

Report on the

Macon County Board of Education

Macon County, Alabama

October 1, 2013 through September 30, 2014

Filed: June 12, 2015



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the Macon County Board of Education, Macon County, Alabama, for the period October 1, 2013 through September 30, 2014.

Sworn to and subscribed before me this
the 13th day of May, 2015.

Kimberly A. Oar
Notary Public

Respectfully submitted,

Wanda Jones
Wanda Jones
Examiner of Public Accounts

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My Commission Expires Sept. 30, 2017

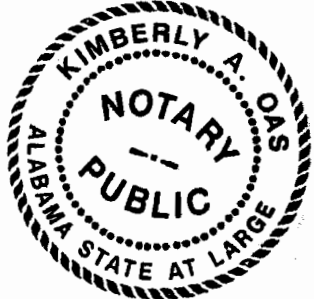


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Department of
Examiners of Public Accounts

SUMMARY

**Macon County Board of Education
October 1, 2013 through September 30, 2014**

The Macon County Board of Education (the “Board”) is governed by a five-member body elected by the citizens of Macon County. The members and administrative personnel in charge of governance of the Board are listed in Exhibit 10. The Board is the governmental agency that provides general administration and supervision for Macon 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 unmodified opinion was issued on the financial statements, which means that the Board’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2014.

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: Jacqueline Brooks, Superintendent; Natalie Young, Chief School Financial Officer; and Board Members: Theodore Samuel, Elnora Smith Love, Katy Campbell, Mary H. Hooks, and Karey Thompson.

The following individuals attended the exit conference, held at the Board’s offices: Jacqueline Brooks, Superintendent; Natalie Young, Chief School Financial Officer; and Board Members: Theodore Samuel, Elnora Smith Love, Katy Campbell, Mary H. Hooks, and Karey Thompson; and representatives from the Department of Examiners of Public Accounts: Tammy D. Shelley, Audit Manager and Wanda Jones, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

To: Members of the Macon County Board of Education, Superintendent and Chief School Financial Officer

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Macon County Board of Education, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Macon County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 6.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Macon County Board of Education, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, in the fiscal year ended September 30, 2014, the Macon County Board of Education adopted Governmental Accounting Standards Board (GASB) Statement Number 65, ***Items Previously Reported as Assets and Liabilities***. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, (Exhibits 7 and 8), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Macon County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 9) as required by U. S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, on our consideration of the Macon 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* in considering the Macon County Board of Education's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 11, 2015

Management's Discussion and Analysis
(Required Supplementary Information)

MACON COUNTY BOARD OF EDUCATION

Management Discussion and Analysis (MD&A)

Introduction

The Macon County Board of Education's management discussion and analysis of the Board's financial performance provides an overall view of the Board's financial activities for the fiscal year ending September 30, 2014. The intent of this discussion and analysis is to look at the Board performance as a whole. Reader should also review the notes to the financial statement to enhance their understating of the Macon County Board of Education's financial performance.

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

Financial Highlights

Our financial statements provide an insight into the results of this year's operations:

- The Board's total net position decreased \$1,540,689.48 over this fiscal year.
- The assets and deferred outflows of the Board exceeded its liabilities and deferred inflows at the close of the 2014 year by \$11,300,609.72 (net position).
- The total cost of the Board's programs for the year was \$27,873,235.48. The State Foundation Program provided \$13,181,623 and of that amount \$1,347,230.00 was local money required by the 10-mill match. The 10-mill match is local revenue required to be coded as state revenue.
- Revenues received exceeded expenditures for total Governmental activities during the year by \$1,540,689.48.
- At the end of the current fiscal year, unrestricted net position for Governmental activity was \$2,266,282.72.

Overview of the Financial Statement

The following discussion and analysis serve as an introduction to the school system's basic financial statements, which are (1) the government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements. This report includes supplementary information in addition to the basic financial statements.

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

The **Statement of Net Position** (exhibit #1) is most closely related to a balance sheet. It presents information on all of the System's assets and deferred outflows, less liabilities and deferred inflows, which result in net position. The statement is designed to display the financial position of the district. Over time, increase and decrease in net position help determine whether the district's financial position is improving or deteriorating.

The **Statement of Activities** (exhibit #2) is most closely related to an income statement. It provides information which shows how the System's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All 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 revenue of the System (mostly local taxes), or is financed through charges for services (lunchroom) and intergovernmental aids (generally federal programs and state appropriations).

Fund Financial Statements give more detailed information about the System's most significant funds. 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 System uses fund accounting to ensure and demonstrate fiscal accountability.

Governmental Funds-Most of the System'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's end that are available for spending. The governmental funds statements (the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund balance) are reported using an accounting method called modified accrual accounting. This accounting method 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 to determine whether there are more or fewer financial resources that can be spent in the future to finance the district'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.

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 statement follow the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information (RSI)* other than the MD&A consisting of 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 difference between actual amounts as reported on the basis of budgeting and the generally accepted accounting principles (GAAP) basis of reporting.

Financial Analysis of the Board as a Whole

As noted earlier, the Macon County Board of Education has no business-type activities. Consequently, the Board's net position is reported as Governmental Activities.

MACON COUNTY BOARD OF EDUCATION
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2014

	FY 2014	FY 2013(as restated)	Variance
Current and Other Assets	\$ 13,403,437.46	\$ 11,622,432.58	\$ 1,781,004.88
Capital Assets, Net of Depreciation	<u>35,078,149.80</u>	<u>33,441,820.76</u>	<u>1,636,329.04</u>
Total Assets	\$ 48,481,587.26	\$ 45,064,253.34	\$ 3,417,333.92
Deferred Outflows of Resources	\$ 463,426.32		\$ 463,426.32
Current and Other Liabilities	\$ 2,213,479.17	\$ 1,698,235.33	\$ (515,243.84)
Long-term Liabilities	<u>31,957,241.26</u>	<u>30,376,018.79</u>	<u>1,581,222.47</u>
Deferred inflows of Resources	\$ 3,473,683.43	\$ 3,230,078.98	\$ 243,604.45
Net investment in Capital Assets	\$ 4,861,867.16	\$ 6,788,926.60	\$ (1,927,059.44)
Restricted	4,172,459.84	1,632,442.59	2,540,017.25
Unrestricted	2,266,282.72	1,338,551.05	927,731.67
Total Net Position	\$ 11,300,609.72	9,759,920.24	1,540,689.48

The Board's total net position was \$11,300,609.72 at the close of the fiscal year 2014. Restricted net position in 2014 was \$4,172,459.84. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements, totaled \$2,266,282.72 or 20% of net position. The Board's total net position amount is indicative of the Board's ability to operate and pay bills for the next year. The Board's total revenues and expenditures are reflected in the following Table that depicts a comparison to fiscal year 2013.

Macon County Board Of Education
Changes in Net Position

Governmental Activities

<u>Revenues</u>	2014	2013
Program Revenues:		
Charge for services	\$ 1,879,449.57	\$ 1,914,596.33
Operating grants and contributions	\$17,217,956.77	\$18,291,179.14
Capital grants and contributions	\$ 1,971,572.79	\$ 1,081,513.70
General revenues:		
Property taxes	\$ 7,628,385.56	\$ 3,993,762.75
Local Sales	\$ 0.00	\$ 0.00
Other Taxes	\$ 55,288.25	\$ 56,382.85
Grants and contributions not Restricted for specific programs	\$ 36,792.32	\$ 42,481.72
Investment earnings	\$ 282,422.08	\$ 415,642.01
Gain on Disposition of Capital Assets	\$ 0.00	\$ 0.00
Miscellaneous	<u>\$ 342,057.62</u>	<u>\$ 422,183.74</u>
Total revenues	<u>\$ 29,413,924.96</u>	<u>\$26,217,742.24</u>
<u>Expenses</u>		
Instruction	\$12,193,854.97	\$12,159,140.30
Instructional Support Services	\$ 4,291,695.83	\$ 4,484,427.16
Operation & Maintenance Services	\$ 3,051,423.64	\$ 2,465,854.27
Student Transportation	\$ 2,099,028.88	\$ 2,178,602.80
Food Services	\$ 2,015,281.68	\$ 1,871,607.12
General Administration Services	\$ 2,374,358.61	\$ 2,962,678.00
Other	\$ 438,919.79	\$ 540,578.59
Interest and Fiscal Charges	<u>\$ 1,408,672.08</u>	<u>\$ 1,313,081.42</u>
Total Expense	<u>\$27,873,235.48</u>	<u>\$27,975,969.66</u>
Change in Net Position	\$ 1,540,689.48	\$(1,758,227.42)
Net position Beginning(as restated)	<u>\$ 9,759,920.24</u>	<u>\$11,518,147.66</u>
Net position ending	<u>\$11,300,609.72</u>	<u>\$ 9,759,920.24</u>

Program revenues, specifically operating grants and contributions are the largest component of total revenues (72%).

