

Report on the

Selma City Board of Education

Dallas County, Alabama

October 1, 2012 through September 30, 2013

Filed: September 12, 2014



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

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, 2012 through September 30, 2013.

Sworn to and subscribed before me this
the 11 day of August, 2014.

Sandra E Shirley
Notary Public

Sworn to and subscribed before me this
the 11 day of August, 2014.

Sandra E Shirley
Notary Public

Respectfully submitted,

Chris Newton
Examiner of Public Accounts

Brent Mims
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, 2012 through September 30, 2013**

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 in compliance with Act Number 2008-498, Acts of Alabama.

An unmodified opinion was issued on the financial statements. An unmodified 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, 2013.

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.

- ◆ 2013-001 relates to the lack of internal controls for maintaining an accurate receipt book log and ensuring receipt books are only used by individuals to whom the receipt books are assigned.
- ◆ 2013-002 relates to inadequate internal controls for receipts issued by teachers.
- ◆ 2013-003 relates to inadequate internal controls over purchases from local school funds.

- ◆ 2013-004 relates to a lack of internal controls to ensure all personnel paid with local funds in excess of \$600 are issued a 1099 form.
- ◆ 2013-005 relates to inadequate internal controls for receipting of athletic events.
- ◆ 2013-006 relates to inadequate internal controls for fundraising events.
- ◆ 2013-007 relates to inadequate internal controls over concessions.
- ◆ 2013-008 relates to inadequate internal controls over supplemental inventories of items not classified as fixed assets.
- ◆ 2013-009 relates to inadequate internal controls over purchases from Title I funds.

The *Code of Alabama 1975*, Section 40-12-4, allows a county governing body to levy a county license tax for school purposes. On December 1, 2012, the Dallas County Commission passed a resolution authorizing a one-half cent sales tax to be collected for the Dallas County Board of Education for educational purposes. The *Code of Alabama 1975*, Section 40-12-4(b), states “In all counties having more than one local board of education, revenues collected under the provisions of this section shall be distributed within such county on the same basis of the total calculated costs for the Foundation Program for those local boards of education within the county.” An Attorney General’s Opinion dated December 10, 1984, concluded that the *Code of Alabama 1975*, Section 40-12-4, cannot be used to propose a county-wide sales tax earmarked solely for county schools and excluding the city school system. The Dallas County Board of Education began receiving the additional one-half cent sales tax in the 2013 fiscal year. No distribution of the one-half cent sales tax was remitted to the Selma City Board of Education. The potential amount of the error has not yet been determined and the Board is in negotiation with the Dallas County Commission and the Dallas County Board of Education as to how this matter will be resolved.

The following officials/administrative personnel employees were invited to an exit conference to discuss the findings and recommendations appearing in this report: Former Superintendent: Gerald Shirley; Superintendent: Larry E. DiChiara, Ed. D.; Chief School Financial Officer: Grindal Harris; and Board Members: Henry Hicks, Sr.; Brenda Randolph-Obomanu; Frank Chestnut, Jr.; Dr. Kirit D. Chapatwala; and Dr. Udo F. Ufomadu.

The following individuals attended the exit conference, held at the Board’s central office: Superintendent: Larry E. DiChiara, Ed.D.; 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; Chris Newton, Examiner and Brent Mims, Examiner.

Independent Auditor's Report

Independent Auditor's Report

To: Members of the Selma City Board of Education, Superintendent and the Chief School Financial Officer

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Selma City Board of Education, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Selma City Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 6.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Selma City Board of Education, as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2014, 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* in considering the Selma City Board of Education's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 23, 2014

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, 2013. 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 new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this report.

Financial Highlights

The Board had a General Fund balance at year end (September 30, 2013) of \$2.6M.

