym/cafeteria for Central Elementary/Middle Schools. The new gym/cafeteria was completed for the start of the 2011-2012 school year. The County Commission originally stipulated that the sales tax could only be used for the debt service payments. However, due to our critical financial situation, the Board passed a resolution requesting that the Commissioners allow the excess funds generated be used for operating expenses. The Commission placed a local referendum on the July 13, 2010 ballot to allow the citizens to vote on this change. The referendum passed overwhelmingly and on July 27, 2010, the County Commissioners approved this change.

Special Revenue Fund – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal, state and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I, State Fiscal Stabilization, Education Jobs and the Child Nutrition Program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed. The proceeds from the county sales tax that are to be used exclusively for capital improvement, capital construction and maintenance purposes are also accounted for and reported in this fund.

General Fund Budgetary Highlights

The original 2011 fiscal year budget, adopted on September 9, 2010, was based on a "bare bones" approach that reflected only guaranteed revenues and necessary expenditures since some of the state-funded programs had not been authorized at this point. The original budget projected a deficit fund balance of -\$817,990. Over the course of the year, the Board revised the annual operating budget on April 28, 2011, reflecting the prorated funds and anticipating an ending deficit of -\$698,527.

The differences between the original budget and the final amended budget of the Board consisted of the following:

- Budgeted 3% proration
- Added unexpended state funds from FY10 for transportation, dropout prevention, career tech extended days, and HIPPY
- Added carryover funds for IDEA, IDEA ARRA, Title I, Title I ARRA, School Improvement, Title II, Title II Part D, Title II Part D ARRA, Title IV, 1003-G
- Added PIRCA Grant,

Overall, the final amended budget was reflective of the actual operating activity for the year. The Board's financial position is critical due to a lack of local revenues and a loss of state funding.

Capital Assets and Debt Administration

Capital Assets - At September 30, 2011, the Board had \$12,968,650 invested in capital assets including land, buildings, equipment costing \$5000 or more, vehicles, buildings and equipment under capital lease, and construction in progress. 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.

Long-Term Debt - At year-end, the Board had \$6,371,876 in warrants, notes, capital lease contracts payable, and other long-term debt outstanding. These debts are for school buses, the construction of the consolidated Elementary and Middle Schools, and the cafeteria/gymnasium for the Central Elementary/Middle Schools (additional information on the Board's long-term debt is presented in the notes to the basic financial statements.

Economic Factors and Next Year's Budget

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

- ✓ After facing proration for the third consecutive year, Coosa County Schools are facing a \$182,150 projected deficit.
- ✓ The Coosa County Commission's vote to allow the excess use of sales tax to be used for general operating expenditures has helped to improve our financial situation.
- ✓ Coosa County is a rural community with very little industry. The only local support received by the Board is the 12 mills of property tax, beer tax, and excess funds from the 1 cent sales tax.
- ✓ The County's main industry is timber. Over half of the land in Coosa County is owned by timber companies or other corporations. These businesses pay a lower percent on property tax.

- ✓ The largest employer is Madix, Inc. with the Board of Education being the second largest.
- ✓ The county has an industrial park located on Highway 280 in conjunction with Alexander City. The revenue from industries located in this park is shared with Alexander City.
- ✓ The county has great natural resources coming from 4 lakes. The infrastructure of the Lake Martin area has improved with a result of increased revenue through property tax reappraisals. The remaining lakefront property is not as developed resulting in lower property taxes.
- ✓ The estimated population in Coosa County as of 2010 is 11,539, which is a decrease from the 12,202 recorded in the 2000 Census. (estimates obtained from the U.S. Census Bureau- 2011 data not yet available)

Estimated Capital Needs - As of September 30, 2011, the Board's Five-Year Capital Plan, based upon critical needs and a State facility assessment, included \$9.5 million in estimated capital needs throughout the system, all of which are unfunded at this time.

Student Enrollment - The latest student enrollment figure as of the forty-day report for the 2011-2012 school year of 1,263.70 indicates there will be a decline in enrollment of approximately 47.55 students.

| Enrollment Decline | Fiscal Year |
|--------------------|-------------|
| 47.55 | 2012 |
| 20.60 | 2011 |
| 10.50 | 2010 |
| 40.40 | 2009 |
| 74.20 | 2008 |
| 60.68 | 2007 |

Medical and Retirement Costs - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs were \$752 per employee per month in fiscal year 2011. Also, the employer contribution rate to the Teachers Retirement System (TRS) was 12.51% for fiscal year 2011. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

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 Amy D. Norford, Chief School Financial Officer, P. O. Box 37, Rockford, AL 35136, or by calling 256-377-4913 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:00 p.m.

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Basic Financial Statements

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Statement of Net Assets
September 30, 2011

| | Governmental Activities |
|---|------------------------------------|
| <u>Assets</u> | |
| Cash and Cash Equivalents | \$ 941,626.45 |
| Cash with Fiscal Agent | 83,163.43 |
| Investments | 126,314.61 |
| Ad Valorem Property Taxes Receivable | 1,510,471.56 |
| Receivables (Note 4) | 118,806.78 |
| Inventories | 27,536.53 |
| Capital Assets (Note 5): | |
| Nondepreciable | 2,758,461.13 |
| Depreciable, Net | 10,210,189.09 |
| Total Assets | <u>15,776,569.58</u> |
| <u>Liabilities</u> | |
| Payables (Note 8) | 117,289.24 |
| Accrued Interest Payable | 57,599.89 |
| Deferred Revenue | 1,551,668.41 |
| Salaries and Benefits Payable | 782,344.35 |
| Short-Term Note Payable | 350,000.00 |
| Long-Term Liabilities: | |
| Portion Due or Payable Within One Year: | |
| Warrants Payable | 141,693.46 |
| Capital Lease Contracts Payable | 298,161.50 |
| Portion Payable After One Year: | |
| Warrants Payable | 1,908,215.74 |
| Capital Lease Contracts Payable | 4,023,805.78 |
| Total Liabilities | <u>9,230,778.37</u> |
| <u>Net Assets</u> | |
| Invested in Capital Assets, Net of Related Debt | 3,964,627.22 |
| Restricted for: | |
| Capital Projects | 116,641.59 |
| Debt Service | 63,571.35 |
| Child Nutrition | 188,954.79 |
| Unrestricted | <u>2,211,996.26</u> |
| Total Net Assets | <u>\$ 6,545,791.21</u> |