- Operating grants and contributions contributed 82% of program revenues and 59% 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.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

General revenues, primarily property taxes and other taxes are used to provide \$6,804,256.35 for expenses not covered by program revenues.

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the System

- In addition to teacher salaries and benefits, instructional services include: teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials/supplies, and equipment.
- Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- In addition to bus driver salaries and benefits, student transportation services include mechanics, bus aides, vehicles maintenance, repair expenses, vehicle fuel, depreciation of buses and bus shop, and fleet insurance.
- Food services include 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, 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 and principle payments on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefit for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment related depreciation, and other expenses for operating programs outside of those for educating students in the Pre-K through 12 instructional programs.

Financial Analysis of the Board's Funds

The governmental funds are analyzed for the purpose of determining what resources entered into the funds, how they were spent, and the availability of funds for futures expenditures. At the end of fiscal year, the System's governmental fund reported combined ending fund balances of \$8,049,180.04

General Fund General Fund is the primary operating fund of the System. The System had an increase in fund balance by \$936,691.99 this year due increase in revenue when VictoryLand paid their delinquent tax debt.

Management continues to conservatively plan for further decreases in state revenue due to current economic conditions.

Special Revenue Fund Special Revenue Fund is used to fund the following programs: Child Nutrition, Special Education, Federal, and Local School. At year end this fund had a balance of \$839,549.75 a decrease of \$151,742.47 from the previous year.

Capital Project Fund Capital Project Fund is used to fund construction and major projects within the system. During the 2014 fiscal year this fund's proceeds were used for major renovation to the HVAC systems at Booker T. Washington High School and Tuskegee Public School.

General Fund Budgetary Highlights

The original 2014 fiscal year budget was adopted on September 06, 2013 which was based on a conservative approach that reflected only guaranteed revenue and necessary expenditures since some of the state-funded programs had not been authorized at this point.

Capital Assets and Debt Administration

The Board had approximately \$35.1 million invested in capital assets including land, buildings, equipment costing \$5,000 or more including buildings and equipment under capital lease as of September 30, 2014. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year. Capital Assets used in governmental activities are not financial resources and therefore not reported as assets in governmental funds. These assets consist of:

	Capital Assets (Net of Depreciation)	
	2014	2013
Land Improvements	\$ 521,044.13	\$ 541,189.67
Construction in Progress	\$ 203,275.29	\$ 1,488,391.57
Building and Improvements	\$32,344,317.78	\$ 29,373,601.59
Equipment & Furniture	\$ 739,678.45	\$ 808,383.10
Vehicles	<u>\$ 1,269,834.15</u>	<u>\$ 1,230,254.83</u>
Capital Assets, Net of Depreciation	<u>\$35,078,149.80</u>	<u>\$ 33,441,820.76</u>

Long-term Debt

At the end of fiscal year 2014 the System had \$31,493,814.94 in warrants payable, notes payable, and capital lease and other long-term debt outstanding. (Additional information on the System's long-term debt is presented in the notes to the basic financial statement)

Outstanding Long-Term Debt
Governmental Activities
For Year End September 30, 2014

	Beginning Balance	Net Change	Ending Balance
Notes Payable	\$ 0.00	\$ 0.00	\$ 0.00
Warrants	\$ 9,547,739.04	\$ 5,671,542.84	\$ 15,219,281.88
2006 & 2004 Funding Agreements	\$ 20,170,000.00	\$ (4,690,000.00)	\$ 15,480,000.00
QZAB	\$ 1,500,000.00	\$ 0.00	\$ 1,500,000.00
Deferred Amounts-Unamortized Discount	\$ (368,539.69)	\$ 101,908.53	\$ (266,631.16)
Deferred-Unamortized Loss on Refunding	\$ (473,180.56)	\$ 34,344.78	(438,835.78)
Total	<u>\$ 30,376,018.79</u>	<u>\$ 1,117,796.15</u>	<u>\$ 31,493,814.94</u>

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

- The System increased long-term debt by \$1,117,796.15.

Economic Factors and Next Year Budget

The following are current known economic factors considered going into 2014-2015 fiscal year.

- Construction has began on a new truck stop that will employ dozens of citizens of Macon County.
- Several major businesses have signed contracts to locate in Macon County.
- The System has prepared for an economic downturn well with additional local and conservative spending and allocation of resource.

Student Enrollment:

The student enrollment in Macon County schools continues to decline for the last seven years.

The latest forty-day count Fiscal Year 2015 (2,250) was taken as of October 2014, and reports that we have lost approximately 132 students.

Fiscal Year	40 Day ADM
2014	2,381.15
2013	2,587.15
2012	2,668.80
2011	2,766.65
2010	2,964.00
2009	3,077.85
2008	3,264.65

Medical and Retirement Cost – Health insurance and retirement costs have remained constant for the past two years.

	Retirement %	Health Insurance
FY2014 (Tier1)	11.71	714.00
FY2014 (Tier2)	11.08	714.00
FY2013 (Tier1)	10.08	714.00
FY2013(Tier2)	9.44	714.00
FY2012	10.00	714.00
FY2011	12.51	752.00
FY2010	12.51	752.00
FY2009	12.07	752.00
FY2008	11.75	775.00

Contacting the School Board

The MD&A is designed to provide its reader with insight into the Board’s financial performance. If you have any questions about this report or need additional information, Contact Natalie Young, Chief School Financial Officer, 501 South School Street, Tuskegee, AL. 36083 or by calling (334) 727-1600 ext 11010 during business hours, Monday- Friday 8:00 a.m. to 4:30 p.m., central standard time.

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Basic Financial Statements

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Statement of Net Position
September 30, 2014

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 8,292,243.85
Investments	52,961.89
Ad Valorem Property Taxes Receivable	3,473,683.43
Receivables, Net	1,529,637.11
Inventories	54,911.18
Capital Assets:	
Nondepreciable	571,442.17
Depreciable, Net	34,506,707.63
Total Assets	<u>48,481,587.26</u>
<u>Deferred Outflows of Resources</u>	
Loss on Refunding of Debt	463,426.32
Total Deferred Outflows of Resources	<u>463,426.32</u>
<u>Liabilities</u>	
Accounts Payable	338,136.06
Unearned Revenue	236,351.87
Salaries and Benefits Payable	1,306,086.06
Accrued Interest Payable	332,905.18
Long-Term Liabilities:	
Portion Due or Payable Within One Year	711,867.96
Portion Due or Payable After One Year	31,245,373.30
Total Liabilities	<u>34,170,720.43</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	3,473,683.43
Total Deferred Inflows on Resources	<u>3,473,683.43</u>
<u>Net Position</u>	
Net Investment in Capital Assets	4,861,867.16
Restricted for:	
Debt Service	2,507,869.40
Capital Projects	1,063,188.18
Child Nutrition	592,936.72
Other Purposes	8,465.54
Unrestricted	<u>2,266,282.72</u>
Total Net Position	<u>\$ 11,300,609.72</u>