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

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

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

Governmental Funds - Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements — the *Balance Sheet* 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 position is reported as Governmental Activities.

	as of Sept. 30, 2013	as of Sept. 30, 2012
Assets		
Current and other assets	\$ 15,012,921.40	\$ 17,031,085.33
Capital Assets	71,036,581.19	70,126,747.41
Total Assets	86,049,502.59	87,157,832.74
Liabilities		
Current and other liabilities	5,090,741.04	6,082,658.55
Long-term liabilities	26,815,297.89	26,993,872.55
Total Liabilities	31,906,038.93	33,076,531.10
Net Position		
Invested in Capital Assets	44,221,283.30	44,730,486.57
Restricted	6,939,713.19	6,176,394.18
Unrestricted	2,982,467.17	3,174,420.89
Total Net Position	54,143,463.66	54,081,301.64

The Board's assets exceeded liabilities by \$54.1M at the close of the fiscal year. The majority of the Board's net position 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 position — the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements — total \$3.0M at year end.

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

Exhibit II: Statement of Activities						
	Governmental Activities			Governmental Activities		
	as of Sept. 30, 2013			as of Sept. 30, 2012		
Revenues						
Program Revenues:						
Charges for Services		\$ 3,354,230.73		\$ 3,035,315.70		
Operating Grants & Contributions		25,033,542.61		25,304,983.47		
Capital Grants and Contributions		1,114,416.96		41,013,380.00		
General Revenues						
Property Taxes		3,194,760.92		3,204,787.30		
Alcohol Beverage Tax		180,275.99		197,552.46		
Other Taxes		80,028.84		93,619.99		
Federal & State Aid Not Restricted To Specific Purposes		385,510.78		381,378.57		
Investment Earnings		143,469.93		167,909.50		
Gain on Disposition of Capital Assets		-		-		
Other General Revenues		1,193,593.41		880,277.46		
Total Revenues		<u>\$ 34,679,830.17</u>		<u>\$ 74,279,204.45</u>		
Expenses						
Instructional Services		\$ 18,944,822.90		\$ 17,997,796.11		
Instructional Support Services		4,892,874.05		4,746,501.25		
Operation & Maintenance Services		3,800,387.91		3,247,084.33		
Student Transportation Services		395,276.07		410,835.54		
Food Services		2,858,872.41		2,700,170.87		
General Administrative Services		1,447,983.83		2,825,903.41		
Interest and Fiscal Charges		224,201.58		40,285.78		
Other		2,053,249.40		1,911,534.71		
Total Expenses		<u>34,617,668.15</u>		<u>33,880,112.00</u>		
Changes in Net Position		62,162.02		40,399,092.45		
Net Position- Beginning of Year		54,081,301.64		13,682,209.19		
Net Position - End of Year		<u>\$ 54,143,463.66</u>		<u>\$ 54,081,301.64</u>		

Program Revenues, specifically Operating Grants and Contributions, are the largest component of Total Revenues (85%).

- o Operating Grants and Contributions contribute 85% of Program Revenues and 72% 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 \$5.2M 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 (55%).

- 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 \$9.9 million. Approximately \$2.6M 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.

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

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.

General Fund Budgetary Highlights

The original 2013 fiscal year budget, adopted in September 2012, was based on a "bare bones" approach that reflected only guaranteed revenues and necessary expenditures since some of the state-funded programs had not been authorized at this point. The original budget figures were amended when revenues or expenditures exceeded 10%. 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, 2013 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds & Warrants Payable	\$ 26,922,875.67	\$ -	\$ (107,577.78)	\$ 26,815,297.89	\$ 111,429.68
Warrant Anticipation Notes	-	-	-	-	-
Unamortized Discount/Deferred Loss	-	-	-	-	-
Unamortized Premium	-	-	-	-	-
Total Bonds and Notes Payable	26,922,875.67	-	(107,577.78)	26,815,297.89	111,429.68
Other Liabilities:					
Capital Leases	-	-	-	-	-
Operating Leases	-	-	-	-	-
Compensated Absences	70,996.88	-	(70,996.88)	-	-
Other Long-Term Liabilities	-	-	-	-	-
Total Other Liabilities	70,996.88	-	(70,996.88)	-	-
Governmental Activities					
Long Term Liabilities	\$ 26,993,872.55	\$ -	\$ (178,574.66)	\$ 26,815,297.89	\$ 111,429.68

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, 2013, the Board had approximately \$71.0M 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.