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

Statement of Activities
For the Year Ended September 30, 2011

| Functions/Programs | Expenses | Program Revenues | |
|--|-------------------------|-------------------------|---------------------------------------|
| | | Charges for Services | Operating Grants and Contributions |
| <u>Governmental Activities</u> | | | |
| Instruction | \$ 6,445,266.63 | \$ 152,324.07 | \$ 5,189,978.94 |
| Instructional Support | 2,250,449.58 | 39,317.39 | 1,910,375.67 |
| Operation and Maintenance | 743,109.30 | 85,209.05 | 503,596.39 |
| Auxiliary Services: | | | |
| Student Transportation Services | 1,267,481.68 | 24,128.58 | 1,098,403.65 |
| Food Services | 846,756.56 | 678,571.79 | 35,911.05 |
| General Administrative and Central Support | 896,787.05 | 1,078.55 | 684,244.89 |
| Interest and Fiscal Charges | 306,904.65 | | |
| Other Expenses | 215,187.53 | 71,095.56 | 107,047.98 |
| Total Governmental Activities | <u>\$ 12,971,942.98</u> | <u>\$ 1,051,724.99</u> | <u>\$ 9,529,558.57</u> |

General Revenues:

Taxes:

Property Taxes for General Purposes

Property Taxes for Specific Purposes

Sales Tax

Alcohol Beverage Tax

Other Taxes

Grants and Contributions Not Restricted
for Specific Programs

Investment Earnings

Miscellaneous

 Total General Revenues

Changes in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

| | | Net (Expenses) Revenues and Changes in Net Assets | |
|-------------------------------------|------------|--|----------------|
| Capital Grants and Contributions | | Total Governmental Activities | |
| \$ | 253,545.83 | \$ | (849,417.79) |
| | | | (300,756.52) |
| | 79,484.58 | | (74,819.28) |
| | | | |
| | 118,977.53 | | (25,971.92) |
| | | | (132,273.72) |
| | | | (211,463.61) |
| | | | (306,904.65) |
| | | | (37,043.99) |
| \$ | 452,007.94 | | (1,938,651.48) |

| |
|-----------------|
| 1,637,047.14 |
| 152,913.53 |
| 373,082.37 |
| 46,217.55 |
| 10,702.33 |
| |
| 8,475.00 |
| 2,115.23 |
| 222,259.73 |
| 2,452,812.88 |
| |
| 514,161.40 |
| |
| 6,031,629.81 |
| |
| \$ 6,545,791.21 |

Balance Sheet
Governmental Funds
September 30, 2011

| | General Fund | Special Revenue Fund |
|---|------------------------|-------------------------|
| <u>Assets</u> | | |
| Cash and Cash Equivalents | \$ 246,986.25 | \$ 543,013.91 |
| Cash with Fiscal Agents | | |
| Investments | | |
| Ad Valorem Property Taxes Receivable | 1,510,471.56 | |
| Receivables (Note 4) | 12,420.00 | 103,358.54 |
| Interfund Receivables | 59,269.67 | 9,254.24 |
| Inventories | | 27,536.53 |
| Total Assets | <u>1,829,147.48</u> | <u>683,163.22</u> |
| <u>Liabilities and Fund Balances</u> | | |
| <u>Liabilities</u> | | |
| Payables (Note 8) | 40,973.62 | 76,315.62 |
| Interfund Payables | 9,254.24 | 59,264.54 |
| Deferred Revenues | 1,490,540.61 | 61,127.80 |
| Salaries and Benefits Payable | 748,465.16 | 33,879.19 |
| Short-Term Note Payable | 350,000.00 | |
| Total Liabilities | <u>2,639,233.63</u> | <u>230,587.15</u> |
| <u>Fund Balances</u> | | |
| Nonspendable: | | |
| Inventories | | 27,536.53 |
| Restricted for: | | |
| Debt Service | | |
| Capital Projects | | |
| Child Nutrition | | 161,418.26 |
| Assigned to: | | |
| Local Schools | | 263,621.28 |
| Unassigned | (810,086.15) | |
| Total Fund Balances | <u>(810,086.15)</u> | <u>452,576.07</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,829,147.48</u> | <u>\$ 683,163.22</u> |

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

| Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------|--------------------------------|--------------------------------|
| \$ 151,626.29 | \$ | \$ 941,626.45 |
| | 83,163.43 | 83,163.43 |
| 126,314.61 | | 126,314.61 |
| | | 1,510,471.56 |
| 3,028.24 | | 118,806.78 |
| | | 68,523.91 |
| | | 27,536.53 |
| 280,969.14 | 83,163.43 | 2,876,443.27 |
| | | |
| | | 117,289.24 |
| 5.13 | | 68,523.91 |
| | | 1,551,668.41 |
| | | 782,344.35 |
| | | 350,000.00 |
| 5.13 | | 2,869,825.91 |
| | | |
| | | 27,536.53 |
| | 83,163.43 | 83,163.43 |
| 280,964.01 | | 280,964.01 |
| | | 161,418.26 |
| | | 263,621.28 |
| | | (810,086.15) |
| 280,964.01 | 83,163.43 | 6,617.36 |
| \$ 280,969.14 | \$ 83,163.43 | \$ 2,876,443.27 |

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 6,617.36

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

Capital assets used in Governmental Activities are not financial resources and
therefore are not reported as assets in Governmental Funds.

| | | |
|----------------------------|-----------------------|---------------|
| The Cost of Capital Assets | \$ 18,244,173.30 | |
| Accumulated Depreciation | <u>(5,275,523.08)</u> | |
| | | 12,968,650.22 |

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

Long-term liabilities at year-end consist of:

| | Amounts Due or Payable Within One Year | Amounts Due or Payable After One Year | |
|---------------------------------|--|---|-----------------------|
| Warrants Payable | \$ 141,693.46 | \$ 1,908,215.74 | |
| Capital Lease Contracts Payable | 298,161.50 | 4,023,805.78 | |
| Accrued Interest Payable | <u>57,599.89</u> | | |
| Total Long-Term Liabilities | \$ 497,454.85 | \$ 5,932,021.52 | |
| | | | <u>(6,429,476.37)</u> |