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

Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities</u>			
Instruction	\$ 12,193,854.97	\$ 101,704.83	\$ 9,561,737.04
Instructional Support	4,291,695.83	99,463.92	3,717,752.72
Operation and Maintenance	3,051,423.64	12,974.48	894,239.34
Auxiliary Services:			
Student Transportation	2,099,028.88	41,804.98	1,438,117.41
Food Service	2,015,281.68	1,575,683.38	119,456.64
General Administrative	2,374,358.61	113.38	1,145,697.09
Interest and Fiscal Charges	1,408,672.08		
Other Expenses	438,919.79	47,704.60	340,956.53
Total Governmental Activities	<u>\$ 27,873,235.48</u>	<u>\$ 1,879,449.57</u>	<u>\$ 17,217,956.77</u>

General Revenues:

Taxes:

 Property Taxes for General Purposes

 Property Taxes for Specific Purposes

 Other Taxes

Grants and Contributions Not Restricted
for Specific Programs

Investment Earnings

Miscellaneous

 Total General Revenues

Changes in Net Position

Net Position - Beginning of Year, as Restated (Note 12)

Net Position - End of Year

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

		Net (Expenses) Revenues and Changes in Net Position	
Capital Grants and Contributions		Total Governmental Activities	
\$	571,089.73	\$	(1,959,323.37)
	86,905.56		(387,573.63)
	670,669.34		(1,473,540.48)
	302,255.41		(316,851.08)
			(320,141.66)
	328,564.28		(899,983.86)
			(1,408,672.08)
	12,088.47		(38,170.19)
\$	1,971,572.79		(6,804,256.35)

3,731,177.16
3,897,208.40
55,288.25
36,792.32
282,422.08
342,057.62
<u>8,344,945.83</u>
1,540,689.48
<u>9,759,920.24</u>
\$ 11,300,609.72

Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Special Revenue Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,154,779.20	\$ 954,479.87
Investments		52,961.89
Ad Valorem Property Taxes Receivable	3,473,683.43	
Receivables, Net	1,170,975.15	355,702.62
Due from Other Funds	117,888.19	20,436.45
Inventories		54,911.18
Total Assets	<u>6,917,325.97</u>	<u>1,438,492.01</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	160,161.01	173,525.99
Due to Other Funds	20,436.45	117,888.19
Unearned Revenues		236,351.87
Salaries and Benefits Payable	1,234,909.85	71,176.21
Total Liabilities	<u>1,415,507.31</u>	<u>598,942.26</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	<u>3,473,683.43</u>	
Total Deferred Inflows of Resources	<u>3,473,683.43</u>	
<u>Fund Balances</u>		
Nonspendable:		
Inventories		54,911.18
Restricted for:		
Debt Service		
Capital Projects		
Child Nutrition		538,025.54
Other Purposes		8,465.54
Assigned to:		
Local Schools		238,147.49
Unassigned	<u>2,028,135.23</u>	
Total Fund Balances	<u>2,028,135.23</u>	<u>839,549.75</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,917,325.97</u>	<u>\$ 1,438,492.01</u>

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

Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 3,042,958.23	\$ 2,140,026.55	\$ 8,292,243.85
		52,961.89
		3,473,683.43
	2,959.34	1,529,637.11
		138,324.64
		54,911.18
<u>3,042,958.23</u>	<u>2,142,985.89</u>	<u>13,541,762.10</u>
	4,449.06	338,136.06
		138,324.64
		236,351.87
		<u>1,306,086.06</u>
	<u>4,449.06</u>	<u>2,018,898.63</u>
		3,473,683.43
		<u>3,473,683.43</u>
		54,911.18
3,042,958.23		3,042,958.23
	2,138,536.83	2,138,536.83
		538,025.54
		8,465.54
		238,147.49
		<u>2,028,135.23</u>
<u>3,042,958.23</u>	<u>2,138,536.83</u>	<u>8,049,180.04</u>
<u>\$ 3,042,958.23</u>	<u>\$ 2,142,985.89</u>	<u>\$ 13,541,762.10</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2014***

Total Fund Balances - Governmental Funds		\$ 8,049,180.04
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
The Cost of Capital Assets is	\$ 56,601,805.70	
Accumulated Depreciation is	<u>(21,523,655.90)</u>	
		35,078,149.80
Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current-period expenditures and therefore, are deferred on the Statement of Net Position.		
		463,426.32
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.		
Current Portion of Long-Term Debt	711,867.96	
Noncurrent Portion of Long-Term Debt	<u>31,245,373.30</u>	
		(31,957,241.26)
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.		
Accrued Interest Payable	<u>\$ 332,905.18</u>	
		<u>(332,905.18)</u>
Total Net Position - Governmental Activities		<u>\$ 11,300,609.72</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2014

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 15,083,935.78	\$
Federal	175,862.74	4,606,655.60
Local	4,197,586.11	412,066.63
Other	154,804.13	42,105.30
Total Revenues	19,612,188.76	5,060,827.53
<u>Expenditures</u>		
Current:		
Instructional	9,964,844.39	1,031,854.85
Instructional Support	2,814,661.97	1,474,950.91
Operation and Maintenance	2,545,456.37	15,493.89
Auxiliary Services:		
Student Transportation	1,802,437.34	41,277.48
Food Service		2,147,406.28
General Administrative	1,704,884.10	521,631.14
Other	145,296.22	293,181.50
Capital Outlay		
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs/Other Debt Service		
Total Expenditures	18,977,580.39	5,525,796.05
Excess (Deficiency) of Revenues Over Expenditures	634,608.37	(464,968.52)
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	340,240.00	
Long-Term Debt Issued		
Premiums on Long-Term Debt Issued		
Transfers In	276,616.54	314,772.92
Transfers Out	(314,772.92)	(1,546.87)
Discounts on Long-Term Debt Issued		
Payments to Refunding Escrow Agent		
Total Other Financing Sources (Uses)	302,083.62	313,226.05
Net Changes in Fund Balances	936,691.99	(151,742.47)
Fund Balances - Beginning of Year	1,091,443.24	991,292.22
Fund Balances - End of Year	\$ 2,028,135.23	\$ 839,549.75

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

Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 439,300.08	\$ 373,150.09	\$ 15,896,385.95
		4,782,518.34
3,914,634.42	13,824.08	8,538,111.24
		196,909.43
<u>4,353,934.50</u>	<u>386,974.17</u>	<u>29,413,924.96</u>
	208,856.86	11,205,556.10
	1,355.00	4,290,967.88
	461,931.79	3,022,882.05
		1,843,714.82
		2,147,406.28
15.00	17,662.86	2,244,193.10
		438,477.72
	3,039,401.01	3,039,401.01
661,185.26		661,185.26
1,053,248.64	233,231.77	1,286,480.41
166,428.33	49,905.12	216,333.45
<u>1,880,877.23</u>	<u>4,012,344.41</u>	<u>30,396,598.08</u>
<u>2,473,057.27</u>	<u>(3,625,370.24)</u>	<u>(982,673.12)</u>
		340,240.00
5,894,148.85	1,529,761.71	7,423,910.56
191,285.89		191,285.89
	233,231.77	824,621.23
(508,301.44)		(824,621.23)
(78,917.41)	(26,186.24)	(105,103.65)
<u>(5,847,887.97)</u>		<u>(5,847,887.97)</u>
<u>(349,672.08)</u>	<u>1,736,807.24</u>	<u>2,002,444.83</u>
2,123,385.19	(1,888,563.00)	1,019,771.71
919,573.04	4,027,099.83	7,029,408.33
<u>\$ 3,042,958.23</u>	<u>\$ 2,138,536.83</u>	<u>\$ 8,049,180.04</u>

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Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2014

Net Changes in Fund Balances - Total Governmental Funds \$ 1,019,771.71

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital Outlays	\$ 3,039,401.01	
Depreciation Expense	<u>(1,403,071.97)</u>	1,636,329.04

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 661,185.26

Discounts on debt issuance are recorded as financing uses in the governmental funds, but are deferred and amortized in the Statement of Activities. 105,103.65

Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 5,847,887.97

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (7,423,910.56)

Premiums on debt issuance are reported as other financing sources in the governmental funds, but are amortized in the Statement of Activities. (191,285.89)

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)	\$ (2,384.88)	
Amortization of Discounts/Premiums/ Gain or Loss on Refunding	<u>116,776.58</u>	<u>(114,391.70)</u>

Change in Net Position of Governmental Activities \$ 1,540,689.48

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, 2014

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Macon 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 Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. 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, 2014

Fund Financial Statements

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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, Teenage Pregnancy Prevention 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 nonpublic funds received by the local schools which are generally not considered restricted or committed.