Table II: Capital asset activity for the year ended September 30, 2013 was as follows:				
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
<i>Capital Assets, Not Being Depreciated:</i>				
Land and Land Improvements	\$ 1,029,895.71	\$ -	\$ -	\$ 1,029,895.71
Construction in Progress	26,678,483.85	2,201,108.66	-	28,879,592.51
Total Capital Assets, Not Being Depreciated	27,708,379.56	2,201,108.66	-	29,909,488.22
<i>Capital Assets Being Depreciated:</i>				
Buildings	45,131,285.07	-	-	45,131,285.07
Building Improvements	728,242.47	-	-	728,242.47
Equipment and Furniture	1,915,233.29	158,372.65	19,494.60	2,054,111.34
Vehicles	788,581.62	77,957.00	34,800.00	831,738.62
Total Capital Assets, Being Depreciated	48,563,342.45	236,329.65	54,294.60	48,745,377.50
<i>Less Accumulated Depreciation for:</i>				
Buildings	4,003,916.57	1,302,971.78	-	5,306,888.35
Buildings Improvements	81,563.16	23,303.76	-	104,866.92
Equipment and Furniture	1,462,414.48	149,296.24	19,299.66	1,592,411.06
Vehicles	597,080.39	51,489.81	34,452.00	614,118.20
Total Accumulated Depreciation	6,144,974.60	1,527,061.59	53,751.66	7,618,284.53
Total Capital Assets Being Depreciated, Net	42,418,367.85	(1,290,731.94)	542.94	41,127,092.97
Total Governmental Activities Capital Assets, Net	\$ 70,126,747.41	\$ 910,376.72	\$ 542.94	\$ 71,036,581.19

Economic Factors and Next Year's Budget

The following are currently known Selma City economic factors considered in going into the 2013-2014 Fiscal Year.

- ✓ The unemployment rate in Dallas County for February 2014 was 13.1 percent, which is reflective of the slowing economy nationwide. Dallas County's unemployment rate ranks 2nd out of 67 counties and compares unfavorably to the State's average unemployment rate of 6.7 percent for February 2014.

- ✓ 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 1,807 people over a ten-year period. The latest annual population estimate published by the Census Bureau on July 1, 2012 reports Selma at 20,756. 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 2013-2014 fiscal year due to increasing expenditures and fringe benefits. This uncertainty has caused the Board to budget for continued cautious spending for the 2014 fiscal year.

Student Enrollment - The latest student enrollment figure as of the twenty-day report in the 2012-2013 school year was 3,810; which was a decrease of approximately 85 students from the previous years' data.

ADM	Fiscal Year
3,810	2013
3,895	2012
3,813	2011
3,815	2010

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 10.00 percent for fiscal year 2012 to 10.08 percent for fiscal year 2013 for an increased cost of .08 percent. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

YEAR	RETIREMENT PERCENTAGE	PEEHIP PER MONTH
2011	12.51%	752.00
2012	10.00%	714.00
2013	10.08%	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.

Basic Financial Statements

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Statement of Net Position
September 30, 2013

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 9,679,949.42
Cash with Fiscal Agent	1,740,074.71
Investments	43,909.47
Ad Valorem Property Taxes Receivable	3,005,186.69
Receivables (Note 4)	433,154.79
Inventories	110,646.32
Capital Assets (Note 5):	
Nondepreciable	29,909,488.22
Depreciable, Net	41,127,092.97
Total Assets	<u>86,049,502.59</u>
<u>Liabilities</u>	
Accounts Payable	185,889.14
Deferred Revenue	3,260,115.83
Salaries and Benefits Payable	1,644,736.07
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Bonds Payable	111,429.68
Portion Due or Payable After One Year:	
Bonds Payable	24,703,868.21
Certificate of Participation Payable	2,000,000.00
Total Liabilities	<u>31,906,038.93</u>
<u>Net Position</u>	
Net Investment in Capital Assets	44,221,283.30
Restricted for:	
Debt Service	3,870,683.91
Capital Projects	1,718,621.95
Child Nutrition Program	1,281,230.26
Other Purposes	69,177.07
Unrestricted	<u>2,982,467.17</u>
Total Net Position	<u>\$ 54,143,463.66</u>