Total Net Assets - Governmental Activities (Exhibit 1) \$ 6,545,791.21

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2011

| | General Fund | Special Revenue Fund |
|---|------------------------|-------------------------|
| <u>Revenues</u> | | |
| State | \$ 6,628,838.00 | \$ |
| Federal | 135,689.07 | 3,299,108.24 |
| Local | 1,805,228.79 | 573,420.93 |
| Other | 23,835.01 | 28,430.98 |
| Total Revenues | <u>8,593,590.87</u> | <u>3,900,960.15</u> |
| <u>Expenditures</u> | | |
| Current: | | |
| Instruction | 4,737,448.23 | 1,424,521.16 |
| Instructional Support | 1,532,424.41 | 710,899.51 |
| Operation and Maintenance | 249,902.59 | 414,120.33 |
| Auxiliary Services: | | |
| Student Transportation Services | 920,811.63 | 233,898.92 |
| Food Services | | 885,986.63 |
| General Administrative and Central Support | 544,931.45 | 268,377.12 |
| Capital Outlay | 21,059.40 | |
| Debt Service: | | |
| Principal Retirement | | |
| Interest and Fiscal Charges | | |
| Other Debt Service | | |
| Other | 66,342.68 | 145,538.09 |
| Total Expenditures | <u>8,072,920.39</u> | <u>4,083,341.76</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>520,670.48</u> | <u>(182,381.61)</u> |
| <u>Other Financing Sources (Uses)</u> | | |
| Indirect Cost | 93,856.89 | |
| Transfers In | 265,678.75 | 133,578.46 |
| Other Financing Sources | 8,167.20 | |
| Transfers Out | (133,578.46) | (65,678.75) |
| Total Other Financing Sources (Uses) | <u>234,124.38</u> | <u>67,899.71</u> |
| Net Changes in Fund Balances | 754,794.86 | (114,481.90) |
| Fund Balances - Beginning of Year | <u>(1,564,881.01)</u> | <u>567,057.97</u> |
| Fund Balances - End of Year | <u>\$ (810,086.15)</u> | <u>\$ 452,576.07</u> |

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

| Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------|--------------------------------|--------------------------------|
| \$ 451,103.94 | \$ | \$ 7,079,941.94 |
| 525,999.38 | 0.09 | 3,434,797.31 |
| | | 2,904,649.19 |
| | | 52,265.99 |
| 977,103.32 | | 13,471,654.43 |
| 9,877.70 | | 6,171,847.09 |
| 78,633.71 | | 2,243,323.92 |
| | | 742,656.63 |
| | | 1,154,710.55 |
| | | 885,986.63 |
| | | 813,308.57 |
| 2,006,657.82 | | 2,027,717.22 |
| 328,483.18 | 90,000.00 | 418,483.18 |
| 188,064.85 | 120,057.50 | 308,122.35 |
| 3,755.00 | | 3,755.00 |
| | | 211,880.77 |
| 2,615,472.26 | 210,057.50 | 14,981,791.91 |
| (1,638,368.94) | (210,057.50) | (1,510,137.48) |
| | | 93,856.89 |
| | 213,030.84 | 612,288.05 |
| | | 8,167.20 |
| (413,030.84) | | (612,288.05) |
| (413,030.84) | 213,030.84 | 102,024.09 |
| (2,051,399.78) | 2,973.34 | (1,408,113.39) |
| 2,332,363.79 | 80,190.00 | 1,414,730.75 |
| \$ 280,964.01 | \$ 83,163.34 | \$ 6,617.36 |

***Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (1,408,113.39)

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$2,027,717.22) differed from depreciation (\$421,935.83) in the current period. 1,605,781.39

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

Repayments:

| | | |
|------------------|-------------------|------------|
| Capital Leases | \$ 283,548.31 | |
| Warrants Payable | <u>134,934.87</u> | |
| | | 418,483.18 |

In the Statement of Activities, only the gain or loss on the sale of capital assets is recognized, whereas, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the changes in net assets differs from the change in fund balances amount by the book value of the assets disposed of.

Loss on Disposition of Capital Assets (113,245.23)

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

Accrued Interest Payable, Current Year (Increase)/Decrease 4,972.70

In the Statement of Activities, donation of capital assets is recorded as revenue, whereas in the governmental funds it is not recorded.

Donated Assets 6,282.75

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 514,161.40

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

Statement of Fiduciary Net Assets
September 30, 2011

| | Private-Purpose Trust Fund | Agency Fund |
|----------------------------------|-------------------------------|---------------------|
| <u>Assets</u> | | |
| Cash | \$ 45,306.59 | \$ 21,888.59 |
| Investments | 26,359.52 | |
| Total Assets | <u>71,666.11</u> | <u>21,888.59</u> |
| <u>Liabilities</u> | | |
| Accounts Payable | | |
| Due to External Organizations | | 21,888.59 |
| Total Liabilities | | <u>\$ 21,888.59</u> |
| <u>Net Assets</u> | | |
| Held in Trust for Other Purposes | 71,666.11 | |
| Total Net Assets | <u>\$ 71,666.11</u> | |

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

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

| | Private-Purpose Trust Fund |
|--------------------------------|-------------------------------|
| <u>Additions</u> | |
| Earnings on Investments | \$ 524.85 |
| Other Sources | 20,976.74 |
| Total Additions | <u>21,501.59</u> |
| <u>Deductions</u> | |
| Instructional | 23,850.02 |
| General Administrative | 6,282.75 |
| Other | 1,550.00 |
| Total Deductions | <u>31,682.77</u> |
| Changes in Net Assets | (10,181.18) |
| Net Assets - Beginning of Year | <u>81,847.29</u> |
| Net Assets - End of Year | <u>\$ 71,666.11</u> |

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

Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Board is governed by a separately elected board composed of five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County.

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2011

Fund Financial Statements

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

The Board reports the following major governmental funds:

- ◆ *General Fund* – The general fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
- ◆ *Special Revenue Fund* – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I, School Improvement, State Fiscal Stabilization, Education Jobs, and the Child Nutrition Program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.
- ◆ *Capital Projects Fund* – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities or other capital assets. The proceeds from the 2009 capital lease is accounted for in this fund and the resources generated by these proceeds are used to acquisition or construction of schools.

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

Governmental Fund Type

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

Notes to the Financial Statements

For the Year Ended September 30, 2011

The Board reports the following fiduciary fund types:

Fiduciary Fund Types

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2011

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

D. Assets, Liabilities and Net Assets/Fund Balances

1. Deposits and Investments

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

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledged of the three-mill school tax and other obligations. Amounts held and invested by fiscal agent are reported at fair value.

Investments are reported at fair value.

