

Report on the

# Selma City Board of Education

Dallas County, Alabama

October 1, 2011 through September 30, 2012

Filed: July 19, 2013



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*





Ronald L. Jones  
Chief Examiner

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

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Selma City Board of Education, Dallas County, Alabama, for the period October 1, 2011 through September 30, 2012.

Sworn to and subscribed before me this  
the 20 day of June, 2013.

Monica Bryant  
Notary Public

Respectfully submitted,

Emily A. Tyler

Emily A. Tyler  
Examiner of Public Accounts

Sworn to and subscribed before me this  
the 1<sup>st</sup> day of July, 2013.

Jane E. Hall  
Notary Public

Jana White

Jana White  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Selma City Board of Education  
Dallas County, Alabama  
October 1, 2011 through September 30, 2012**

The Selma City Board of Education (the "Board") is governed by a five-member body elected by the citizens of the City of Selma. The members and administrative personnel charged with governance of the Board are listed in Exhibit 10. The Board is the governmental agency that provides general administration and supervision for Selma City public schools, preschool through high school.

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

An unqualified opinion was issued on the financial statements. An unqualified opinion 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, 2012.

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

Problems were found with the Board's internal controls over financial reporting and its internal controls over compliance for its federal financial assistance programs (Exhibit 13) and they are summarized below.

- ◆ 2012-01 relates to the Board not following their policy related to employees' unused annual leave.
- ◆ 2012-02 relates to the lack of controls to ensure compliance with the requirements to verify free and reduced price lunch applications of the National School Lunch Program and School Breakfast Program under the Child Nutrition Cluster.

The following officials/administrative personnel employees were invited to an exit conference to discuss the findings and recommendations appearing in this report: Former Superintendent: Dr. Donald G. Jefferson; Current Superintendent: Gerald Shirley; Chief School Financial Officer: Grindal Harris; and Board Members: Henry Hicks, Sr.; Brenda Randolph-Obomanu; Frank Chestnut, Jr.; J. Holland Powell; and Dr. Udo F. Ufomadu.

The following individuals attended the exit conference, held at the Board's central office: Superintendent: Gerald Shirley; Chief School Financial Officer: Grindal Harris; Board Members: Henry Hicks, Sr. and Frank Chestnut, Jr.; and representatives from the Department of Examiners of Public Accounts: Teresa D. Dekle, Audit Manager; Emily Tyler, Examiner; and Jana White, Examiner. The results of the audit were discussed with Former Superintendent, Donald Jefferson, by telephone.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Selma City Board of Education, as of and for the year ended September 30, 2012, which collectively comprise the Selma City Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 6. These financial statements are the responsibility of the Selma City Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

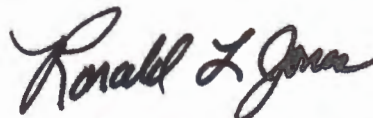
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Selma City Board of Education, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2013 on our consideration of the Selma City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the accompanying 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Selma City Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 9) is presented for the purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

June 19, 2013

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

# **SELMA CITY BOARD OF EDUCATION**

## **Management Discussion and Analysis (MD&A)**

### **Introduction**

The Management's Discussion and Analysis (MD&A) of Selma City Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2012. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Selma City Board of Education's financial performance.

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

### **Financial Highlights**

The board had a General Fund balance at year end (September 30, 2012) of \$2.2M.

### **Overview of the Financial Statements**

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

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

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

The *Statement of Activities* provides information which shows how the Board's net assets changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

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

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

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

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of a budgetary comparison schedule for the general and special revenue funds which have a legally adopted annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

## **Financial Analysis of the Board as a Whole**

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

<b>Exhibit I: Statement of Net Assets</b>					
		Governmental Activities		Governmental Activities	
		as of Sept. 30, 2012		as of Sept. 30, 2011	
<b>Assets</b>					
Current and other assets		17,031,085.33		33,023,138.56	
Capital Assets		70,126,747.41		16,552,543.11	
<b>Total Assets</b>		<b>87,157,832.74</b>		<b>49,575,681.67</b>	
<b>Liabilities</b>					
Current and other liabilities		6,082,658.55		6,332,226.96	
Long-term liabilities		26,993,872.55		27,121,173.36	
<b>Total Liabilities</b>		<b>33,076,531.10</b>		<b>33,453,400.32</b>	
<b>Net Assets</b>					
Invested in Capital Assets		44,730,486.57		8,815,925.50	
Restricted		6,176,394.18		5,735,178.55	
Unrestricted		3,174,420.89		1,571,177.30	
<b>Total Net Assets</b>		<b>54,081,301.64</b>		<b>16,122,281.35</b>	

The Board's assets exceeded liabilities by \$54.1M at the close of the fiscal year. The majority of the Board's net assets are invested in capital assets (land, buildings, and equipment) owned by the Board. These assets are not available for future expenditures since they will not be sold. Unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements — total \$3.2M at year end.

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

<b>Exhibit II: Statement of Activities</b>					
	Governmental Activities		Governmental Activities		
	as of Sept. 30, 2012		as of Sept. 30, 2011		
<b>Revenues</b>					
Program Revenues:					
Charges for Services	3,035,315.70			3,010,199.61	
Operating Grants & Contributions	25,304,983.47			27,233,576.90	
Capital Grants and Contributions	41,013,380.00			3,821,560.12	
General Revenues					
Property Taxes	3,204,787.30			3,355,642.28	
Alcohol Beverage Tax	197,552.46			205,964.45	
Other Taxes	93,619.99			94,487.10	
Federal & State Aid Not Restricted To Specific Purposes	381,378.57			421,414.60	
Investment Earnings	167,909.50			361,481.69	
Gain on Disposition of Capital Assets	-			4,956.89	
Other General Revenues	880,277.46			1,047,712.00	
<b>Total Revenues</b>	<b>74,279,204.45</b>			<b>39,556,995.64</b>	
<b>Expenses</b>					
Instructional Services	17,997,796.11			19,124,768.51	
Instructional Support Services	4,746,501.25			5,713,650.38	
Operation & Maintenance Services	3,247,084.33			4,595,225.46	
Student Transportation Services	410,835.54			341,503.17	
Food Services	2,700,170.87			2,735,018.09	
General Administrative Services	2,825,903.41			1,713,328.86	
Interest and Fiscal Charges	40,285.78			1,329,012.64	
Other	1,911,534.71			2,034,707.01	
<b>Total Expenses</b>	<b>33,880,112.00</b>			<b>37,587,214.12</b>	
Changes in Net Assets	40,399,092.45			1,969,781.52	
Net Assets - Beginning of Year	13,682,209.19	Restated		14,152,499.83	
Net Assets - End of Year	54,081,301.64			16,122,281.35	

Program Revenues, specifically Operating Grants and Contributions, are the largest component of Total Revenues (93%).