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

Statement of Activities
For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities</u>			
Instruction	\$ 18,944,822.90	\$ 293,390.37	\$ 16,105,941.40
Instructional Support	4,892,874.05	74,462.02	4,459,268.76
Operation and Maintenance	3,800,387.91	98,924.35	1,441,641.08
Auxiliary Services:			
Student Transportation	395,276.07	73,915.66	220,709.00
Food Service	2,858,872.41	2,580,986.89	223,428.96
General Administration and Central Support	1,447,983.83	4,882.36	977,904.51
Interest and Fiscal Charges	224,201.58		
Other	2,053,249.40	227,669.08	1,604,648.90
Total Governmental Activities	<u>\$ 34,617,668.15</u>	<u>\$ 3,354,230.73</u>	<u>\$ 25,033,542.61</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 Position

Net Position - Beginning of Year

Net Position - 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 Position Total Governmental Activities</u>
\$ 661,703.71	\$ (1,883,787.42)
382,060.29	(359,143.27)
70,652.96	(1,877,762.19)
	(29,998.45)
	(54,456.56)
	(465,196.96)
	(224,201.58)
	(220,931.42)
<u>\$ 1,114,416.96</u>	<u>(5,115,477.85)</u>

3,194,760.92
180,275.99
80,028.84

385,510.78
143,469.93
1,193,593.41
5,177,639.87

62,162.02

54,081,301.64

\$ 54,143,463.66

Balance Sheet
Governmental Funds
September 30, 2013

	General Fund	Special Revenue Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 4,072,241.32	\$ 1,698,796.23
Cash with Fiscal Agent		
Investments		43,909.47
Ad Valorem Property Taxes Receivable	3,005,186.69	
Receivables (Note 4)	140,388.84	276,016.23
Interfund Receivables	27,770.91	
Inventories		110,646.32
Total Assets	<u>7,245,587.76</u>	<u>2,129,368.25</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	59,730.50	109,160.79
Interfund Payables		27,770.91
Deferred Revenues	3,005,186.69	254,929.14
Salaries and Benefits Payable	1,560,513.93	84,222.14
Total Liabilities	<u>4,625,431.12</u>	<u>476,082.98</u>
<u>Fund Balances</u>		
Nonspendable:		
Inventories		110,646.32
Restricted for:		
Debt Service		
Capital Projects		
Child Nutrition Program		1,170,583.94
Other Purposes		9,744.48
Assigned to:		
Capital Projects		
Local Schools		362,310.53
Unassigned	2,620,156.64	
Total Fund Balances	<u>2,620,156.64</u>	<u>1,653,285.27</u>
Total Liabilities and Fund Balances	<u>\$ 7,245,587.76</u>	<u>\$ 2,129,368.25</u>

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

Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 3,065,945.35	\$ 842,966.52	\$ 9,679,949.42
804,738.56	935,336.15	1,740,074.71
		43,909.47
		3,005,186.69
	16,749.72	433,154.79
		27,770.91
		110,646.32
<u>3,870,683.91</u>	<u>1,795,052.39</u>	<u>15,040,692.31</u>
	16,997.85	185,889.14
		27,770.91
		3,260,115.83
		1,644,736.07
	<u>16,997.85</u>	<u>5,118,511.95</u>
		110,646.32
3,870,683.91		3,870,683.91
	1,718,621.95	1,718,621.95
		1,170,583.94
	59,432.59	69,177.07
		362,310.53
		2,620,156.64
<u>3,870,683.91</u>	<u>1,778,054.54</u>	<u>9,922,180.36</u>
<u>\$ 3,870,683.91</u>	<u>\$ 1,795,052.39</u>	<u>\$ 15,040,692.31</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2013***