2. Receivables

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

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

3. Inventories

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

Notes to the Financial Statements

For the Year Ended September 30, 2011

4. Restricted Assets

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

5. Capital Assets

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

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

| | Capitalization Threshold | Estimated Useful Life |
|-------------------------|-----------------------------|--------------------------|
| Land Improvements | \$50,000 | 20 years |
| Buildings | \$50,000 | 25 - 50 years |
| Building Improvements | \$50,000 | 7 - 30 years |
| Equipment and Furniture | \$ 5,000 | 5 - 20 years |
| Vehicles | \$ 5,000 | 8 - 15 years |

6. Long-Term Obligations

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

Notes to the Financial Statements

For the Year Ended September 30, 2011

7. Net Assets/Fund Equity

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

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

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

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the school system for specific purposes. The Board authorized the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

Notes to the Financial Statements

For the Year Ended September 30, 2011

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the 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

A. Budgets

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

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

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2011, the following governmental fund had a deficit fund balance:

| | |
|--------------|---------------------|
| General Fund | <u>\$810,086.15</u> |
|--------------|---------------------|

Notes to the Financial Statements

For the Year Ended September 30, 2011

The deficit in the General Fund is a result of the salary accrual adjustment. Salaries and benefits payable at September 30, 2011, are funded with an appropriation from the State of Alabama that is not legally available to the Board until October 1 and therefore, is not reflected as revenue in the Board's financial statements as of September 30, 2011. Accrued salaries comprise \$748,465.16 of the deficit fund balance. The Superintendent is actively working with the State Department of Education to develop a plan to eliminate the remaining deficit of \$61,620.99.

Note 3 – Deposits and Investments

A. Deposits

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

B. Investments and Cash with Fiscal Agent

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by pledge of the three-mill school tax and other obligations as outlined in the *Code of Alabama 1975*, Section 19-3-120 and Section 19-3-120.1.

The Board had cash with fiscal agent of \$83,163.43 invested in the Dreyfus Treasury Prime Cash Management Fund at September 30, 2011.

Notes to the Financial Statements

For the Year Ended September 30, 2011

As of September 30, 2011, the Board had the following investments and maturities:

| Investment Type | Fair Value | Investment Maturity in Years |
|---|---------------------|---------------------------------|
| Dreyfus Treasury Prime Cash Management Investment | \$126,314.61 | Varies |
| Mutual Funds - Fiduciary Funds | 26,359.52 | Varies |
| Total | <u>\$152,674.13</u> | |

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit rating for the Board's deposits with Dreyfus Treasury Prime Management Money Market Funds are rated "AAA-m-G" by Standard and Poor's Corporation. The mutual funds do not have a credit rating. The Board has no formal policy regarding credit risk.

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

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

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

Note 4 – Receivables

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

| | General Fund | Special Revenue Fund | Capital Projects Fund | Total |
|----------------------------|--------------------|-------------------------|--------------------------|---------------------|
| <u>Receivables:</u> | | | | |
| Accounts Receivable | \$ 7,114.16 | \$ 17,364.77 | \$ | \$ 24,478.93 |
| Intergovernmental | 5,305.84 | 85,650.27 | 3,028.24 | 93,984.35 |
| Other | | 343.50 | | 343.50 |
| Total Receivables | <u>\$12,420.00</u> | <u>\$103,358.54</u> | <u>\$3,028.24</u> | <u>\$118,806.78</u> |

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

| | Unavailable | Unearned |
|--|-----------------------|--------------------|
| Ad Valorem Taxes Receivable | \$1,490,540.61 | \$ |
| Title I, Part A | | 11,567.52 |
| Title I, School Improvement | | 2,000.00 |
| ARRA – School Improvement Grant | | 22,165.43 |
| IDEA – Part B | | 5,664.69 |
| Title II, Part A | | 15,559.97 |
| Enhancing Education through Technology | | 662.88 |
| Child Nutrition Program Prepaid Meals | | 3,507.31 |
| Total Deferred/Unearned Revenue for Governmental Funds | <u>\$1,490,540.61</u> | <u>\$61,127.80</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 5 – Capital Assets

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

| | Balance 10/01/2010 | Additions | Retirements | Balance 09/30/2011 |
|--|-----------------------|----------------|----------------|-----------------------|
| Governmental Activities: | | | | |
| Capital Assets, not Being Depreciated: | | | | |
| Land | \$ 287,688.54 | \$ | \$ (13,029.04) | \$ 274,659.50 |
| Construction in Progress | 470,861.06 | 2,012,940.57 | | 2,483,801.63 |
| Total Capital Assets, not Being Depreciated | 758,549.60 | 2,012,940.57 | (13,029.04) | 2,758,461.13 |
| Capital Assets Being Depreciated: | | | | |
| Land Improvements | 180,000.00 | | | 180,000.00 |
| Buildings | 9,983,372.03 | | (386,270.04) | 9,597,101.99 |
| Building Improvements | 1,248,708.46 | | (157,934.72) | 1,090,773.74 |
| Furniture and Equipment | 400,020.89 | 21,059.40 | (98,251.03) | 322,829.26 |
| Vehicles | 1,344,519.54 | | | 1,344,519.54 |
| Assets Under Capital Lease | 2,950,487.64 | | | 2,950,487.64 |
| Total Capital Assets Being Depreciated | 16,107,108.56 | 21,059.40 | (642,455.79) | 15,485,712.17 |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | (180,000.00) | | | (180,000.00) |
| Buildings | (3,046,579.89) | (192,504.78) | 612,291.40 | (2,626,793.27) |
| Building Improvements | (322,242.58) | (53,638.69) | 129,966.05 | (245,915.22) |
| Furniture and Equipment | (236,099.84) | (19,235.60) | 72,332.15 | (183,003.29) |
| Vehicles | (1,299,002.26) | (29,107.99) | 34,880.40 | (1,293,229.85) |
| Equipment Under Capital Lease | (311,902.28) | (127,448.77) | (307,230.40) | (746,581.45) |
| Total Accumulated Depreciation | (5,395,826.85) | (421,935.83) | 542,239.60 | (5,275,523.08) |
| Total Capital Assets, Being Depreciated, Net | 10,711,281.71 | (400,876.43) | (100,216.19) | 10,210,189.09 |
| Governmental Activities Capital Assets, Net | \$11,469,831.31 | \$1,612,064.14 | \$(113,245.23) | \$12,968,650.22 |

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

| | Current Year Depreciation Expense |
|--|---|
| Governmental Activities: | |
| Instruction | \$273,419.54 |
| Instructional Support | 7,125.66 |
| Operation and Maintenance | 452.67 |
| Auxiliary Services: | |
| Food Services | 20,191.63 |
| Student Transportation Services | 112,771.13 |
| General Administrative and Central Support | 4,668.44 |
| Other | 3,306.76 |
| Total Depreciation Expense - Governmental Activities | \$421,935.83 |

Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2011

B. Funding Policy

Employees are required to contribute 5 percent of their salary to the Teachers' Retirement System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

| Fiscal Year Ended September 30, | 2011 | 2010 | 2009 |
|---|-----------------------|-----------------------|-----------------------|
| Total Percentage of Covered Payroll | 17.51% | 17.51% | 17.07% |
| Contributions: | | | |
| Percentage Contributed by the Board | 12.51% | 12.51% | 12.07% |
| Percentage Contributed by the Employees | 5.00% | 5.00% | 5.00% |
| Contributed by the Board | \$ 794,778.65 | \$ 829,205.89 | \$ 836,223.51 |
| Contributed by Employees | 317,657.68 | 331,417.59 | 346,405.76 |
| Total Contributions | <u>\$1,112,436.33</u> | <u>\$1,160,623.48</u> | <u>\$1,182,629.27</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 fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25A-4 provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab.