- ◆ **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.

- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

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. 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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

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

1. Deposits and Investments

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

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

3. Inventories

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

4. Restricted Assets

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

5. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental activities column 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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements	\$50,000	20 years
Buildings	\$50,000	5 – 50 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 – 10 years

6. Deferred Outflows of Resources

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond/Warrant premiums and discounts, as well as loss on refunding, are deferred and amortized over the life of the bonds. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount and loss on refunding. Bond/Warrant issuance costs are reported as an expense in the period incurred.

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

8. Deferred Inflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

9. Net Position/Fund Equity

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

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

Fund equity is reported in governmental funds on the financial statements and is required to be classified for accounting and reporting purposes into the following fund balance categories:

- ◆ **Nonspendable** – 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 intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – 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.
- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove the constraint.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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

- ◆ **Unassigned** – 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.

10. Minimum Fund Balance Policy

The Board recognizes that the establishment and maintenance of adequate fund reserves is necessary to avoid disruption in the educational programs in the schools. The Superintendent or the Chief School Financial Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or budget amendment will prevent the establishment or maintenance of a one-month's operating balance. A one-month's operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by 12 (twelve). In determining the General Fund expenditures and fund transfers out, the proposed budget or budget amendments, shall be used.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

Note 3 – Deposits and Investments

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

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

B. Cash with Fiscal Agent

The Board has deposits totaling \$3,989,169.36 (\$3,042,958.23 in the Debt Service Fund and \$946,211.13 in the Capital Projects Fund) which are shown as Cash and Cash Equivalents on the fund financial statements and on the government-wide financial statements. These funds are invested in Fidelity U. S. Treasury Cash Reserves Funds. These money market funds invest primarily in U. S. Treasury securities maturing in 181 days or less. These funds are rated AAAM by Standard & Poor's with a weighted average maturity of 59 days and a weighted average life of 59 days.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

Custodial Credit Risk – For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in 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.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Board does not have an investment policy that limits an investment in any one issuer that is in excess of five percent of the Board’s total investments.

Note 4 – Receivables

On September 30, 2014, receivables for the Board’s individual major funds are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Receivables:				
Intergovernmental	\$1,170,975.15	\$350,544.93	\$2,959.34	\$1,524,479.42
Other		5,157.69		5,157.69
Total Receivables	<u>\$1,170,975.15</u>	<u>\$355,702.62</u>	<u>\$2,959.34</u>	<u>\$1,529,637.11</u>

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance 10/01/2013	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2014
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 368,166.88	\$	\$	\$ 368,166.88
Construction in Progress	1,488,391.57	176,548.99	(1,461,665.27)	203,275.29
Total Capital Assets, Not Being Depreciated	<u>1,856,558.45</u>	<u>176,548.99</u>	<u>(1,461,665.27)</u>	<u>571,442.17</u>
Capital Assets Being Depreciated:				
Land Improvements	1,634,818.26			1,634,818.26
Buildings and Building Improvements	44,540,167.43	4,036,582.00		48,576,749.43
Equipment and Furniture	1,982,351.39	8,660.19		1,991,011.58
Vehicles	3,548,509.16	279,275.10		3,827,784.26
Total Capital Assets Being Depreciated	<u>51,705,846.24</u>	<u>4,324,517.29</u>		<u>56,030,363.53</u>
Less Accumulated Depreciation for:				
Land Improvements	(1,461,795.47)	(20,145.54)		(1,481,941.01)
Buildings and Building Improvements	(15,166,565.84)	(1,065,865.81)		(16,232,431.65)
Equipment and Furniture	(1,173,968.29)	(77,364.84)		(1,251,333.13)
Vehicles	(2,318,254.33)	(239,695.78)		(2,557,950.11)
Total Accumulated Depreciation	<u>(20,120,583.93)</u>	<u>(1,403,071.97)</u>		<u>(21,523,655.90)</u>
Total Capital Assets Being Depreciated, Net	<u>31,585,262.31</u>	<u>2,921,445.32</u>		<u>34,506,707.63</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 33,441,820.76</u>	<u>\$ 3,097,994.31</u>	<u>\$(1,461,665.27)</u>	<u>\$ 35,078,149.80</u>
(*) Additions and retirements include \$1,461,665.27 of projects that were completed during the fiscal year and were reclassified from Construction in Progress to Buildings and Building Improvements.				

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	\$ 988,298.87
Instructional Support	727.95
Operation and Maintenance	28,541.59
Auxiliary Services:	
Food Service	95,722.90
Student Transportation	255,314.06
General Administration and Central Support	34,024.53
Other	442.07
Total Depreciation Expense – Governmental Activities	<u>\$1,403,071.97</u>

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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

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

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

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported 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, 201 South Union Street, Montgomery, Alabama 36130-2150.

Notes to the Financial Statements
For the Year Ended September 30, 2014

B. Funding Policy

Tier 1 employees are required to contribute 7.5 percent of their salary to the Teachers' Retirement System, whereas Tier 2 employees are required to contribute 6 percent of their salary. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. 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,	2014	2013	2012
Total Percentage of Covered Payroll (Tier 1)	19.21%	17.58%	17.25%
Total Percentage of Covered Payroll (Tier 2)	17.08%	15.44%	
Contributions:			
Percentage Contributed by the Board (Tier 1)	11.71%	10.08%	10.00%
Percentage Contributed by the Employees (Tier 1)	7.50%	7.50%	7.25%
Percentage Contributed by the Board (Tier 2)	11.08%	9.44%	
Percentage Contributed by the Employees (Tier 2)	6.00%	6.00%	
Contributed by the Board	\$1,489,162.44	\$1,302,076.69	\$1,336,285.40
Contributed by Employees	948,871.01	968,414.53	968,802.53
Total Contributions	<u>\$2,438,033.45</u>	<u>\$2,270,491.22</u>	<u>\$2,305,087.93</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. The Plan's financial report for fiscal year 2014 will be available at the end of January 2015.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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 2014
Individual Coverage – Non-Medicare Eligible	\$151.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$391.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$250.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$250.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$679.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$870.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$839.00
Surviving Spouse – Medicare Eligible	\$318.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$516.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$485.00

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

Notes to the Financial Statements
For the Year Ended September 30, 2014

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
2014	\$714.00	\$220.09	30.83%	\$931,635.19	100%
2013	\$714.00	\$216.90	30.38%	\$939,025.68	100%
2012	\$714.00	\$228.85	32.05%	\$884,798.26	100%

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

Note 8 – Long-Term Debt

Capital Outlay School Warrants

On January 14, 2014, the Board issued \$6,140,000.00 of its Capital Outlay School Warrants dated January 1, 2014. The Capital Outlay School Warrants were issued to: (i) current refund and defease the Limited Obligation School Warrants, Series 2004, issued by the Macon County Commission on behalf of the Board pursuant to the 2004 Funding Agreement; (ii) construct, acquire, improve and equip certain capital improvements used to provide educational instruction; and (iii) pay the costs of issuing the Warrants. The net proceeds from the issuance were \$5,848,087.03 (after payment of original issue discount of \$105,103.65, issuance costs of \$200,300.00, and accrued interest of \$13,490.68). Additionally from the net proceeds, \$4,380,925.00 was deposited in an irrevocable trust to provide for the refunding of the Series 2004 Warrants issued pursuant to the 2004 Funding Agreement; \$1,453,671.35 was deposited to provide for payments for the capital improvements. The Capital Outlay School Warrants will bear interest rates ranging from 3.125% to 4.625% per year. Principal will be paid beginning on February 1, 2025 and interest payments will be made on August 1 and February 1 beginning on August 1, 2014 and each year thereafter until the warrants are redeemed.