- Operating Grants and Contributions contribute 36% of Program Revenues and 34% of total revenues. The major sources of Revenues in this category are State Foundation Program Funds, State Transportation Operating Funds, and State and Federal Funds restricted for specific programs.
- Capital Grants and Contributions include State Capital Outlay Funds and State Funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

General Revenues, primarily property taxes and other taxes, are used to provide \$4.9M for expenses not covered by program revenues.

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board (53%).

- 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, and school nurses, and professional development expenses.
- Operation and Maintenance Services include: utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Unallocated Depreciation is used to report depreciation expense only for those assets that are used by multiple functions.
- In addition to bus driver salaries and benefits, Student Transportation Services include: mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses, and bus shops, 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, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Debt Service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.

- Other Expenses include: the salaries and benefits for 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 K through 12 instructional programs.

### **Financial Analysis of the Board's Funds**

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The strong financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$10.9 million. Approximately \$2.2M of this amount constitutes unassigned fund balance of the General fund, which is available as of the end of the fiscal year for spending on future operations.

***General Fund*** - The general fund is the primary operating fund of the Board. The general fund balance decreased due to falls in sales taxes, property taxes, and other state generated funding.

***Special Revenue Fund*** – These funds account for proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

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

***Capital Projects Fund*** – These funds account for financial resources to be used for the acquisition or construction of major capital facilities.

### **General Fund Budgetary Highlights**

The original 2012 fiscal year budget, adopted in September 2011, was based on a "bare bones" approach that reflected only guaranteed revenues and necessary expenditures since some of the state-funded programs had not been authorized at this point. The original budget figures were amended when revenues or expenditures exceeded 10%. Over the course of the year, the Board revised the annual operating budgets twice. The differences between the original budget and the final amended budget of the Board were relatively minor.

Amendment #1 was necessary to reduce specific state funding due to proration, to budget additional state and federal awards, to include Federal Programs carryover balances, and to make adjustments in certain line items.

Amendment #2 was approved for adjusting line items, to include late awards, and to correct critical coding errors.

**Long-Term Debt** - At year-end, the Board had \$26.9M in warrants, notes, capital lease contracts payable, and other long-term debt outstanding. (Additional information on the Board's long-term debt is presented in the notes to the basic financial statements).

**Table I: Long-term liability balances and activities for the year ended September 30, 2012 were as follows:**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds & Warrants Payable	27,027,151.83	-	(104,276.16)	26,922,875.66	107,577.79
Warrant Anticipation Notes	-	-	-	-	-
Unamortized Discount/Deferred Loss	-	-	-	-	-
Unamortized Premium	-	-	-	-	-
<b>Total Bonds and Notes Payable</b>	<b>27,027,151.83</b>	<b>-</b>	<b>(104,276.16)</b>	<b>26,922,875.66</b>	<b>107,577.79</b>
<b>Other Liabilities:</b>					
Capital Leases	-	-	-	-	-
Operating Leases	-	-	-	-	-
Compensated Absences	94,021.53	-	(23,024.65)	70,996.88	3,549.84
Other Long-Term Liabilities	-	-	-	-	-
<b>Total Other Liabilities</b>	<b>94,021.53</b>	<b>-</b>	<b>(23,024.65)</b>	<b>70,996.88</b>	<b>3,549.84</b>
<b>Governmental Activities</b>					
<b>Long Term Liabilities</b>	<b>27,121,173.36</b>	<b>-</b>	<b>(127,300.81)</b>	<b>26,993,872.54</b>	<b>111,127.63</b>

A long-term debt activity for the year consisted of:

- ✓ Selma City Board of Education participated in the Series 2008-A Capital Improvement Bond Issuance by leveraging 200,000 of its Public School Fund (PSF) capital funds to receive \$2,720,996.00 for the purpose of assisting with the or construction of Selma High School. We have QSCB for \$20,000,000.00 and QZAB for \$2,600,000.00. The Board has met its financial obligation for the Certificate of Participation (\$2M). These are the Bonds & Warrants Payable.



## **Capital Assets and Debt Administration**

**Capital Assets** - At September 30, 2012, the Board had approximately \$70.1M invested in capital assets including land, buildings, equipment costing \$5,000 or more, vehicles, buildings and equipment under capital lease, and construction in progress. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year.

<b>Table II: Capital asset activity for the year ended September 30, 2012 was as follows:</b>				
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land and Land Improvements	445,495.71	584,400.00	-	1,029,895.71
Construction in Progress	8,349,655.68	18,328,828.17	-	26,678,483.85
<b>Total Capital Assets, Not Being Depreciated</b>	<b>8,795,151.39</b>	<b>18,913,228.17</b>	<b>-</b>	<b>27,708,379.56</b>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements - Exhaustible	-	-	-	-
Buildings	6,072,317.34	39,367,500.00	(308,532.27)	45,131,285.07
Building Improvements	2,474,392.50	-	(1,746,150.03)	728,242.47
Equipment and Furniture	1,908,958.29	6,275.00	-	1,915,233.29
Vehicles	779,381.62	9,200.00	-	788,581.62
<b>Total Capital Assets, Being Depreciated</b>	<b>11,235,049.75</b>	<b>39,382,975.00</b>	<b>(2,054,682.30)</b>	<b>48,563,342.45</b>
<i>Less Accumulated Depreciation for:</i>				
Land Improvements - Exhaustible	-	-	-	-
Buildings	3,577,650.61	673,091.78	(246,825.82)	4,003,916.57
Buildings Improvements	493,274.44	51,242.17	(462,953.45)	81,563.16
Equipment and Furniture	1,299,503.93	162,910.55	-	1,462,414.48
Vehicles	547,301.21	49,779.18	-	597,080.39
<b>Total Accumulated Depreciation</b>	<b>5,917,730.19</b>	<b>937,023.68</b>	<b>(709,779.27)</b>	<b>6,144,974.60</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>5,317,319.56</b>	<b>38,445,951.32</b>	<b>(1,344,903.03)</b>	<b>42,418,367.85</b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b>14,112,470.95</b>	<b>57,359,179.49</b>	<b>(1,344,903.03)</b>	<b>70,126,747.41</b>

## **Economic Factors and Next Year's Budget**

The following are currently known Selma City economic factors considered in going into the 2012-2013 Fiscal Year.

- ✓ The unemployment rate in Dallas County for February 2013 was 12.8 percent, which is reflective of the slowing economy nationwide. Dallas County's unemployment rate ranks 2<sup>nd</sup> out of 67 counties and compares unfavorably to the State's average unemployment rate of 7.2 percent for February 2013.
- ✓ The population in Selma City as of the year 2010 census increased slightly since the last ten-year census taken in 2000. The population increased by approximately 1,591 people over a ten-year period. The latest annual population estimate published by the Census Bureau on July 1, 2010 reports Selma at 20,540. The decennial census performed by the US Census Bureau is unofficial at this point in time.
- ✓ Selma City Board of Education has weathered the economic recession well with conservative spending and allocation of resources. However, uncertainty exists in the area of state funding in the 2012-2013 fiscal year due to increasing expenditures and fringe benefits. This uncertainty has caused the Board to budget for continued cautious spending for the 2013 fiscal year.