Notes to the Financial Statements

For the Year Ended September 30, 2011

B. Funding Policy

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

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

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

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

| Fiscal Year Ended September 30, | Active Health Insurance Premiums Paid by Board | Amount of Premium Attributable to Retirees | Percentage of Active Employee Premiums Attributable to Retirees | Total Amount Paid Attributable to Retirees | Percentage of Required Amount Contributed |
|------------------------------------|---|---|--|---|--|
| 2011 | \$752.00 | \$198.94 | 26.45% | \$395,383.33 | 100% |
| 2010 | \$752.00 | \$241.27 | 32.08% | \$505,521.77 | 100% |
| 2009 | \$752.00 | \$205.45 | 27.32% | \$456,501.90 | 100% |

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

Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 8 – Payables

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

| | General Fund | Special Revenue Fund | Total Payables |
|-----------------------|--------------------|-------------------------|---------------------|
| Payables: | | | |
| Vendors | \$20,424.22 | \$76,315.62 | \$ 96,739.84 |
| Intergovernmental | 20,549.40 | | 20,549.40 |
| Total Payables | \$40,973.62 | \$76,315.62 | \$117,289.24 |

Note 9 – Lease Obligations

Capital Leases

In August 2009, the Board entered into a sale/lease-back agreement with Coosa County Commission. The Board sold the gymnasium/cafeteria at Coosa County Elementary/Middle School to the Commission and then leased them back. Capital Lease contracts were issued for the purchase of school buses. Assets under capital leases totaled \$2,950,487.64 at September 30, 2011. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2011.

| Fiscal Year Ending | Governmental Activities |
|--|----------------------------|
| September 30, 2012 | \$ 490,506.29 |
| 2013 | 466,494.23 |
| 2014 | 464,071.73 |
| 2015 | 466,011.73 |
| 2016 | 462,231.73 |
| 2017-2021 | 1,954,524.07 |
| 2022-2026 | 1,062,967.50 |
| 2027-2029 | 632,521.25 |
| Total Minimum Lease Payments | 5,999,328.53 |
| Less: Amount Representing Interest | (1,667,361.25) |
| Present Value of Net Minimum Lease Payments | \$ 4,321,967.28 |

Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 10 – Short-Term Debt

On September 1, 2010, the Board established a \$1,100,000.00 line of credit with a financial institution for the payment of current expenses. At September 30, 2011, the principal balance was \$350,000.00. This line of credit was paid off December 28, 2011

Short-term debt activity for the year ended September 30, 2011, was as follows:

| | Beginning Balance | Proceeds | Repaid | Ending Balance |
|--------------|----------------------|--------------|--------------|-------------------|
| Note Payable | \$800,000.00 | \$350,000.00 | \$800,000.00 | \$350,000.00 |

Note 11 – Long-Term Debt

The Board entered into an agreement with the Coosa County Commission in August 2009 to purchase the gymnasium/cafeteria at the Coosa County Elementary/Middle School and to lease/purchase the gymnasium/cafeteria back to the Board. The purchase of the leased property by the County from the Board provided funds to the Board to complete construction of a new gymnasium/cafeteria at the Coosa County Elementary/Middle School. The lease/purchase agreement with the County Commission is paid for by the sales tax.

On March 28, 2007, the Board issued a capital lease to finance the acquisition of six school buses to be paid by the fleet renewal funding source.

On October 16, 2006, the Board issued a capital lease to finance the acquisition of five school buses to be paid by the fleet renewal funding source.

The Board issued a capital lease to finance the acquisition of three school buses in the 2004 fiscal year. The capital lease on school buses has been paid by the fleet renewal funding source.

The Board entered into an agreement with the Coosa County Commission to purchase the elementary/middle school and then to lease/purchase the school back to the Board during the 2003 fiscal year. The purchase of the leased property by the County from the Board provided funds to the Board to complete the construction of a new elementary/middle school. The lease/purchase agreement with the County Commission is paid for by the Public School Funds.

Notes to the Financial Statements

For the Year Ended September 30, 2011

During fiscal year 2002, the Board issued a capital lease payable to finance the acquisition of school buses. The capital lease on school buses has been paid by the fleet renewal funding source.

During fiscal year 2002, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Bonds, Series 2002A in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these bonds provided funds for the acquisition, construction and renovation of school facilities.

During fiscal year 2005, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Bonds, Series 2005, in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these bonds provided funds for the acquisition, construction and renovation of school facilities.

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

| | Debt Outstanding 10/01/2010 | Repaid/ Decreased | Debt Outstanding 09/30/2011 | Amounts Due Within One Year |
|---|-----------------------------------|----------------------|-----------------------------------|-----------------------------------|
| <u>Governmental Activities:</u> | | | | |
| Warrants Payable: | | | | |
| Capital Improvement Pool Bonds, Series 2002A | \$2,074,315.73 | \$(129,486.96) | \$1,944,828.77 | \$136,015.58 |
| Capital Improvement Pool Bonds, Series 2005A | 110,528.34 | (5,447.91) | 105,080.43 | 5,677.88 |
| Total Warrants Payable | 2,184,844.07 | (134,934.87) | 2,049,909.20 | 141,693.46 |
| Other Liabilities: | | | | |
| Capital Leases Payable | 4,605,515.59 | (283,548.31) | 4,321,967.28 | 298,161.50 |
| Total Other Liabilities | 4,605,515.59 | (283,548.31) | 4,321,967.28 | 298,161.50 |
| Governmental Activities Long-Term Liabilities | \$6,790,359.66 | \$(418,483.18) | \$6,371,876.48 | \$439,854.96 |