Total Fund Balances - Governmental Funds (Exhibit 3)			\$	9,922,180.36
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds (Note 5).				71,036,581.19
Certain liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These liabilities at year-end consist of:				
		Amounts Due or Payable Within One Year	Amounts Due or Payable After One Year	
Bonds Payable	\$	111,429.68	\$	24,703,868.21
Certificate of Participation Payable				2,000,000.00
Total	\$	111,429.68	\$	26,703,868.21
				<u>(26,815,297.89)</u>
Total Net Position - Governmental Activities (Exhibit 1)			\$	<u>54,143,463.66</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 20,281,997.00	\$
Federal	264,726.60	6,726,557.47
Local	4,012,502.28	1,606,946.92
Other	137,270.01	58,666.08
Total Revenues	24,696,495.89	8,392,170.47
<u>Expenditures</u>		
Current:		
Instruction	15,364,119.79	2,190,300.69
Instructional Support	4,082,975.05	808,465.24
Operation and Maintenance	2,852,253.45	412,073.59
Auxiliary Services:		
Student Transportation	237,918.42	114,160.06
Food Service		3,056,873.49
General Administration and Central Support	1,123,559.37	439,525.36
Other	220,401.42	1,818,090.95
Capital Outlay	44,553.00	19,846.65
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	23,925,780.50	8,859,336.03
Excess (Deficiency) of Revenues Over Expenditures	770,715.39	(467,165.56)
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	256,360.49	
Transfers In	37,234.04	588,887.97
Other Financing Sources	27,564.91	197,591.40
Transfers Out	(629,951.97)	(37,234.04)
Total Other Financing Sources (Uses)	(308,792.53)	749,245.33
Net Changes in Fund Balances	461,922.86	282,079.77
Fund Balances - Beginning of Year	2,158,233.78	1,371,205.50
Fund Balances - End of Year	\$ 2,620,156.64	\$ 1,653,285.27

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

Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 86,000.00	\$ 1,025,720.96	\$ 21,393,717.96
		6,991,284.07
254,286.54		5,873,735.74
		195,936.09
<u>340,286.54</u>	<u>1,025,720.96</u>	<u>34,454,673.86</u>
		17,554,420.48
		4,891,440.29
154,793.39	317,709.14	3,736,829.57
		352,078.48
		3,056,873.49
		1,563,084.73
		2,038,492.37
	2,373,038.66	2,437,438.31
	107,577.78	107,577.78
132,266.60	91,934.98	224,201.58
<u>287,059.99</u>	<u>2,890,260.56</u>	<u>35,962,437.08</u>
53,226.55	(1,864,539.60)	(1,507,763.22)
		256,360.49
1,067,803.33		1,693,925.34
		225,156.31
	(1,026,739.33)	(1,693,925.34)
<u>1,067,803.33</u>	<u>(1,026,739.33)</u>	<u>481,516.80</u>
1,121,029.88	(2,891,278.93)	(1,026,246.42)
2,749,654.03	4,669,333.47	10,948,426.78
<u>\$ 3,870,683.91</u>	<u>\$ 1,778,054.54</u>	<u>\$ 9,922,180.36</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, 2013

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (1,026,246.42)

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 (\$2,437,438.31) exceeded depreciation expense (\$1,527,061.59) in the current period. 910,376.72

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 107,577.78

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 position differs from the change in fund balances by this amount. (542.94)

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

Net Decrease in Liability for Compensated Absences 70,996.88

Change in Net Position of Governmental Activities (Exhibit 2) \$ 62,162.02

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

Notes to the Financial Statements

For the Year Ended September 30, 2013

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

Notes to the Financial Statements

For the Year Ended September 30, 2013

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.

Notes to the Financial Statements
For the Year Ended September 30, 2013

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

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

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

D. Assets, Liabilities and Net Position/Fund Balances

1. Deposits and Investments

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

Notes to the Financial Statements

For the Year Ended September 30, 2013

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.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2013

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 position.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2013

8. Net Position/Fund Equity

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

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

Fund 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.

Notes to the Financial Statements
For the Year Ended September 30, 2013

- 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.