Student Enrollment - The latest student enrollment figure as of the twenty-day report in the 2011-2012 school year was 3,895; which was a decrease of approximately 82 students from the previous years' data.

<b>ADM</b>	<b>Fiscal Year</b>
3,895	2012
3,813	2011
3,815	2010
3,964	2009

***Medical and Retirement Costs*** - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs decreased to \$714 per employee per month. The employer contribution rate to the Teachers Retirement System (TRS) decreased from 12.51 percent for fiscal year 2011 to 10.00 percent for fiscal year 2012 for a decreased cost of 2.51 percent. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

<b>YEAR</b>	<b>RETIREMENT PERCENTAGE</b>	<b>PEEHIP PER MONTH</b>
2010	12.07%	752.00
2011	12.51%	752.00
2012	10.00%	714.00

### **CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Grindal D. Harris, Chief School Financial Officer at 2194 Broad Street, Selma, AL 36701 or by calling 334 876-4442 during regular office hours, Monday through Friday, from 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 Assets**  
**September 30, 2012**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 10,367,978.02
Cash with Fiscal Agent	1,740,074.71
Investments	43,467.60
Receivables (Note 4)	1,733,463.11
Ad Valorem Property Taxes Receivable	3,028,531.03
Inventories	117,570.86
Capital Assets (Note 5):	
Nondepreciable	27,708,379.56
Depreciable, Net	42,418,367.85
Total Assets	<u>87,157,832.74</u>
<b>Liabilities</b>	
Accounts Payable	1,329,906.95
Deferred Revenue	3,270,130.62
Salaries and Benefits Payable	1,482,620.98
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Warrants Payable	107,577.79
Liability for Compensated Absences	3,549.84
Portion Due or Payable After One Year:	
Warrants Payable	24,815,297.88
Certificate of Participation Payable	2,000,000.00
Liability for Compensated Absences	67,447.04
Total Liabilities	<u>33,076,531.10</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	44,730,486.57
Restricted for:	
Debt Service	2,749,654.03
Capital Projects	2,405,155.06
Child Nutrition Program	951,263.54
Other Purposes	70,321.55
Unrestricted	<u>3,174,420.89</u>
Total Net Assets	<u>\$ 54,081,301.64</u>

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

***Statement of Activities***  
***For the Year Ended September 30, 2012***

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b><u>Governmental Activities</u></b>			
Instruction	\$ 17,997,796.11	\$ 241,659.29	\$ 16,374,623.20
Instructional Support	4,746,501.25	89,197.54	4,487,772.74
Operation and Maintenance	3,247,084.33	122,822.91	1,505,033.78
Auxiliary Services:			
Student Transportation	410,835.54	72,454.42	257,341.96
Food Service	2,700,170.87	2,320,990.02	127,203.72
General Administration and Central Support	2,825,903.41	3,628.97	1,011,884.10
Interest and Fiscal Charges	40,285.78		
Other	1,911,534.71	184,562.55	1,541,123.97
Total Governmental Activities	<u>\$ 33,880,112.00</u>	<u>\$ 3,035,315.70</u>	<u>\$ 25,304,983.47</u>

**General Revenues:**

Taxes:

Property Taxes for General Purposes

Alcohol Beverage Tax

Other Taxes

Grants and Contributions Not Restricted for Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Changes in Net Assets

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

Net Assets - End of Year

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



<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Total Governmental Activities</u>
\$ 40,616,362.59	\$ 39,234,848.97
362,499.41	(169,530.97)
34,518.00	(1,256,728.23)
	(46,521.16)
	(251,977.13)
	(1,810,390.34)
	(40,285.78)
	(185,848.19)
<u>\$ 41,013,380.00</u>	<u>35,473,567.17</u>

3,204,787.30
197,552.46
93,619.99
381,378.57
167,909.50
880,277.46
<u>4,925,525.28</u>
40,399,092.45
13,682,209.19
<u>\$ 54,081,301.64</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2012***

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 3,509,214.13	\$ 1,466,684.11
Cash with Fiscal Agent		
Investments		43,467.60
Receivables (Note 4)	261,515.97	249,926.86
Ad Valorem Property Taxes Receivable	3,028,531.03	
Interfund Receivables	14,197.54	9,407.58
Inventories		117,570.86
Total Assets	<u>6,813,458.67</u>	<u>1,887,057.01</u>
<b><u>Liabilities and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	212,923.80	181,795.88
Interfund Payables	9,407.58	14,197.54
Deferred Revenues	3,028,531.03	241,599.59
Salaries and Benefits Payable	1,404,362.48	78,258.50
Total Liabilities	<u>4,655,224.89</u>	<u>515,851.51</u>
<b><u>Fund Balances</u></b>		
Nonspendable:		
Inventories		117,570.86
Restricted for:		
Debt Service		
Capital Projects		
Child Nutrition Program		833,692.68
Other Purposes		3,584.92
Assigned to:		
Capital Projects		
Local Schools		416,357.04
Unassigned	2,158,233.78	
Total Fund Balances	<u>2,158,233.78</u>	<u>1,371,205.50</u>
Total Liabilities and Fund Balances	<u>\$ 6,813,458.67</u>	<u>\$ 1,887,057.01</u>

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

Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 1,944,915.47	\$ 3,447,164.31	\$ 10,367,978.02
804,738.56	935,336.15	1,740,074.71
		43,467.60
	1,222,020.28	1,733,463.11
		3,028,531.03
		23,605.12
		117,570.86
<u>2,749,654.03</u>	<u>5,604,520.74</u>	<u>17,054,690.45</u>
	935,187.27	1,329,906.95
		23,605.12
		3,270,130.62
		1,482,620.98
	<u>935,187.27</u>	<u>6,106,263.67</u>
		117,570.86
2,749,654.03		2,749,654.03
	3,931,769.88	3,931,769.88
		833,692.68
	66,736.63	70,321.55
	670,826.96	670,826.96
		416,357.04
		2,158,233.78
<u>2,749,654.03</u>	<u>4,669,333.47</u>	<u>10,948,426.78</u>
<u>\$ 2,749,654.03</u>	<u>\$ 5,604,520.74</u>	<u>\$ 17,054,690.45</u>

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***Statement of Revenues, Expenditures and Changes in Fund Balances***  
***Governmental Funds***  
***For the Year Ended September 30, 2012***