Notes to the Financial Statements

For the Year Ended September 30, 2011

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

| Fiscal Year Ending | Warrants Payable | | Capital Lease Contracts Payable | | Total Principal and Interest Requirements to Maturity |
|--------------------|------------------|--------------|---------------------------------|----------------|---|
| | Principal | Interest | Principal | Interest | |
| September 30, 2012 | \$ 141,693.46 | \$ 98,198.94 | \$ 298,161.50 | \$ 192,344.79 | \$ 730,398.69 |
| 2013 | 148,951.59 | 90,990.74 | 285,811.01 | 180,683.22 | 706,436.56 |
| 2014 | 156,493.26 | 83,414.88 | 294,579.91 | 169,491.82 | 703,979.87 |
| 2015 | 164,464.22 | 75,453.67 | 308,549.54 | 157,462.19 | 705,929.62 |
| 2016 | 172,856.53 | 67,085.95 | 317,730.68 | 144,501.05 | 702,174.21 |
| 2017-2021 | 1,005,234.73 | 194,165.74 | 1,432,134.64 | 522,389.43 | 3,153,924.54 |
| 2022-2026 | 260,215.41 | 8,995.08 | 800,000.00 | 262,967.50 | 1,332,177.99 |
| 2027-2029 | | | 585,000.00 | 47,521.25 | 632,521.25 |
| Totals | \$2,049,909.20 | \$618,305.00 | \$4,321,967.28 | \$1,677,361.25 | \$8,667,542.73 |

Pledged Revenues

The Board issued Series 2002A and Series 2005A Capital Improvement Pool Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used for the acquisition, construction, and renovation of school facilities. Future revenues in the amount of \$2,668,214.20 are pledged to repay the principal and interest on the bonds at September 30, 2011. Pledged funds in the amount of \$239,991.74 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2011. This amount represents 96.95 percent of the pledged funds received by the Board. The Series 2002A and Series 2005A bonds will mature in fiscal years 2022 and 2025, respectively.

On August 1, 2009, the Board entered into a capital lease with the Coosa County Commission for the purpose of providing funds for the acquisition, construction and renovation of school facilities. The Board pledged to repay the capital lease from a portion of the sales tax for educational purposes levied by the Coosa County Commission pursuant to provisions of the *Code of Alabama 1975*, sections 40-12-4 through 40-12-7. Future revenues in the amount of \$3,825,441.25 are pledged to repay the principal and interest on the capital lease at September 30, 2011. Proceeds of the sales tax for educational purposes in the amount of \$373,082.37 were received by the Board during the fiscal year ended September 30, 2011. Pledged funds in the amount of \$210,057.50 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2011. The funding agreement will mature in fiscal year 2029.

Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 12 – Risk Management

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

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

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

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

Note 13 – Interfund Transactions

Interfund Receivables and Payables

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

| | Interfund Receivables | | |
|----------------------------|-----------------------|----------------------|-------------|
| | General Fund | Special Revenue Fund | Totals |
| <u>Interfund Payables:</u> | | | |
| General Fund | \$ | \$9,254.24 | \$ 9,254.24 |
| Special Revenue Fund | 59,264.54 | | 59,264.54 |
| Capital Projects Fund | 5.13 | | 5.13 |
| Total | \$59,269.67 | \$9,254.24 | \$68,523.91 |

Interfund Transfers

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

| | Transfers In | | | |
|-----------------------|--------------|----------------------|--------------------------|--------------|
| | General Fund | Special Revenue Fund | Other Governmental Funds | Totals |
| <u>Transfers Out</u> | | | | |
| General Fund | \$ | \$133,578.46 | \$ | \$133,578.46 |
| Special Revenue Fund | 65,678.75 | | | 65,678.75 |
| Capital Projects Fund | 200,000.00 | | 213,030.84 | 413,030.84 |
| Totals | \$265,678.75 | \$133,578.46 | \$213,030.84 | \$612,288.05 |

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

Required Supplementary Information

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

| | Budgeted Amounts | | Actual Amounts |
|--|------------------|-----------------|-----------------|
| | Original | Final | Budgetary Basis |
| <u>Revenues</u> | | | |
| State | \$ 6,639,987.00 | \$ 6,466,707.00 | \$ 6,628,838.00 |
| Federal | | | 135,689.07 |
| Local | 1,659,238.00 | 1,669,238.00 | 1,741,868.14 |
| Other | 18,098.00 | 18,098.00 | 23,835.01 |
| Total Revenues | 8,317,323.00 | 8,154,043.00 | 8,530,230.22 |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Instruction | 4,782,693.66 | 4,803,330.15 | 4,830,871.41 |
| Instructional Support | 1,545,732.71 | 1,561,408.69 | 1,564,728.24 |
| Operation and Maintenance | 226,785.93 | 230,540.31 | 253,268.18 |
| Auxiliary Services: | | | |
| Student Transportation Services | 872,896.00 | 882,944.82 | 922,061.77 |
| General Administrative and Central Support | 488,061.48 | 487,398.65 | 544,696.29 |
| Debt Service | 40,000.00 | 40,000.00 | |
| Other | 80,858.80 | 82,035.54 | 71,265.28 |
| Capital Outlay | | | 21,059.40 |
| Total Expenditures | 8,037,028.58 | 8,087,658.16 | 8,207,950.57 |
| Excess (Deficiency) of Revenues Over Expenditures | 280,294.42 | 66,384.84 | 322,279.65 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Indirect Cost | | | 93,856.89 |
| Transfers In | 165,770.06 | 140,766.64 | 265,678.75 |
| Other Financing Sources | | | 8,167.20 |
| Transfers Out | (287,663.00) | (287,663.00) | (133,578.46) |
| Total Other Financing Sources (Uses) | (121,892.94) | (146,896.36) | 234,124.38 |
| Net Change in Fund Balances | 158,401.48 | (80,511.52) | 556,404.03 |
| Fund Balances - Beginning of Year | (976,391.90) | (618,025.02) | (618,025.02) |
| Fund Balances - End of Year | \$ (817,990.42) | \$ (698,536.54) | \$ (61,620.99) |

| | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|-----|-------------------------------|------------------------------|
| | \$ | \$ |
| | | 6,628,838.00 |
| | | 135,689.07 |
| (1) | 63,360.65 | 1,805,228.79 |
| | | 23,835.01 |
| | <u>63,360.65</u> | <u>8,593,590.87</u> |
| (2) | 93,423.18 | 4,737,448.23 |
| (2) | 32,303.83 | 1,532,424.41 |
| (2) | 3,365.59 | 249,902.59 |
| (2) | 1,250.14 | 920,811.63 |
| (2) | (235.16) | 544,931.45 |
| (2) | 4,922.60 | 66,342.68 |
| | | 21,059.40 |
| | <u>135,030.18</u> | <u>8,072,920.39</u> |
| | <u>198,390.83</u> | <u>520,670.48</u> |
| | | 93,856.89 |
| | | 265,678.75 |
| | | 8,167.20 |
| | | <u>(133,578.46)</u> |
| | | <u>234,124.38</u> |
| | 198,390.83 | 754,794.86 |
| (3) | <u>(946,855.99)</u> | <u>(1,564,881.01)</u> |
| | <u>\$ (748,465.16)</u> | <u>\$ (810,086.15)</u> |

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

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

- (1) The Board recognizes motor vehicle taxes as they are received without regard to when they are earned (GAAP).
- (2) The Board budgets salaries payable as they are actually paid rather than on the modified accrual basis (GAAP).