Notes to the Financial Statements
For the Year Ended September 30, 2014

On July 24, 2012, the Board issued \$5,750,000.00 of its Capital Outlay School Warrants dated July 1, 2012. The Capital Outlay School Warrants were issued to: (i) provide for advance refunding a portion of the Limited Obligation School Warrants, Series 2006, issued by the Macon County Commission on behalf of the Board pursuant to the 2006 Funding Agreement; (ii) construct, acquire, improve and equip certain capital improvements used to provide educational instruction; and (iii) pay the costs of issuing the Warrants. The net proceeds from the issuance were \$5,310,470.93 (after payment of original issue discount of \$232,990.00, issuance costs of \$221,233.51, and accrued interest of \$14,694.44). Additionally from the net proceeds, \$1,338,381.36 was deposited in an irrevocable trust to provide for the advance refunding of a portion of the Series 2006 Warrants issued pursuant to the 2006 Funding Agreement; \$3,500,000.00 was deposited to provide for payments for the capital improvements; and \$472,089.57 was deposited to provide for future interest payments on the Capital Outlay School Warrants. The Capital Outlay School Warrants will bear interest at 4% per year. Principal will be paid on April 1 and interest payments will be made on April 1 and October 1 beginning on October 1, 2012 and each year thereafter until the warrants are redeemed.

Qualified Zone Academy Bonds (QZAB's)

During fiscal year 2011, the Board authorized the issuance of its Capital Outlay Pool Warrant, Series 2011-QZAB dated June 2, 2011 in the amount of \$1,500,000 to evidence the Board's obligation to repay the Alabama Public School and College Authority for a Special Pool Loan in the amount of \$1,500,000. Pursuant to the Special Pool Loan Agreement, payments shall be made from a pledge of the Public School Fund Capital Purchase Funds that are allocated to the Board. Beginning on May 1, 2012 and ending May 1, 2026, the Macon County Board of Education is required to make fifteen (15) level installment deposits of \$75,143.42 into a sinking fund to provide for the payment of principal at the maturity date, whereupon the Board's obligation will be satisfied. Any failure to realize the expected return could result in an increase in the required sinking fund deposits. Deposits made into the sinking fund shall remain the property of the Board pledged for repayment of the Special Pool Loan. After paying issuance cost of \$5,600, the Board's net proceeds totaling \$1,494,400 was deposited into a Project Account to be used only for qualified purposes with respect to Qualified Zone Academies including the repair of the HVAC system at the Booker T. Washington High School located in Tuskegee, Alabama.

Notes to the Financial Statements

For the Year Ended September 30, 2014

2006 Funding Agreement with Macon County Commission

On November 1, 2006, the Board entered into a funding agreement (in the form of a sale-lease back) with the Macon County Commission. Pursuant to this agreement the Board sold project improvements consisting of (i) a garage building or facility for the maintenance, repair and parking of school buses of the Board, (ii) an early childhood or kindergarten center for use by preschool children and (iii) renovations and improvements to D. C. Wolfe School and Notasulga High School in the County as well as project improvements to the Booker T. Washington High School, which is a consolidated high school building located in the City of Tuskegee, Alabama, to the Macon County Commission for \$19,640,000. To obtain the sum of \$19,640,000, the Macon County Commission issued Series 2006 Limited Obligation School Warrants. The Board agreed to pay all principal and interest on the Series 2006 Warrants and when the Series 2006 Warrants have been fully paid, the County will convey the assets, in their then condition, to the Board without payment of any further consideration to the County by the Board.

In substance, this agreement was considered as a funding agreement rather than a sale-lease back because the Board has continued involvement in the property without transfer of risks and rewards.

The following is a schedule by years of future minimum payments under the agreement presented together with the present value of the net minimum payments as of September 30, 2014.

Fiscal Year Ending	Governmental Activities
September 30, 2015	\$ 978,925.01
2016	1,006,006.26
2017	1,006,850.01
2018	1,012,037.51
2019	1,011,043.76
2020-2024	6,070,387.55
2025-2029	2,694,171.89
2030-2034	7,903,125.03
2035-2039	3,205,843.75
Total Minimum Payments	24,888,390.77
Less: Amount Representing Interest	9,408,390.77
Present Value of Net Minimum Payments	<u>\$15,480,000.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2014

Capital Improvement Pool Warrants

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 Warrants, Series 2005A, 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 warrants provided funds for the acquisition, construction and renovation of school facilities.

During fiscal year 2010, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Warrants, Series 2009B, in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The proceeds from these warrants were used to refund a portion of the Series 2001A Warrants.

During fiscal year 2011, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Warrants, Series 2011B, in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The proceeds from these warrants were used to refund and retire the remainder of the outstanding Series 2001A Warrants.

During fiscal year 2012, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Warrants, Series 2012A, in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The proceeds from these warrants were used to refund and retire the remainder of the outstanding Series 2002A Warrants.

During fiscal year 2014, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued Capital Improvement Pool Refunding Warrants, Series 2014A, to refund and retire Capital Improvement Pool Warrants, Series 2005A. The Board has a 2.89593% participation in the warrants resulting in the Board's share of the principal in the amount of \$1,283,910.56. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation.

Notes to the Financial Statements
For the Year Ended September 30, 2014

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2014:

	Debt Outstanding 10/01/2013	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2014	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
2014 Capital Outlay School Warrants	\$	\$ 6,140,000.00	\$	\$ 6,140,000.00	\$
2014-A Capital Improvement Refunding Warrants		1,283,910.56		1,283,910.56	95,420.89
2012-A Capital Improvement Refunding Warrants	763,456.09		(66,018.21)	697,437.88	68,623.52
2005-A Capital Improvement Warrants	1,495,956.46		(1,495,956.46)		
2009-B Capital Improvement Refunding Warrants	968,477.14		(176,832.34)	791,644.80	184,922.47
2011-B Capital Improvement Refunding Warrants	672,623.00			672,623.00	
2012 Capital Outlay School Warrants	5,750,000.00			5,750,000.00	
2014-A Unamortized Premium		191,285.89	(191,285.89)		
2005-A Unamortized Premium	11,880.43		(11,880.43)		
2012-A Unamortized Premium	137,064.45		(12,460.41)	124,604.04	12,460.41
2012 Unamortized Discount	(224,668.93)		8,321.07	(216,347.86)	(8,321.07)
2014 Unamortized Discount		(105,103.65)	105,103.65		
Total Warrants	9,571,788.64	7,510,092.80	(1,841,009.02)	15,243,872.42	353,106.22
Other Liabilities:					
2011-A Capital Improvement Pool QZAB	1,500,000.00			1,500,000.00	
Capital Leases:					
2004 Funding Agreement	4,370,000.00		(4,370,000.00)		
2006 Funding Agreement	15,800,000.00		(320,000.00)	15,480,000.00	330,000.00
Unamortized Discount	(368,539.69)		101,908.53	(266,631.16)	(12,119.60)
Total Other Liabilities	21,301,460.31		(4,588,091.47)	16,713,368.84	317,880.40
Total Governmental Activities Long-Term Liabilities	\$30,873,248.95	\$7,510,092.80	\$(6,429,100.49)	\$31,957,241.26	\$670,986.62

Payments on the 2012 Capital Outlay School Warrants and 2006 Funding Agreement are made by the debt service fund with property taxes. Payments on the Capital Improvement Pool Refunding Warrants, Series 2012-A, 2009-B and 2011-B are made with Public School Funds withheld from the Board's allocation from the Alabama Department of Education.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

Fiscal Year Ending	2014 Capital Outlay School Warrants		2014A Capital Improvement Refunding Warrants	
	Principal	Interest	Principal	Interest
September 30, 2015	\$	\$ 231,268.76	\$ 95,420.89	\$ 54,268.28
2016		231,268.76	98,027.23	51,843.67
2017		231,268.76	100,923.16	48,859.41
2018		231,268.76	104,398.28	45,257.62
2019		231,268.76	108,742.17	40,994.78
2020-2024		1,156,343.80	630,299.16	118,447.16
2025-2029	4,530,000.00	790,109.41	146,099.67	3,652.49
2030-2034		372,312.50		
2035-2039		372,312.50		
2040-2043	1,610,000.00	188,700.02		
Total	\$6,140,000.00	\$4,036,122.03	\$1,283,910.56	\$363,323.41