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b><u>Revenues</u></b>		
State	\$ 20,692,256.99	\$
Federal	443,810.09	6,180,336.43
Local	4,064,916.20	1,298,832.26
Other	166,131.95	135,459.44
Total Revenues	25,367,115.23	7,614,628.13
<b><u>Expenditures</u></b>		
Current:		
Instruction	15,060,435.68	2,127,409.24
Instructional Support	3,935,893.97	809,173.52
Operation and Maintenance	2,593,262.71	145,217.19
Auxiliary Services:		
Student Transportation	268,866.36	100,234.72
Food Service		2,948,824.36
General Administration and Central Support	1,227,378.03	311,834.47
Other	223,333.98	1,674,573.06
Capital Outlay	13,635.00	1,840.00
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	23,322,805.73	8,119,106.56
Excess (Deficiency) of Revenues Over Expenditures	2,044,309.50	(504,478.43)
<b><u>Other Financing Sources (Uses)</u></b>		
Indirect Cost	299,116.39	
Transfers In	41,430.60	486,511.00
Other Financing Sources	19,211.73	1,764.13
Transfers Out	(1,377,799.13)	(41,430.60)
Total Other Financing Sources (Uses)	(1,018,040.41)	446,844.53
Net Changes in Fund Balances	1,026,269.09	(57,633.90)
Fund Balances - Beginning of Year	1,131,964.69	1,428,839.40
Fund Balances - End of Year	\$ 2,158,233.78	\$ 1,371,205.50

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

<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$ 216,248.60	\$ 842,493.40	\$ 21,750,998.99
		6,624,146.52
265,843.23		5,629,591.69
		301,591.39
<u>482,091.83</u>	<u>842,493.40</u>	<u>34,306,328.59</u>
		17,187,844.92
		4,745,067.49
154,847.09	298,756.17	3,192,083.16
		369,101.08
		2,948,824.36
		1,539,212.50
		1,897,907.04
	18,328,828.17	18,344,303.17
	104,276.16	104,276.16
86,000.00	95,377.61	181,377.61
<u>240,847.09</u>	<u>18,827,238.11</u>	<u>50,509,997.49</u>
<u>241,244.74</u>	<u>(17,984,744.71)</u>	<u>(16,203,668.90)</u>
		299,116.39
891,288.13		1,419,229.73
		20,975.86
		(1,419,229.73)
<u>891,288.13</u>		<u>320,092.25</u>
1,132,532.87	(17,984,744.71)	(15,883,576.65)
<u>1,617,121.16</u>	<u>22,654,078.18</u>	<u>26,832,003.43</u>
<u>\$ 2,749,654.03</u>	<u>\$ 4,669,333.47</u>	<u>\$ 10,948,426.78</u>

***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, 2012***

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Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (15,883,576.65)

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$18,344,303.17) exceeded depreciation expense (\$937,023.68) in the current period. 17,407,279.49

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 104,276.16

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balances this amount. (1,344,903.03)

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

Net Decrease in Liability for Compensated Absences	\$	23,024.65	
Net Decrease in Accrued Interest Payable		141,091.83	
Total			164,116.48

Revenues for donated assets are recorded in the Statement of Activities, but do not provide current financial resources and therefore are not reported as revenues in governmental funds. 39,951,900.00

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 40,399,092.45

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



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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

The financial statements of the Selma City 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 board composed of four members elected from municipal districts and a chairman elected at large by the qualified electors of the City. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the City of Selma.

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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

#### **Fund Financial Statements**

The fund financial statements provide information about the Board's funds. 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 and the Child Nutrition Program, in addition to various smaller grants which are required to be spent for the purposes of the applicable federal grants. Also, included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.
- ◆ **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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#### **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. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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

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

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**D. Assets, Liabilities and Net Assets/Fund Balances**

**1. Deposits and Investments**

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

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledged of the three-mill school tax and certificates of deposit. The Board's investments consisted of certificates of deposit that are reported at fair value. Amounts held and invested by fiscal agents are reported at fair value.

**2. Receivables**

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

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

**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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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#### **4. Restricted Assets**

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

#### **5. Capital Assets**

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

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$50,000.00	25 – 50 years
Building Improvements	\$50,000.00	5 – 30 years
Equipment and Furniture	\$ 5,000.00	5 – 20 years
Vehicles	\$ 5,000.00	8 – 15 years
Equipment Under Capital Lease	\$ 5,000.00	5 – 20 years

#### **6. Long-Term Obligations**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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#### **7. Compensated Absences**

The Board's vacation leave policy consists of the following: All administrative and supervisory personnel who are employed for twelve months are entitled to earn ten days of vacation leave per fiscal year. Unused leave days may be carried over to the next year with the Superintendent's approval.

#### **8. Net Assets/Fund Equity**

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

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

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

- A. Non-spendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of non-spendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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- D. Assigned fund balances consist of amounts that are intended to be used by the school system for specific purposes. The Board authorized the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

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

**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. All appropriations lapse at fiscal year-end.

On or before October 1 of each year, each county or city board of education shall prepare and submit to the State Superintendent of Education the annual budget to be adopted by the City Board of Education. The Superintendent or City 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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#### 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 \$1,740,074.71 in the Debt Service Fund (other governmental fund) which is shown as cash with fiscal agent on the fund financial statements and on the government-wide financial statements. These funds are invested by the trustee in United States Department of Housing and Urban Development Bonds that will mature on August 1, 2015.

#### Note 4 – Receivables

On September 30, 2012, receivables for the Board's individual major funds are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>Receivables:</u>				
Accounts Receivable	\$ 46,374.26	\$ 4,225.00	\$	\$ 50,599.26
Intergovernmental	215,141.71	245,701.86	1,222,020.28	1,682,863.85
Total Receivables	<u>\$261,515.97</u>	<u>\$249,926.86</u>	<u>\$1,222,020.28</u>	<u>\$1,733,463.11</u>



**Notes to the Financial Statements**  
**For the Year Ended September 30, 2012**

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2012, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Property Taxes	\$3,028,531.03	\$
Grant Drawdowns Prior to Meeting all Eligibility Requirements		239,949.24
Child Nutrition Program Prepaid Meals		1,650.35
<b>Total Deferred/Unearned Revenue for Governmental Funds</b>	<b>\$3,028,531.03</b>	<b>\$241,599.59</b>

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance 10/01/2011 (*)	Additions	Retirements	Balance 09/30/2012
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 445,495.71	\$ 584,400.00	\$	\$ 1,029,895.71
Construction in Progress	8,349,655.68	18,328,828.17		26,678,483.85
<b>Total Capital Assets, Not Being Depreciated</b>	<b>8,795,151.39</b>	<b>18,913,228.17</b>		<b>27,708,379.56</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings	6,072,317.34	39,367,500.00	(308,532.27)	45,131,285.07
Building Improvements	2,474,392.50		(1,746,150.03)	728,242.47
Equipment and Furniture	1,908,958.29	6,275.00		1,915,233.29
Vehicles	779,381.62	9,200.00		788,581.62
<b>Total Capital Assets Being Depreciated</b>	<b>11,235,049.75</b>	<b>39,382,975.00</b>	<b>(2,054,682.30)</b>	<b>48,563,342.45</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(3,577,650.61)	(673,091.78)	246,825.82	(4,003,916.57)
Building Improvements	(493,274.44)	(51,242.17)	462,953.45	(81,563.16)
Equipment and Furniture	(1,299,503.93)	(162,910.55)		(1,462,414.48)
Vehicles	(547,301.21)	(49,779.18)		(597,080.39)
<b>Total Accumulated Depreciation</b>	<b>(5,917,730.19)</b>	<b>(937,023.68)</b>	<b>709,779.27</b>	<b>(6,144,974.60)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>5,317,319.56</b>	<b>38,445,951.32</b>	<b>(1,344,903.03)</b>	<b>42,418,367.85</b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b>\$14,112,470.95</b>	<b>\$57,359,179.49</b>	<b>\$(1,344,903.03)</b>	<b>\$70,126,747.41</b>
(*) The Board restated beginning capital asset balances (\$3,078,436.48) and beginning accumulated depreciation (\$638,364.32), for a net restatement of \$2,440,072.16. (See Note 12 for more information.)				