Notes to the Financial Statements
For the Year Ended September 30, 2013

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 and Capital Projects 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, 2013, receivables for the Board’s individual major funds are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Receivables:				
Accounts Receivable	\$ 27,444.71	\$ 5,022.50	\$	\$ 32,467.21
Intergovernmental	112,944.13	270,993.73	16,749.72	400,687.58
Total Receivables	<u>\$140,388.84</u>	<u>\$276,016.23</u>	<u>\$16,749.72</u>	<u>\$433,154.79</u>

Notes to the Financial Statements
For the Year Ended September 30, 2013

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, 2013, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Property Taxes	\$3,005,186.69	\$
Grant Drawdowns Prior to Meeting all Eligibility Requirements		252,703.26
Child Nutrition Program Prepaid Meals		2,225.88
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$3,005,186.69</u>	<u>\$254,929.14</u>

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance 10/01/2012	Additions	Retirements	Balance 09/30/2013
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,029,895.71	\$	\$	\$ 1,029,895.71
Construction in Progress	26,678,483.85	2,201,108.66		28,879,592.51
Total Capital Assets, Not Being Depreciated	<u>27,708,379.56</u>	<u>2,201,108.66</u>		<u>29,909,488.22</u>
Capital Assets Being Depreciated:				
Buildings	45,131,285.07			45,131,285.07
Building Improvements	728,242.47			728,242.47
Equipment and Furniture	1,915,233.29	158,372.65	(19,494.60)	2,054,111.34
Vehicles	788,581.62	77,957.00	(34,800.00)	831,738.62
Total Capital Assets Being Depreciated	<u>48,563,342.45</u>	<u>236,329.65</u>	<u>(54,294.60)</u>	<u>48,745,377.50</u>
Less Accumulated Depreciation for:				
Buildings	(4,003,916.57)	(1,302,971.78)		(5,306,888.35)
Building Improvements	(81,563.16)	(23,303.76)		(104,866.92)
Equipment and Furniture	(1,462,414.48)	(149,296.24)	19,299.66	(1,592,411.06)
Vehicles	(597,080.39)	(51,489.81)	34,452.00	(614,118.20)
Total Accumulated Depreciation	<u>(6,144,974.60)</u>	<u>(1,527,061.59)</u>	<u>53,751.66</u>	<u>(7,618,284.53)</u>
Total Capital Assets Being Depreciated, Net	<u>42,418,367.85</u>	<u>(1,290,731.94)</u>	<u>(542.94)</u>	<u>41,127,092.97</u>
Total Governmental Activities Capital Assets, Net	<u>\$70,126,747.41</u>	<u>\$ 910,376.72</u>	<u>\$ (542.94)</u>	<u>\$71,036,581.19</u>

Notes to the Financial Statements
For the Year Ended September 30, 2013

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
Instruction	\$1,390,402.42
Instructional Support	1,433.76
Operation and Maintenance	63,558.34
Auxiliary Services:	
Student Transportation	43,197.59
Food Service	2,408.05
General Administration and Central Support	6,640.20
Other	19,421.23
Total Depreciation Expense – Governmental Activities	<u>\$1,527,061.59</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.

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

Notes to the Financial Statements
For the Year Ended September 30, 2013

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2013

B. Funding Policy

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

Fiscal Year Ended September 30,	2013	2012	2011
Total Percentage of Covered Payroll (Tier 1)	17.58%	17.25%	17.51%
Total Percentage of Covered Payroll (Tier 2)	15.44%		
Contributions:			
Percentage Contributed by the Board (Tier 1)	10.08%	10.00%	12.51%
Percentage Contributed by the Employees (Tier 1)	7.50%	7.25%	5.00%
Percentage Contributed by the Board (Tier 2)	9.44%		
Percentage Contributed by the Employees (Tier 2)	6.00%		
Contributed by the Board	\$1,823,101.01	\$1,808,085.81	\$2,379,192.04
Contributed by Employees	1,355,160.74	1,310,862.20	950,916.08
Total Contributions	<u>\$3,178,261.75</u>	<u>\$3,118,948.01</u>	<u>\$3,330,108.12</u>