Fiscal Year Ending	2011-A Capital Improvement Pool QZAB		2012 Capital Outlay School Warrants	
	Principal	Interest	Principal	Interest
September 30, 2015	\$	\$ 69,000.00	\$	\$ 230,000.00
2016		69,000.00		230,000.00
2017		69,000.00		230,000.00
2018		69,000.00		230,000.00
2019		69,000.00		230,000.00
2020-2024		345,000.00		1,150,000.00
2025-2029	1,500,000.00	138,000.00		1,150,000.00
2030-2034				1,150,000.00
2035-2039			5,010,000.00	954,800.00
2040-2043			740,000.00	29,600.00
Total	\$1,500,000.00	\$828,000.00	\$5,750,000.00	\$5,584,400.00

Notes to the Financial Statements

For the Year Ended September 30, 2014

Deferred Inflows/Outflows on Refunding, Discounts and Premiums

The Board has discounts and loss on refunding in connection with the 2006 Funding Agreement with Macon County Commission. The discounts are being amortized using the straight-line method over a period of thirty years. The loss on refunding is being amortized using the straight-line method over a period of eighteen years.

The Board has discounts in connection with the 2014 Capital Outlay School Warrants. The discounts are fully amortized in the current fiscal year.

The Board has premiums in connection with the issuance of the Series 2014-A Capital Improvement Warrants. The premiums are fully amortized in the current fiscal year.

The Board has discounts and loss on refunding in connection with the issuance of the Series 2012 Capital Outlay School Warrants. The discounts are being amortized using the straight-line method over a period of twenty-eight years. The loss on refunding is being amortized using the straight-line method over a period of twenty-four years.

The Board has premiums and loss on refunding in connection with the issuance of the Series 2012-A Capital Improvement Refunding Warrants. The premiums and loss on refunding are being amortized using the straight-line method over a period of twelve years.

	Premium	Discount	Loss on Refunding
Total Premium, Discount and Loss on Refunding	\$361,776.27	\$873,797.65	\$762,576.24
Amount Amortized Prior Years	21,545.50	175,485.38	182,079.86
Balance on Premium, Discount and Loss on Refunding	340,230.77	698,312.27	580,496.38
Current Amount Amortized	215,626.73	215,333.25	117,070.06
Total Premium, Discount and Loss on Refunding	<u>\$124,604.04</u>	<u>\$482,979.02</u>	<u>\$463,426.32</u>

Pledged Revenues

The Board issued a Series 2011 QZAB Capital Outlay Pool Warrant which is 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 repair of the HVAC system at the Booker T. Washington High School. Future revenues in the amount of \$1,127,151.30 are pledged for the payment of the principal, sinking fund deposits and interest on the Pool Warrant at September 30, 2014. The Series 2011-QZAB warrant will mature in fiscal year 2026.

Notes to the Financial Statements

For the Year Ended September 30, 2014

The Board issued 2014-A Capital Improvement Pool Warrants and Series 2009-B, 2011-B, and 2012-A Capital Improvement Pool Refunding Warrants all of which are pledged to be repaid from their allocation of Public School Funds received from the State of Alabama. The proceeds from the 2014-A Warrants are to be used for the acquisition, construction and renovation of school facilities. The proceeds from the 2009-B and 2011-B Warrants were used for the refunding of the Series 2001-A Capital Improvement Pool Warrants. The proceeds from the 2012-A Warrants were used for the refunding of the Series 2002-A Capital Improvement Pool Warrants. Future revenues in the amount of \$4,274,782.18 are pledged to repay the principal and interest on the bonds at September 30, 2014. Pledged revenues in the amount of \$498,959.73 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2014. This amount represents 100 percent of the pledged revenues received by the Board. The Series 2014-A, 2009-B, 2011-B, and 2012-A Warrants will mature in fiscal years 2025, 2018, 2021, and 2024, respectively. For fiscal year 2014, the pledged amount represented approximately 77% of the Board's capital purchase allocation.

On November 1, 2006, the Board entered into funding agreements, respectively named 2006 Funding Agreement, (in the form of a sale-lease back) with the Macon County Commission. In substance, these agreements were considered as funding agreements rather than sale-lease backs because the Board has continued involvement in the property without transfer of risks and rewards. The funding agreement is pledged to be repaid from the proceeds of a 3-mill County-Wide Ad Valorem Tax pursuant to Amendment Number 3 to the Constitution of Alabama of 1901, 1-mill County-Wide Ad Valorem Tax pursuant to Section 269 of the Constitution of Alabama of 1901 (as amended by Amendment Number 111 to the said Constitution), 5-mill County Ad Valorem Tax pursuant to Amendment Number 202 to the Constitution of Alabama of 1901, 10-mill County Ad Valorem Tax pursuant to Amendment Number 420 to the Constitution of Alabama of 1901, 3-mill District One Ad Valorem Tax pursuant to Amendment Number 3 to the Constitution of Alabama of 1901, 3-mill District Two Ad Valorem Tax pursuant to Amendment Number 3 to the Constitution of Alabama of 1901, Greyhound Racing Pari-Mutuel Revenues provided by Act Number 87-207, Acts of Alabama.

The proceeds of the 2006 Funding Agreement were used to construct a garage building or facility for the maintenance, repair and parking of school buses of the Board, an early childhood or kindergarten center for use by preschool children and renovations and improvements to D. C. Wolfe School and Notasulga High School in the County as well as project improvements to the Booker T. Washington High School, which is a consolidated high school building located in the City of Tuskegee, Alabama. The proceeds were also used to refund and retire Limited Obligation School Warrants, Series 1999 in the amount of \$12,995,000. Future revenues in the amount of \$24,888,391.77 are pledged to repay the principal and interest on the funding agreement at September 30, 2014. This amount represents 100 percent of the pledged funds received by the Board. The 2006 Funding Agreement will mature in fiscal years 2036.

Notes to the Financial Statements
For the Year Ended September 30, 2014

On July 24, 2012, the Board issued \$5,750,000.00 of its Capital Outlay School Warrants dated July 1, 2012 to provide for the advance refunding of a portion of the Limited Obligation School Warrants, Series 2006, issued by the Macon County Commission on-behalf of the Board pursuant to the 2006 Funding Agreement and to construct, acquire, improve and equip certain capital improvements used to provide educational instruction.

The 2012 Capital Outlay School Warrants are pledged to be repaid from the proceeds of a 3-mill County-Wide Ad Valorem Tax pursuant to Amendment Number 3 to the Constitution of Alabama of 1901, 1-mill County-Wide Ad Valorem Tax pursuant to Section 269 of the Constitution of Alabama of 1901 (as amended by Amendment Number 111 to the said Constitution), 5-mill County Ad Valorem Tax pursuant to Amendment Number 202 to the Constitution of Alabama of 1901, 10-mill County Ad Valorem Tax pursuant to Amendment Number 420 to the Constitution of Alabama of 1901, 3-mill District One Ad Valorem Tax pursuant to Amendment Number 3 to the Constitution of Alabama of 1901, 3-mill District Two Ad Valorem Tax pursuant to Amendment Number 3 to the Constitution of Alabama of 1901, Greyhound Racing Pari-Mutuel Revenues provided by Act Number 87-207, Acts of Alabama. Future revenues in the amount of \$11,334,400.00 are pledged to repay the principal and interest on the 2012 Capital Outlay School Warrants at September 30, 2014. The 2012 Capital Outlay School Warrants will mature in fiscal year 2040.

On January 14, 2014, the Board issued \$6,140,000.00 of its Capital Outlay School Warrants dated January 1, 2014 for the purpose of refunding and defeasing the outstanding Limited Obligation School Warrant, Series 2004 issued on behalf of the Board by the County, currently outstanding in the aggregate principal amount of \$4,370,000.00.