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
Instruction	\$809,951.19
Instructional Support	1,433.76
Operation and Maintenance	55,001.17
<u>Auxiliary Services:</u>	
Student Transportation	41,734.46
Food Service	2,841.67
General Administration and Central Support	6,640.20
Other	19,421.23
Total Depreciation Expense – Governmental Activities	<u>\$937,023.68</u>

**Note 6 – Defined Benefit Pension Plan**

**A. Plan Description**

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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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.

#### **B. Funding Policy**

Employees are required by statute to contribute 7.25 percent of their salary to the Teachers' Retirement System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30, 2012	2012	2011	2010
Total Percentage of Covered Payroll	17.25%	17.51%	17.51%
<u>Contributions:</u>			
Percentage Contributed by the Board	10.00%	12.51%	12.51%
Percentage Contributed by the Employees	7.25%	5.00%	5.00%
Contributed by the Board	\$1,808,085.81	\$2,379,192.04	\$2,343,637.42
Contributed by the Employees	1,310,862.20	950,916.08	936,705.87
Total Contributions	<u>\$3,118,948.01</u>	<u>\$3,330,108.12</u>	<u>\$3,280,343.29</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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

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

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

##### **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 2012
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	\$658.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$847.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$816.00
Surviving Spouse – Medicare Eligible	\$328.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$517.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$486.00

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2012	\$714.00	\$228.85	32.05%	\$1,304,351.10	100%
2011	\$752.00	\$198.94	26.45%	\$1,162,302.00	100%
2010	\$752.00	\$241.27	32.08%	\$1,377,324.07	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 – Construction and Other Significant Commitments**

As of September 30, 2012, the Board was obligated under a construction contract for a new Selma High School and renovations to the Career Tech Building in the amount of \$2,986,574.32.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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#### Note 9 – Long-Term Debt

During fiscal year 2011, the Board authorized the issuance of its Capital Improvement Pool QZAB Bonds, Series 2011A, dated June 2, 2011 in the amount of \$2,600,000 to evidence the Board's obligation to repay the Alabama Public School and College Authority for a Special Pool Loan in the amount of \$2,600,000. 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 Selma City Board of Education is required to make fifteen (15) level installment deposits of \$130,248.60 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. The interest rates on these bonds are 4.60%; however, the PSCA expects to receive subsidy payments from the United States Treasury in amounts equal to the interest due on the bonds making the effective interest payment due from the Board equal zero. After paying issuance cost of \$9,700.00, the Board's net proceeds totaling \$2,590,300.00 was deposited in a Project Account to be used only for qualified purposes with respect to Qualified Zone Academies including the renovation of career tech, band, choir and physical education buildings at Selma High School.

On August 26, 2010, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bonds, Series 2010 on behalf of various Boards of Education in the State. The Board had a 12.93% participation in the bonds resulting in the Board's share of principal, issuance costs and net proceeds. The Board is required to make sinking fund deposits of \$891,288.13 on September 1<sup>st</sup> of each year for seventeen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds.

In the 2008 fiscal year, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Bonds, Series 2008A in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these bonds provide funds for the acquisition, construction and renovation of school facilities.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

In September 2001, the Board issued Qualified Zone Academy Bonds, called Certificates of Participation on the financial statements, for the purpose of making improvements to Selma Middle School, Edgewood Elementary School, and Knox Elementary School. The Board is required to make annual payments of \$133,619.45 for 10 years to an escrow fund. Payments made by the Board remain property of the Board, pledged to the payment of the Base Lease Payment on the Base Lease Payment date, September 11, 2015. The principal amount of \$2,000,000.00 is to be paid by the escrow agent from the proceeds and earnings of the annual payments when the bonds become due in 2015.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2012:

	Debt Outstanding 10/01/2011	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2012	Amounts Due Within One Year
<b>Warrants Payable:</b>					
Capital Improvement Pool QZAB Bonds, Series 2011A	\$ 2,600,000.00	\$	\$	\$ 2,600,000.00	\$
Qualified School Construction Bonds, Series 2010	20,000,000.00			20,000,000.00	
Capital Improvement Pool Bonds, Series 2008A	2,427,151.83		(104,276.16)	2,322,875.67	107,577.79
Certificate of Participation Payable	2,000,000.00			2,000,000.00	
<b>Total Warrants Payable</b>	<b>27,027,151.83</b>		<b>(104,276.16)</b>	<b>26,922,875.67</b>	<b>107,577.79</b>
<b>Other Liabilities:</b>					
Compensated Absences	94,021.53		(23,024.65)	70,996.88	3,549.84
<b>Total Other Liabilities</b>	<b>94,021.53</b>		<b>(23,024.65)</b>	<b>70,996.88</b>	<b>3,549.84</b>
<b>Totals</b>	<b>\$27,121,173.36</b>	<b>\$</b>	<b>\$(127,300.81)</b>	<b>\$26,993,872.55</b>	<b>\$111,127.63</b>

The payments on the Capital Improvement Pool QZAB Bonds, Series 2011A and the Qualified School Construction Bonds, Series 2010 are made using proceeds from the Public School Funds allocated by the State Department of Education and local revenues. Payments on the Capital Improvement Pool Bonds, Series 2008A, are made using the Public School Funds withheld from the Board's allocation from the Alabama Department of Education. Payments for the 2001 QZAB Certificate of Participation are made from the General Fund with local tax revenues.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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

Fiscal Year Ending	Warrants Payable		Certificate of Participation Payable		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	
September 30, 2013	\$ 107,577.79	\$ 1,371,783.58	\$		\$ 1,479,361.37
2014	111,429.68	1,368,224.71			1,479,654.39
2015	115,281.57	1,364,396.55	2,000,000.00		3,479,678.12
2016	119,408.59	1,360,289.47			1,479,698.06
2017	123,810.75	1,355,723.61			1,479,534.36
2018-2022	697,192.09	6,700,167.45			7,397,359.54
2023-2027	23,455,945.00	6,290,673.29			29,746,618.29
2028	192,230.20	4,371.65			196,601.85
Totals	\$24,922,875.67	\$19,815,630.31	\$2,000,000.00	(*)	\$44,738,505.98

(\*) Interest Free Obligation

**Pledged Revenues**

The Board had participation in the Capital Improvement Pool Qualified Zone Academy Bonds, Series 2011A issued by the Alabama Public School and College Authority. The Board's sinking fund deposits are pledged to be repaid with the Board's allocation share of Public School Capital Outlay Funds. The proceeds of the bonds are to be used for renovating several buildings at Selma High School. Future revenues in the amount of \$6,097,880.40 are pledged to repay the principal and interest on the bonds at September 30, 2012. Proceeds from the allocation of Public School Capital Outlay Funds in the amount of \$608,321.63 were received by the Board during the fiscal year ending September 30, 2012. The Qualified Zone Academy Bonds, Series 2011A will mature in fiscal year 2026.