Net Increase in Fund Balance - Budget to GAAP

- (3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances because of the cumulative effect of transactions such as those described above.

\$ 63,360.65

135,030.18

\$ 198,390.83

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

| | Budgeted Amounts | | Actual Amounts |
|--|-------------------------|-----------------|------------------------|
| | Original | Final | Budgetary Basis |
| <u>Revenues</u> | | | |
| Federal | \$ 3,232,094.93 | \$ 3,663,032.46 | \$ 3,299,108.24 |
| Local | 652,109.00 | 652,109.00 | 573,420.93 |
| Other | 23,900.00 | 23,900.00 | 28,430.98 |
| Total Revenues | 3,908,103.93 | 4,339,041.46 | 3,900,960.15 |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Instruction | 1,346,845.44 | 1,599,415.38 | 1,424,521.16 |
| Instructional Support | 741,754.33 | 865,134.62 | 710,899.51 |
| Operation and Maintenance | 453,076.80 | 453,076.80 | 414,120.33 |
| Auxiliary Services: | | | |
| Student Transportation Services | 219,337.31 | 237,362.70 | 233,898.92 |
| Food Services | 983,820.77 | 906,230.00 | 891,045.80 |
| General Administrative and Central Support | 291,385.20 | 315,485.10 | 268,377.12 |
| Other | 155,251.90 | 168,113.90 | 145,538.09 |
| Capital Outlay | 56,317.62 | 56,317.62 | |
| Total Expenditures | 4,247,789.37 | 4,601,136.12 | 4,088,400.93 |
| Excess (Deficiency) of Revenues Over Expenditures | (339,685.44) | (262,094.66) | (187,440.78) |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers In | 356,894.00 | 356,894.00 | 133,578.46 |
| Transfers Out | (126,700.98) | (126,700.98) | (65,678.75) |
| Total Other Financing Sources (Uses) | 230,193.02 | 230,193.02 | 67,899.71 |
| Net Change in Fund Balances | (109,492.42) | (31,901.64) | (119,541.07) |
| Fund Balances - Beginning of Year | 527,205.29 | 707,626.10 | 605,996.33 |
| Fund Balances - End of Year | \$ 417,712.87 | \$ 675,724.46 | \$ 486,455.26 |

| | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|-----|-------------------------------|------------------------------|
| | \$ | \$ 3,299,108.24 |
| | | 573,420.93 |
| | | 28,430.98 |
| | | <u>3,900,960.15</u> |
| | | 1,424,521.16 |
| | | 710,899.51 |
| | | 414,120.33 |
| | | 233,898.92 |
| (1) | 5,059.17 | 885,986.63 |
| | | 268,377.12 |
| | | 145,538.09 |
| | <u>5,059.17</u> | <u>4,083,341.76</u> |
| | <u>5,059.17</u> | <u>(182,381.61)</u> |
| | | 133,578.46 |
| | | (65,678.75) |
| | | <u>67,899.71</u> |
| | 5,059.17 | (114,481.90) |
| (2) | <u>(38,938.36)</u> | <u>567,057.97</u> |
| | <u>\$ (33,879.19)</u> | <u>\$ 452,576.07</u> |

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

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

- (1) The Board budgets salaries payable as they are actually paid rather than on the modified accrual basis (GAAP).

Net Increase in Fund Balance - Budget to GAAP

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances because of the cumulative effect of transactions such as those described above.

\$ 5,059.17

\$ 5,059.17

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Supplementary Information

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

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|---|------------------------------------|--|
| <u>U. S. Department of Agriculture</u> | | |
| <u>Passed Through Alabama Department of Education</u> | | |
| Child Nutrition Cluster: | | |
| National School Lunch Program: | | |
| Cash Assistance | 10.555 | N.A. |
| Non-Cash Assistance (Commodities) | 10.555 | N.A. |
| Sub-Total National School Lunch Program | | |
| School Breakfast Program | 10.553 | N.A. |
| Total Child Nutrition Cluster (M) | | |
| <u>Appalachian Regional Commission</u> | | |
| <u>Direct Program</u> | | |
| Appalachian Area Development | 23.002 | N.A. |
| <u>U. S. Department of Education</u> | | |
| <u>Passed Through Alabama Department of Education</u> | | |
| Title I, Part A Cluster: | | |
| Title I Grants to Local Educational Agencies | 84.010 | N.A. |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | N.A. |
| Sub-Total Title I, Part A Cluster | | |
| Special Education Cluster: | | |
| Special Education - Grants to States | 84.027 | N.A. |
| ARRA - Special Education - Grants to States, Recovery Act | 84.391 | N.A. |
| Sub-Total Special Education Grants to States | | |
| Special Education - Preschool Grants | 84.173 | N.A. |
| Sub-Total Special Education Cluster (M) | | |
| Career and Technical Education - Basic Grants to States | 84.048 | N.A. |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | N.A. |
| Tech-Prep Education | 84.243 | N.A. |
| Education Technology State Grants Cluster: | | |
| Education Technology State Grants | 84.318 | N.A. |
| ARRA - Education Technology State Grants, Recovery Act | 84.386 | N.A. |
| Sub-Total Education Technology State Grants Cluster | | |
| Rural Education | 84.358 | N.A. |
| Improving Teacher Quality State Grants | 84.367 | N.A. |
| ARRA - School Improvement Grants, Recovery Act (M) | 84.388 | N.A. |
| ARRA - State Fiscal Stabilization Funds (SFSF) - Education | | |
| State Grants, Recovery Act (M) | 84.394 | N.A. |
| Education Jobs Fund (M) | 84.410 | N.A. |
| Total U. S. Department of Education | | |
| Sub-Total Forward | | |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-------------------------|-----------------|------------------|-----------------------|-----------------|
| | Total | Federal Share | | |
| 10/01/2010 - 09/30/2011 | \$ 389,705.44 | \$ 389,705.44 | \$ 389,705.44 | \$ 389,705.44 |
| 10/01/2010 - 09/30/2011 | 38,065.97 | 38,065.97 | 38,065.97 | 38,065.97 |
| | 427,771.41 | 427,771.41 | 427,771.41 | 427,771.41 |
| 10/01/2010 - 09/30/2011 | 189,451.91 | 189,451.91 | 189,451.91 | 189,451.91 |
| | 617,223.32 | 617,223.32 | 617,223.32 | 617,223.32 |
| 10/01/2010 - 09/30/2011 | 49,623.00 | 49,623.00 | 33,279.72 | 33,279.72 |
| 10/01/2010 - 09/30/2011 | 553,988.11 | 553,988.11 | 497,700.61 | 497,700.61 |
| 10/01/2010 - 09/30/2011 | 19,050.77 | 19,050.77 | 19,050.77 | 19,050.77 |
| | 573,038.88 | 573,038.88 | 516,751.38 | 516,751.38 |
| 10/01/2010 - 09/30/2011 | 497,927.46 | 497,927.46 | 360,509.60 | 360,509.60 |
| 10/01/2010 - 09/30/2011 | 149,566.16 | 149,566.16 | 149,566.16 | 149,566.16 |
| | 647,493.62 | 647,493.62 | 510,075.76 | 510,075.76 |
| 10/01/2010 - 09/30/2011 | 11,843.00 | 11,843.00 | 11,843.00 | 11,843.00 |
| | 659,336.62 | 659,336.62 | 521,918.76 | 521,918.76 |
| 10/01/2010 - 09/30/2011 | 23,571.00 | 23,571.00 | 23,571.00 | 23,571.00 |
| 10/01/2010 - 09/30/2011 | 95.16 | 95.16 | 95.16 | 95.16 |
| 10/01/2010 - 09/30/2011 | 2,304.00 | 2,304.00 | 2,304.00 | 2,304.00 |
| 10/01/2010 - 09/30/2011 | 3,945.87 | 3,945.87 | 3,282.99 | 3,282.99 |
| 10/01/2010 - 09/30/2011 | 1,908.15 | 1,908.15 | 1,908.15 | 1,908.15 |
| | 5,854.02 | 5,854.02 | 5,191.14 | 5,191.14 |
| 10/01/2010 - 09/30/2011 | 34,739.00 | 34,739.00 | 34,739.00 | 34,739.00 |
| 10/01/2010 - 09/30/2011 | 108,475.44 | 108,475.44 | 92,915.47 | 92,915.47 |
| 10/01/2010 - 09/30/2011 | 975,039.94 | 975,039.94 | 952,874.51 | 952,874.51 |
| 10/01/2010 - 09/30/2011 | 324,112.00 | 324,112.00 | 324,112.00 | 324,112.00 |
| 10/01/2010 - 09/30/2011 | 274,103.00 | 274,103.00 | 270,113.00 | 270,113.00 |
| | 2,980,669.06 | 2,980,669.06 | 2,744,585.42 | 2,744,585.42 |
| | \$ 3,647,515.38 | \$ 3,647,515.38 | \$ 3,395,088.46 | \$ 3,395,088.46 |