The 2014 Capital Outlay School Warrants are pledged to be repaid from the proceeds of a 3-mill County-Wide Ad Valorem Tax pursuant to Amendment Number 3 to the Constitution of Alabama of 1901, 1-mill County-Wide Ad Valorem Tax pursuant to Section 269 of the Constitution of Alabama of 1901 (as amended by Amendment Number 111 to the said Constitution), 5-mill County Ad Valorem Tax pursuant to Amendment Number 202 to the Constitution of Alabama of 1901, 10-mill County Ad Valorem Tax pursuant to Amendment Number 420 to the Constitution of Alabama of 1901, 3-mill District One Ad Valorem Tax pursuant to Amendment Number 3 to the Constitution of Alabama of 1901, 3-mill District Two Ad Valorem Tax pursuant to Amendment Number 3 to the Constitution of Alabama of 1901, Greyhound Racing Pari-Mutuel Revenues provided by Act Number 87-207, Acts of Alabama. Future revenues in the amount of \$10,176,122.03 are pledged to repay the principal and interest on the 2014 Capital Outlay School Warrants at September 30, 2014. The 2014 Capital Outlay School Warrants will mature in fiscal year 2043.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Defeased Debt

On January 14, 2014, the Board issued \$6,140,000.00 in Capital Outlay School Warrants with interest rates of 3.215% to 3.750% to advance refund the 2004 Funding Agreement, with an interest rate of 4.5% issued pursuant to the 2004 Funding Agreement with Macon County Commission. Of the net proceeds which totaled \$5,834,596.35 (after an original issue discount of \$105,103.65, issuance costs of \$200,300.00), \$1,453,671.35 was to be used for capital improvements and \$4,380,925.00 was used to refund the 2004 Funding Agreement. As a result, the 2004 Funding Agreement with Macon County Commission is considered to be defeased and the liabilities for those warrants have been removed.

The Board's portion of the refunding resulted in a difference between the reacquisition price and net carrying amount of the Series 2004 funding agreement of \$10,925.00. As a result of the refunding, the Board increased its total debt service requirements by \$672,002.39 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$70,061.41.

On May 27, 2014, the Board issued \$1,283,910.56 in Capital Improvement Warrants with interest rates of 2.00% to 5.00% to advance refund \$1,397,621.75 of 2005 Capital Improvement Warrants, with an interest rate of 4.25%. The net proceeds which totaled \$1,466,962.97 (after a premium of \$191,285.89 and issuance costs of \$8,233.48) were used to refund the 2005 Capital Improvement Warrants. As a result, the 2005 Capital Improvement Warrants are considered to be defeased and the liabilities for those warrants have been removed.

The Board's portion of the refunding resulted in a difference between the reacquisition price and net carrying amount of the Series 2005 Capital Improvement Warrant of \$69,341.22. As a result of the refunding, the Board decreased its total debt service requirements by \$132,328.36 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$119,312.13.

Prior Year Defeased Debt

In prior years, the Board defeased a portion of the Series 2006 Funding Agreement. The Board deposited funds into an irrevocable trust with an escrow agent to provide for the future debt service payments on the Series 2006 Funding Agreement when those portions mature on February 1, 2016. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Board's financial statements. At September 30, 2014, the total of \$955,000.00 of the Series 2006 Funding Agreement with Macon County Commission is considered to be defeased and the liability for that portion of the funding agreement has been removed.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 9 – Risk Management

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

Settled claims resulting from these risks have not exceeded the Board's coverage in 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, 2014

Note 10 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2014, were as follows:

	Interfund Receivables		Total
	General Fund	Special Revenue Fund	
<u>Interfund Payables:</u>			
General Fund	\$	\$20,436.45	\$ 20,436.45
Special Revenue Fund	117,888.19		117,888.19
Total Governmental Funds	<u>\$117,888.19</u>	<u>\$20,436.45</u>	<u>\$138,324.64</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2014, were as follows:

	Transfers In			Total
	General Fund	Special Revenue Fund	Capital Projects Fund	
<u>Transfers Out:</u>				
General Fund	\$	\$314,772.92	\$	\$314,772.92
Special Revenue Fund	1,546.87			1,546.87
Debt Service Fund	275,069.67		233,231.77	508,301.44
Total	<u>\$276,616.54</u>	<u>\$314,772.92</u>	<u>\$233,231.77</u>	<u>\$824,621.23</u>

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

Note 11 – Construction and Other Significant Commitments

At September 30, 2014, the Board was obligated under a significant contract in the amount of \$428,000.00 for the construction of a Concession/Ticket Booth/Toilet at Notasulga High School.

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 12 – Restatements

During the fiscal year ended September 30, 2014, the Macon Board of Education adopted GASB Statement Number 65, ***Items Previously Reported as Assets and Liabilities*** (GASB 65). GASB 65 established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses/expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The implementation of GASB 65 resulted in the reclassification of certain items previously reported as assets and liabilities, and required the write-off of deferred bond issuance costs that were previously classified as assets, therefore, the Board's beginning net position has been restated. The implementation of GASB 65 resulted in reclassifications and restatements by the Board.

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

Governmental Activities Net Position	
September 30, 2013, as Previously Reported	\$10,656,280.53
Expense of Debt Issuance Costs Due to Adoption of GASB 65	<u>(896,360.29)</u>
Governmental Activities Net Position, September 30, 2013, as Restated	<u>\$9,759,920.24</u>

Required Supplementary Information

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2014***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<u>Revenues</u>			
State	\$ 13,789,174.00	\$ 13,842,156.00	\$ 15,083,935.78
Federal	119,000.00	119,000.00	175,862.74
Local	2,843,480.00	3,483,480.00	4,197,586.11
Other	56,400.00	56,400.00	154,804.13
Total Revenues	16,808,054.00	17,501,036.00	19,612,188.76
<u>Expenditures</u>			
Current:			
Instruction	9,558,859.00	9,906,541.00	9,838,656.59
Instructional Support	2,609,751.00	2,634,044.00	2,779,058.22
Operation and Maintenance	1,778,811.00	1,778,811.00	2,543,638.05
Auxiliary Services:			
Student Transportation	1,660,090.00	1,663,090.00	1,794,082.03
General Administrative	1,421,705.00	1,482,400.00	1,704,884.10
Other	28,255.00	67,255.00	131,101.47
Capital Outlay			
Personal Property	8,000.00		
Total Expenditures	17,065,471.00	17,532,141.00	18,791,420.46
Excess (Deficiency) of Revenues Over Expenditures	(257,417.00)	(31,105.00)	820,768.30
<u>Other Financing Sources (Uses)</u>			
Indirect Cost	326,244.54	347,114.96	340,240.00
Transfers In	165,163.74	176,963.74	276,616.54
Transfers Out	(678,245.00)	(308,921.50)	(314,772.92)
Total Other Financing Sources (Uses)	(186,836.72)	215,157.20	302,083.62
Net Change in Fund Balances	(444,253.72)	184,052.20	1,122,851.92
Fund Balances - Beginning of Year	2,000,000.00	2,140,193.16	2,140,193.16
Fund Balances - End of Year	\$ 1,555,746.28	\$ 2,324,245.36	\$ 3,263,045.08

Explanation of differences:

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 15,083,935.78
	175,862.74
	4,197,586.11
	154,804.13
	<u>19,612,188.76</u>
126,187.80	9,964,844.39
35,603.75	2,814,661.97
1,818.32	2,545,456.37
8,355.31	1,802,437.34
	1,704,884.10
14,194.75	145,296.22
<u>186,159.93</u>	<u>18,977,580.39</u>
(186,159.93)	634,608.37
	340,240.00
	276,616.54
	(314,772.92)
	<u>302,083.62</u>
(186,159.93)	936,691.99
<u>(1,048,749.92)</u>	<u>1,091,443.24</u>
<u>\$ (1,234,909.85)</u>	<u>\$ 2,028,135.23</u>