The Board had participation in the Capital Outlay Pool Qualified Construction Bonds, Series 2010 issued by the Alabama Public School and College Authority. The Board's sinking fund deposits and interest payments are pledged to be repaid with the Board's allocation share of Public School Capital Outlay Funds. The proceeds of the bonds are to be used to construct a new Selma High School. Future revenues in the amount of \$35,450,000.00 are pledged to repay the principal and interest on the bonds at September 30, 2012. Proceeds from the allocation of Public School Capital Outlay Funds in the amount of \$608,321.63 were received by the Board during the fiscal year ending September 30, 2012, of which \$86,000.00 was used to pay interest on the bonds. The Capital Outlay Pool Qualified Construction Bonds, Series 2010 will mature in fiscal year 2027.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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The Board issued Capital Improvement Pool Bonds, Series 2008A which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used for the construction, acquisition and renovation of school facilities. Future revenues in the amount of \$3,190,625.57 are pledged to repay the principal and interest on the bonds at September 30, 2012. Pledged funds in the amount of \$199,653.78 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2012. The Capital Improvement Pool Bonds, Series 2008A will mature in fiscal year 2028.

#### **Prior Year Defeased Debt**

In prior years, the Board defeased the certificates of participation relating to the Qualified Zone Academy Bonds (QZAB), Series 2002. The Board deposited funds into an irrevocable trust with an escrow agent to provide for the future debt service payments on the QZAB certificates when they mature on September 11, 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, 2012, the total \$1 million of the QZAB certificates outstanding are considered defeased.

#### **Note 10 – Risk Management**

The Board is exposed to various risk 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 boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Automobile liability insurance is carried through a private carrier. Errors and omissions insurance is purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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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.

**Note 11 – Interfund Transactions**

**Interfund Receivables and Payables**

The interfund receivables and payables at September 30, 2012, were as follows:

	<u>Interfund Receivables</u>		Totals
	General Fund	Special Revenue Fund	
<u>Interfund Payables:</u>			
General Fund	\$	\$9,407.58	\$ 9,407.58
Special Revenue Fund	14,197.54		14,197.54
Totals	<u>\$14,197.54</u>	<u>\$9,407.58</u>	<u>\$23,605.12</u>

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2012, were as follows:

	<u>Transfers Out</u>		Total
	General Fund	Special Revenue Fund	
<u>Transfers In:</u>			
General Fund	\$	\$41,430.60	\$ 41,430.60
Special Revenue Fund	486,511.00		486,511.00
Debt Service Fund	891,288.13		891,288.13
Total	<u>\$1,377,799.13</u>	<u>\$41,430.60</u>	<u>\$1,419,229.73</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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

**Note 12 – Restatements**

During the fiscal year, the Board restated its beginning balances for capital assets and accumulated depreciation. The beginning net assets balance was restated to remove buildings and land not owned by the Board and to correct prior year errors.

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

	Governmental Activities
Governmental Activities Net Assets, September 30, 2011, as Previously Reported	\$16,122,281.35
Board's Restatement of Capital Assets and Accumulated Depreciation	<u>(2,440,072.16)</u>
Governmental Activities Net Assets, September 30, 2011, as Restated	<u>\$13,682,209.19</u>

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*Required Supplementary Information*

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2012***

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b><u>Revenues</u></b>			
State	\$ 20,444,473.00	\$ 20,642,747.00	\$ 20,692,256.99
Federal	67,000.00	67,000.00	443,810.09
Local	4,162,850.00	4,162,850.00	4,064,916.20
Other	82,409.00	82,409.00	166,131.95
Total Revenues	<u>24,756,732.00</u>	<u>24,955,006.00</u>	<u>25,367,115.23</u>
<b><u>Expenditures</u></b>			
Current:			
Instruction	15,380,332.50	15,788,224.04	15,807,832.93
Instructional Support	3,984,466.00	4,190,109.89	4,089,851.66
Operation and Maintenance	2,983,481.00	3,045,969.50	2,602,194.71
Auxiliary Services:			
Student Transportation	238,319.00	258,016.68	273,540.53
General Administration and Central Support	1,273,585.00	1,325,215.00	1,240,507.98
Other			269,160.64
Capital Outlay			13,635.00
Debt Service:			
Interest and Fiscal Charges	891,288.13	891,288.13	
Other Expenditures	102,787.00	122,177.00	
Total Expenditures	<u>24,854,258.63</u>	<u>25,621,000.24</u>	<u>24,296,723.45</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(97,526.63)</u>	<u>(665,994.24)</u>	<u>1,070,391.78</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Indirect Cost	368,542.00	305,004.83	299,116.39
Transfers In		8,500.00	41,430.60
Other Sources			19,211.73
Transfers Out	(967,217.00)	(495,011.00)	(1,377,799.13)
Total Other Financing Sources (Uses)	<u>(598,675.00)</u>	<u>(181,506.17)</u>	<u>(1,018,040.41)</u>
Net Change in Fund Balances	(696,201.63)	(847,500.41)	52,351.37
Fund Balances - Beginning of Year	<u>3,400,000.00</u>	<u>3,521,578.92</u>	<u>3,510,244.89</u>
Fund Balances - End of Year	<u>\$ 2,703,798.37</u>	<u>\$ 2,674,078.51</u>	<u>\$ 3,562,596.26</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$ 20,692,256.99
		443,810.09
		4,064,916.20
		166,131.95
		<u>25,367,115.23</u>
(1)	747,397.25	15,060,435.68
(1)	153,957.69	3,935,893.97
(1)	8,932.00	2,593,262.71
(1)	4,674.17	268,866.36
(1)	13,129.95	1,227,378.03
(1)	45,826.66	223,333.98
		13,635.00
	<u>973,917.72</u>	<u>23,322,805.73</u>
	<u>973,917.72</u>	<u>2,044,309.50</u>
		299,116.39
		41,430.60
		19,211.73
		<u>(1,377,799.13)</u>
		<u>(1,018,040.41)</u>
	973,917.72	1,026,269.09
(2)	<u>(2,378,280.20)</u>	<u>1,131,964.69</u>
	<u>\$ (1,404,362.48)</u>	<u>\$ 2,158,233.78</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2012***

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

With the exception of the following, the Board budgets on the modified accrual basis of accounting:

- (1) The Board budgets salaries only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