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

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|---|------------------------------------|--|
| Sub-Total Brought Forward | | |
| <u>U. S. Department of Health and Human Services</u> | | |
| <u>Direct Program</u> | | |
| Rural Health Care Services Outreach and Rural Health Network Development Program | 93.912 | N.A. |
| <u>Social Security Administration</u> | | |
| <u>Passed Through Alabama Department of Education</u> | | |
| Social Security - Disability Insurance | 96.001 | N.A. |
| Total Expenditures of Federal Awards | | |

(M) = Major Program

N.A. = Not Available or Not Applicable

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

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-------------------------|------------------------|------------------------|------------------------|------------------------|
| | Total | Federal Share | | |
| | \$ 3,647,515.38 | \$ 3,647,515.38 | \$ 3,395,088.46 | \$ 3,395,088.46 |
| 05/01/2007 - 09/30/2011 | 334,866.00 | 334,866.00 | 21,908.00 | 21,908.00 |
| 10/01/2010 - 09/30/2011 | 1,350.00 | 1,350.00 | 1,350.00 | 1,350.00 |
| | <u>\$ 3,983,731.38</u> | <u>\$ 3,983,731.38</u> | <u>\$ 3,418,346.46</u> | <u>\$ 3,418,346.46</u> |

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

Note 1 – Basis of Presentation

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

Additional Information

Board Members and Administrative Personnel
October 1, 2010 through September 30, 2011

| Board Members | | Term Expires |
|--|--------------------------------|---------------------|
| Hon. David L. Edwards | Chairman | 2016 |
| Hon. David L. McElrath | Vice-Chairman | 2016 |
| Hon. Larry W. Goodgame | Member | 2010 |
| Hon. Randall L. Hardman | Member | 2014 |
| Hon. David M. Tuck | Member | 2014 |
| Hon. Charles F. Ward | Member | Deceased |
| <u>Administrative Personnel</u> | | |
| Hon. Dennis R. Sanford | Superintendent | 2012 |
| Mrs. Amy D. Norford | Chief School Financial Officer | Indefinite |

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coosa County Board of Education as of and for the year ended September 30, 2011, which collectively comprise the Coosa County Board of Education's basic financial statements and have issued our report thereon dated August 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

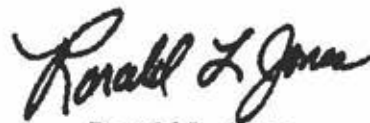
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

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

Compliance and Other Matters

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

August 10, 2012

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

Independent Auditor's Report

Compliance

We have audited the Coosa County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Coosa County Board of Education's major federal programs for the year ended September 30, 2011. The Coosa County Board of Education's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Coosa County Board of Education's management. Our responsibility is to express an opinion on the Coosa County Board of Education's compliance based on our audit.

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

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

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

Internal Control Over Compliance

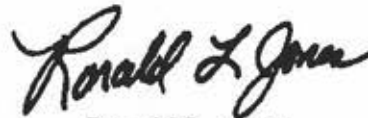
Management of the Coosa County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Coosa County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

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

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

August 10, 2012

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2011

Section I – Summary of Examiner's Results

Financial Statements

| | |
|---|--------------------------------------|
| Type of opinion issued: | <u>Unqualified</u> |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | _____ Yes <u> X </u> No |
| Significant deficiency(ies) identified? | _____ Yes <u> X </u> None reported |
| Noncompliance material to financial statements noted? | _____ Yes <u> X </u> No |

Federal Awards

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

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|---------------------------|--|
| 10.553 and 10.555 | Child Nutrition Cluster |
| 84.027, 84.173 and 84.391 | Special Education Cluster |
| 84.388 | School Improvement Grants, Recovery Act |
| 84.394 | State Fiscal Stabilization Fund (SFSF) – |
| | Education State Grants, Recovery Act |
| 84.410 | Education Jobs Fund |

| | |
|--|---------------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000.00 |
| Auditee qualified as low-risk auditee? | _____ Yes <u> X </u> No |

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

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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