\$ (186,159.93)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2014***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Federal	\$ 4,544,848.00	\$ 5,111,977.74	\$ 4,606,655.60
Local	310,780.00	526,780.00	412,066.63
Other	33,500.00	33,500.00	42,105.30
Total Revenues	<u>4,889,128.00</u>	<u>5,672,257.74</u>	<u>5,060,827.53</u>
Expenditures			
Current:			
Instruction	990,814.18	1,146,305.55	1,031,854.85
Instructional Support	1,514,248.73	1,825,584.27	1,474,950.91
Operation and Maintenance	10,670.00	22,070.00	15,493.89
Auxiliary Services:			
Student Transportation	11,690.00	71,947.00	41,277.48
Food Service	1,942,852.54	1,942,852.54	2,128,872.50
General Administrative	542,469.56	640,093.40	521,631.14
Other	239,448.53	335,868.52	293,181.50
Capital Outlay			
Personal Property	116,500.00	116,500.00	
Total Expenditures	<u>5,368,693.54</u>	<u>6,101,221.28</u>	<u>5,507,262.27</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(479,565.54)</u>	<u>(428,963.54)</u>	<u>(446,434.74)</u>
Other Financing Sources (Uses)			
Transfers In	679,245.00	311,921.50	314,772.92
Transfers Out	(18,320.00)	(32,120.00)	(1,546.87)
Total Other Financing Sources (Uses)	<u>660,925.00</u>	<u>279,801.50</u>	<u>313,226.05</u>
Net Change in Fund Balances	181,359.46	(149,162.04)	(133,208.69)
Fund Balances - Beginning of Year	<u>1,167,133.00</u>	<u>1,043,934.65</u>	<u>1,043,934.65</u>
Fund Balances - End of Year	<u>\$ 1,348,492.46</u>	<u>\$ 894,772.61</u>	<u>\$ 910,725.96</u>

Explanation of differences:

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 4,606,655.60
	412,066.63
	42,105.30
	<u>5,060,827.53</u>
	1,031,854.85
	1,474,950.91
	15,493.89
18,533.78	41,277.48
	2,147,406.28
	521,631.14
	293,181.50
<u>18,533.78</u>	<u>5,525,796.05</u>
<u>(18,533.78)</u>	<u>(464,968.52)</u>
	314,772.92
	(1,546.87)
	<u>313,226.05</u>
(18,533.78)	(151,742.47)
<u>(52,642.43)</u>	<u>991,292.22</u>
<u>\$ (71,176.21)</u>	<u>\$ 839,549.75</u>

\$ (18,533.78)

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014***

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 State Department of Education</u>		
Child Nutrition Cluster:		
School Breakfast Program - Cash Assistance	10.553	N/A
National School Lunch Program		
Cash Assistance	10.555	N/A
Non-Cash Assistance (Commodities)	10.555	N/A
National School Lunch Program Sub-Total		
Sub-Total Child Nutrition Cluster (M)		
Fresh Fruit and Vegetable Program	10.582	N/A
<u>Passed Through Macon County Commission</u>		
Schools and Roads - Grants to States	10.665	N/A
Total U. S. Department of Agriculture		
<u>U. S. Department of Education</u>		
<u>Direct Program</u>		
Impact Aid	84.041	N/A
<u>Passed Through State Department of Education</u>		
Special Education Cluster:		
Special Education - Grants to States	84.027	N/A
Special Education - Preschool Grants	84.173	N/A
Sub-Total Special Education Cluster		
Title I Grants to Local Educational Agencies (M)	84.010	N/A
Career and Technical Education - Basic Grants to States	84.048	N/A
Education for Homeless Children and Youth	84.196	N/A
Rural Education	84.358	N/A
Improving Teacher Quality State Grants	84.367	N/A
Total U. S. Department of Education		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2013-09/30/2014	\$ 481,430.73	\$ 481,430.73	\$ 481,430.73	\$ 481,430.73
10/01/2013-09/30/2014	985,603.68	985,603.68	985,603.68	985,603.68
10/01/2013-09/30/2014	112,363.24	112,363.24	112,363.24	112,363.24
	<u>1,097,966.92</u>	<u>1,097,966.92</u>	<u>1,097,966.92</u>	<u>1,097,966.92</u>
	1,579,397.65	1,579,397.65	1,579,397.65	1,579,397.65
10/01/2013-09/30/2014	8,304.50	8,304.50	8,304.50	8,304.50
10/01/2013-09/30/2014	17,592.14	17,592.14	17,592.14	17,592.14
	<u>1,605,294.29</u>	<u>1,605,294.29</u>	<u>1,605,294.29</u>	<u>1,605,294.29</u>
10/01/2013-09/30/2014	11,010.18	11,010.18	11,010.18	11,010.18
10/01/2013-09/30/2014	665,411.37	665,411.37	597,621.99	597,621.99
10/01/2013-09/30/2014	19,498.00	19,498.00	6,897.13	6,897.13
	<u>684,909.37</u>	<u>684,909.37</u>	<u>604,519.12</u>	<u>604,519.12</u>
10/01/2013-09/30/2014	1,899,392.69	1,899,392.69	1,728,348.33	1,728,348.33
10/01/2013-09/30/2014	51,886.00	51,886.00	51,886.00	51,886.00
10/01/2013-09/30/2014	10,000.00	10,000.00	10,000.00	10,000.00
10/01/2013-09/30/2014	43,131.00	43,131.00	43,131.00	43,131.00
10/01/2013-09/30/2014	505,486.68	505,486.68	269,932.66	269,932.66
	<u>3,205,815.92</u>	<u>3,205,815.92</u>	<u>2,718,827.29</u>	<u>2,718,827.29</u>
	\$ 4,811,110.21	\$ 4,811,110.21	\$ 4,324,121.58	\$ 4,324,121.58

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>Department of Health and Human Services</u>		
<u>Direct Program</u>		
Teenage Pregnancy Prevention Program	93.297	N/A
<u>Social Security Administration</u>		
<u>Passed Through State Department of Education</u>		
Social Security - Disability Insurance	96.001	N/A
<u>Other Federal Assistance</u>		
<u>U. S. Department of Defense</u>		
<u>Direct Program</u>		
Army ROTC	N/A	N/A
Total Expenditures of Federal Awards		

(M) = Denotes 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		
	\$ 4,811,110.21	\$ 4,811,110.21	\$ 4,324,121.58	\$ 4,324,121.58
09/01/2010-08/31/2015	2,130,860.00	2,130,860.00	394,172.89	394,172.89
10/01/2013-09/30/2014	1,440.00	1,440.00	1,440.00	1,440.00
10/01/2013-09/30/2014	62,753.33	62,753.33	62,753.33	62,753.33
	<u>\$ 7,006,163.54</u>	<u>\$ 7,006,163.54</u>	<u>\$ 4,782,487.80</u>	<u>\$ 4,782,487.80</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2014***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Macon 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, 2013 through September 30, 2014

Board Members		Term Expires
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Hon. Theodore Samuel	President	2014
Hon. Elnora Smith Love	Vice-President	2018
Hon. Katy Campbell	Member	2018
Hon. Mary H. Hooks	Member	2016
Hon. Karey Thompson	Member	2016

Administrative Personnel

Dr. Jacqueline A. Brooks, Ed.D.	Superintendent
Natalie Young	Chief School Financial Officer

***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***

Independent Auditor's Report

To: Members of the Macon County Board of Education, Superintendent and the Chief School Financial Officer

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Macon County Board of Education (the "Board"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Macon County Board of Education's basic financial statements and have issued our report thereon dated May 11, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Purpose of this Report

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 11, 2015

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

Independent Auditor's Report

To: Members of the Macon County Board of Education, Superintendent and the Chief School Financial Officer

Report on Compliance for Each Major Federal Program

We have audited the Macon 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 Macon County Board of Education's major federal programs for the year ended September 30, 2014. The Macon 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Macon County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 11, 2015

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified

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

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 and 10.555 84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

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

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

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.	