Net Increase in Fund Balances - Budget to GAAP

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



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\$ 973,917.72

\$ 973,917.72

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2012***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Federal	\$ 6,012,006.59	\$ 7,378,002.66	\$ 6,180,336.43
Local	1,254,760.00	1,254,800.00	1,298,832.26
Other	55,000.00	105,000.00	135,459.44
Total Revenues	<u>7,321,766.59</u>	<u>8,737,802.66</u>	<u>7,614,628.13</u>
<b>Expenditures</b>			
Current:			
Instruction	1,652,209.00	2,544,746.61	2,127,409.24
Instructional Support	1,073,026.00	1,368,103.42	809,173.52
Operation and Maintenance	164,090.00	164,090.00	145,217.19
Auxiliary Services:			
Student Transportation	88,670.00	88,457.40	100,234.72
Food Service	3,392,647.15	3,314,006.98	2,978,640.70
General Administration and Central Support	309,860.00	344,993.79	311,834.47
Other			1,674,573.06
Capital Outlay			1,840.00
Other Expenditures	<u>1,625,039.44</u>	<u>1,818,499.29</u>	
Total Expenditures	<u>8,305,541.59</u>	<u>9,642,897.49</u>	<u>8,148,922.90</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(983,775.00)</u>	<u>(905,094.83)</u>	<u>(534,294.77)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	970,517.00	489,811.00	486,511.00
Other Sources			1,764.13
Transfers Out	<u>(3,300.00)</u>	<u>(3,300.00)</u>	<u>(41,430.60)</u>
Total Other Financing Sources (Uses)	<u>967,217.00</u>	<u>486,511.00</u>	<u>446,844.53</u>
Net Change in Fund Balances	(16,558.00)	(418,583.83)	(87,450.24)
Fund Balances - Beginning of Year	<u>408,120.00</u>	<u>1,536,532.55</u>	<u>1,536,914.24</u>
Fund Balances - End of Year	<u>\$ 391,562.00</u>	<u>\$ 1,117,948.72</u>	<u>\$ 1,449,464.00</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$ 6,180,336.43
		1,298,832.26
		135,459.44
		<u>7,614,628.13</u>
		2,127,409.24
		809,173.52
		145,217.19
		100,234.72
(1)	29,816.34	2,948,824.36
		311,834.47
		1,674,573.06
		1,840.00
	<u>29,816.34</u>	<u>8,119,106.56</u>
	<u>29,816.34</u>	<u>(504,478.43)</u>
		486,511.00
		1,764.13
		<u>(41,430.60)</u>
		<u>446,844.53</u>
	29,816.34	(57,633.90)
(2)	<u>(108,074.84)</u>	<u>1,428,839.40</u>
	<u>\$ (78,258.50)</u>	<u>\$ 1,371,205.50</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2012***

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

The Board budgets on the modified accrual basis of accounting with the following exceptions:

- (1) The Board budgets salaries only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

Net Increase in Fund Balance - Budget to GAAP

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances (Exhibit 5) because of the cumulative effect of transactions such as those described above.

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\$ 29,816.34

\$ 29,816.34

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of Agriculture</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	N.A.
National School Lunch Program:		
Cash Assistance	10.555	N.A.
Non-Cash Assistance (Commodities)	10.555	N.A.
Sub-Total National School Lunch Program		
Sub-Total Child Nutrition Cluster (M)		
Total U. S. Department of Agriculture		
<b><u>U. S. Department of Education</u></b>		
<b><u>Direct Program</u></b>		
Impact Aid	84.041	N.A.
<b><u>U. S. Department of Education</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Title I Grants to Local Educational Agencies	84.010	N.A.
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 (M)		
Career and Technical Education - Basic Grants to States	84.048	N.A.
Education for Homeless Children and Youth	84.196	N.A.
Twenty-First Century Community Learning Centers	84.287	N.A.
Education Technology State Grants	84.318	N.A.
Rural Education	84.358	N.A.
Improving Teacher Quality State Grants	84.367	N.A.
Education Jobs Fund	84.410	N.A.
Total U. S. Department of Education		
<b><u>U. S. Department of Health and Human Services</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Child Care and Development Block Grant	93.575	N.A.
<b><u>Social Security Administration</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Social Security - Disability Insurance	96.001	N.A.
Sub-Total Forward		



Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2011-09/30/2012	\$ 468,826.80	\$ 468,826.80	\$ 468,826.80	\$ 468,826.80
10/01/2011-09/30/2012	1,592,227.59	1,592,227.59	1,527,264.02	1,527,264.02
10/01/2011-09/30/2012	136,662.97	136,662.97	136,662.97	136,662.97
	<u>1,728,890.56</u>	<u>1,728,890.56</u>	<u>1,663,926.99</u>	<u>1,663,926.99</u>
	<u>2,197,717.36</u>	<u>2,197,717.36</u>	<u>2,132,753.79</u>	<u>2,132,753.79</u>
	<u>2,197,717.36</u>	<u>2,197,717.36</u>	<u>2,132,753.79</u>	<u>2,132,753.79</u>
10/01/2011-09/30/2012	23,048.12	23,048.12	23,048.12	23,048.12
10/01/2011-09/30/2012	2,831,669.49	2,831,669.49	2,428,209.78	2,428,209.78
10/01/2011-09/30/2012	1,438,090.26	1,438,090.26	1,156,637.57	1,156,637.57
10/01/2011-09/30/2012	66,441.90	66,441.90	57,768.12	57,768.12
	<u>1,504,532.16</u>	<u>1,504,532.16</u>	<u>1,214,405.69</u>	<u>1,214,405.69</u>
10/01/2011-09/30/2012	78,754.00	78,754.00	78,754.00	78,754.00
10/01/2011-09/30/2012	28,000.00	28,000.00	28,000.00	28,000.00
10/01/2011-09/30/2012	125,000.00	125,000.00	99,047.13	99,047.13
10/01/2011-09/30/2012	1,671.00	1,671.00	1,671.00	1,671.00
10/01/2011-09/30/2012	131,011.37	131,011.37	131,011.37	131,011.37
10/01/2011-09/30/2012	381,192.39	381,192.39	285,584.33	285,584.33
10/01/2011-09/30/2012	129,944.66	129,944.66	129,944.66	129,944.66
	<u>5,234,823.19</u>	<u>5,234,823.19</u>	<u>4,419,676.08</u>	<u>4,419,676.08</u>
10/01/2011-09/30/2012	10,000.00	10,000.00	10,000.00	10,000.00
10/01/2011-09/30/2012	3,000.00	3,000.00	2,622.00	2,622.00
	<u>\$ 7,445,540.55</u>	<u>\$ 7,445,540.55</u>	<u>\$ 6,565,051.87</u>	<u>\$ 6,565,051.87</u>

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>Other Federal Assistance</u> <u>U. S. Department of Defense</u> <u>Direct Program</u></b>		
Air Force R.O.T.C.	N.A.	N.A.
Total Expenditures of Federal Awards		

(M) = Major Program

N.A. = Not Available or Not Applicable

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 7,445,540.55	\$ 7,445,540.55	\$ 6,565,051.87	\$ 6,565,051.87
10/01/2011-09/30/2012	59,094.65	59,094.65	59,094.65	59,094.65
	<u>\$ 7,504,635.20</u>	<u>\$ 7,504,635.20</u>	<u>\$ 6,624,146.52</u>	<u>\$ 6,624,146.52</u>

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2012***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Selma City 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.

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## *Additional Information*

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***Board Members and Administrative Personnel***  
***October 1, 2011 through September 30, 2012***

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**Board Members**

**Term Expires**

Hon. Henry Hicks, Sr.	President	2016
Hon. Brenda Randolph Obomanu	Vice-President	2016
Hon. Frank Chestnut, Jr.	Member	2016
Hon. J. Holland Powell	Member	2012
Hon. Udo F. Ufomadu, Ph.D.	Member	2016

**Administrative Personnel**

Donald G. Jefferson, Ed. D.	Superintendent	October 2011
Gerald Shirley	Superintendent	June 2014
Grindal Harris	Chief School Financial Officer	Indefinite

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

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We have audited the financial statements of the governmental activities and each major fund information of the Selma City Board of Education (the “Board”) as of and for the year ended September 30, 2012, which collectively comprise the Board’s basic financial statements and have issued our report thereon dated June 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as 2012-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

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

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**Compliance and Other Matters**

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

The Board's response to the findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. We did not audit the Board's response and, accordingly, we express no opinion on it.

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



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

June 19, 2013



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

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**Independent Auditor's Report**

**Compliance**

We have audited the Selma City Board of Education's (the "Board") 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 Board's major federal programs for the year ended September 30, 2012. The Board's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-02.

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

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**Internal Control Over Compliance**

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-02. 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.

The Selma City Board of Education's response to the finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. We did not audit the Board's response and, accordingly, we express no opinion on the response.

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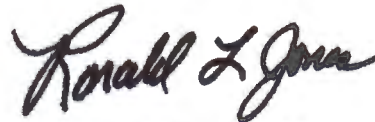
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***Report on Compliance With Requirements That Could  
Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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



Ronald L. Jones  
Chief Examiner  
Department of Examiners of Public Accounts

June 19, 2013

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2012***

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

**Financial Statements**

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555 84.027 and 84.173	Child Nutrition Cluster Special Education Cluster

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, 2012***

**Section II – Financial Statement Findings (GAGAS)**

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2012-01	Internal Control	<p><b><u>Finding:</u></b>            A good system of internal control would ensure that policies approved by the Board are followed. The Board’s policy concerning vacation leave states, “Accumulated vacation time will be forfeited if not used prior to the effective date of resignation or retirement. No payment will be made for any vacation leave that is unused as of the employee’s resignation or termination.” The Board failed to comply with their adopted policy and made payment to an individual during the fiscal year.</p> <p><b><u>Recommendation:</u></b>            The Board should implement controls to ensure that they follow their policy related to compensated absences.</p>	

**Section III – Federal Awards Findings and Questioned Costs**

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2012-02	10.553 10.555	U. S. Department of Agriculture; Passed through State of Alabama Department of Education; Child Nutrition Cluster for 10/01/2011 – 09/30/2012	<p><b><u>Finding:</u></b>            Controls were not in place to ensure that the Board complied with the requirements to verify free and reduced price lunch applications of the National School Lunch Program and School Breakfast Program. The Board is required to verify the free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. Based on the number of applications on file, the Board was required to verify thirty-three applications. Six of these applications were reviewed to determine if the Board performed the verification process correctly.</p>	

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2012***

**Section III – Federal Awards Findings and Questioned Costs**

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			<p><b><u>Finding Continued:</u></b>            One household submitted income documentation that should have changed the status from free to reduced. The households for three applications did not provide the required documentation. As a result, all students in the households should have been changed to paid status and should have been charged full price for meals. The status for students in these four households was not changed in the Child Nutrition Program software and the students continued to receive free meals or reduced price meals throughout the school year.</p> <p><b><u>Recommendation:</u></b>            The Board should implement controls to ensure that changes are made to the eligibility status based on documentation obtained through the verification process.</p>	

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*Auditee Response/Corrective Action Plan*



# SELMA CITY SCHOOLS

OFFICE OF THE  
SUPERINTENDENT

2194 BROAD ST.  
P.O. BOX 350  
SELMA, AL 36702-0350  
(334) 874-1600

June 26, 2013

Mr. Ronald Jones  
Chief Examiner  
P.O. Box 302251  
Montgomery, AL 36130-2251

Dear Mr. Jones:

As required by the Office of Management and Budget (OMB) Circular Number A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .315(c), the Selma City Board of Education has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2012.

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## Corrective Action Plan Details Finding Reference Numbers, Findings, and Responses

**2012-01:** A good system of internal control would ensure that policies approved by the Board are followed. The Board's policy concerning vacation leave states, "Accumulated vacation time will be forfeited if not used prior to the effective date of resignation or retirement. No payment will be made for any vacation leave that is unused as of the employee's resignation or termination." The Board failed to comply with their adopted policy and made payment to an individual during the fiscal year.

Contact Person: Grindal D. Harris, Chief School Financial Officer

Response: The Selma City Board of Education finance department always try to comply with the policies adopted. We had complied with the policy, but were given directive to pay that employee and the documentation is on file in the payroll office.

The board will follow the adopted policies that are put in place.  
Anticipated completion date: July 1, 2013



**2012-02:** Controls were not in place to ensure that the Board complied with the requirements to verify free and reduced price lunch applications of the National School Lunch Program and School Breakfast Program. The Board is required to verify the free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. Based on the number of applications on file, the Board was required to verify thirty-three applications. Six of these applications were reviewed to determine if the Board performed the verification process correctly. One household submitted income documentation that should have changed the status from free to reduce. The households for three applications did not provide the required documentation. As a result, all students in the households should have been changed to paid status and should have been charged full price for meals. The status for students in these four households was not changed in the Child Nutrition Program software and the students continued to receive free meals or reduced price meals throughout the school year.

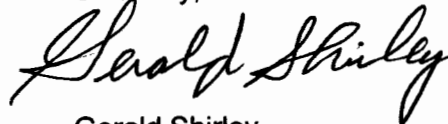
Contact Person: Aelia Adams, Child Nutrition Program Director

Response: : The Child Nutrition Program staff will pay closer attention to data when inputting it into PCS to ensure that income is placed in the correct category and calculated correctly. Efforts will continue to be made to communicate with schools and the Technology Department to ensure that students who do not response to verification in a timely manner status be changed to paid in STI.

Efforts will be made to periodically check the status of students that have not responded to verification to ensure that the status remains paid until proper documentation is collected. PCS has been contacted to make the necessary updates to the Child Nutrition Program software.

Anticipated Completion Date: September 30, 2013

Sincerely,



Gerald Shirley  
Superintendent

Sincerely,



Grindal D. Harris  
Chief School Financial Officer