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

Notes to the Financial Statements

For the Year Ended September 30, 2013

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 2013
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	\$671.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$860.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$829.00
Surviving Spouse – Medicare Eligible	\$317.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$506.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$475.00

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

Notes to the Financial Statements

For the Year Ended September 30, 2013

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
2013	\$714.00	\$216.90	30.38%	\$1,207,187.04	100%
2012	\$714.00	\$228.85	32.05%	\$1,304,351.10	100%
2011	\$752.00	\$198.94	26.45%	\$1,162,302.00	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, 2013, the Board was obligated under a construction contract for the new Selma High School in the amount of \$698,410.66.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2013

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 1st 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.

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, 2013:

	Debt Outstanding 10/01/2012	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2013	Amounts Due within One Year
Governmental Activities:					
Bonds and Certificate of Participation Payable:					
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	2,322,875.67		(107,577.78)	2,215,297.89	111,429.68
Certificate of Participation Payable	2,000,000.00			2,000,000.00	
Total Bonds and Certificate of Participation Payable	26,922,875.67		(107,577.78)	26,815,297.89	111,429.68
Other Liabilities:					
Capital Lease Contracts Payable					
Compensated Absences	70,996.88		(70,996.88)		
Total Other Liabilities	70,996.88		(70,996.88)		
Total Governmental Activities Long-Term Liabilities	\$26,993,872.55	\$	\$(178,574.66)	\$26,815,297.89	\$111,429.68

Notes to the Financial Statements
For the Year Ended September 30, 2013

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.

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

Fiscal Year Ending	Bonds Payable		Certificate of Participation Payable		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	
September 30, 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	128,763.18	1,350,833.09			1,479,596.27
2019-2023	725,531.00	6,671,775.75			7,397,306.75
2024-2028	23,491,073.12	4,972,603.55			28,463,676.67
Totals	\$24,815,297.89	\$18,443,846.73	\$2,000,000.00	(*)	\$45,259,144.62

(*) 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 \$5,848,031.80 are pledged to repay the principal and interest on the bonds at September 30, 2013. Proceeds from the allocation of Public School Capital Outlay Funds in the amount of \$755,555.24 were received by the Board during the fiscal year ending September 30, 2013, of which \$5,202.60 was used to pay interest on the bonds. The Qualified Zone Academy Bonds, Series 2011A will mature in fiscal year 2026.

Notes to the Financial Statements
For the Year Ended September 30, 2013

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 \$34,420,000.00 are pledged to repay the principal and interest on the bonds at September 30, 2013. Proceeds from the allocation of Public School Capital Outlay Funds in the amount of \$755,555.24 were received by the Board during the fiscal year ending September 30, 2013, of which \$127,064.00 was used to pay interest on the bonds. The Capital Outlay Pool Qualified Construction Bonds, Series 2010 will mature in fiscal year 2027.

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 \$2,991,112.80 are pledged to repay the principal and interest on the bonds at September 30, 2013. Pledged funds in the amount of \$199,512.76 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2013. 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, 2013, the total \$1 million of the QZAB certificates outstanding are considered defeased.

Notes to the Financial Statements

For the Year Ended September 30, 2013

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.

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2013

Note 11 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2013, were as follows:

	Interfund Receivables	
	General Fund	Totals
Interfund Payables:		
Special Revenue Fund	\$27,770.91	\$27,770.91
Totals	\$27,770.91	\$27,770.91

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2013, were as follows:

	Transfers Out			Totals
	General Fund	Special Revenue Fund	Capital Projects Fund	
Transfers In:				
General Fund	\$	\$37,234.04	\$	\$ 37,234.04
Special Revenue Fund	588,887.97			588,887.97
Debt Service Fund	41,064.00		1,026,739.33	1,067,803.33
Total	\$629,951.97	\$37,234.04	\$1,026,739.33	\$1,693,925.34

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.

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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, 2013***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
State	\$ 20,212,254.00	\$ 20,236,287.00	\$ 20,281,997.00
Federal	55,000.00	65,000.00	264,726.60
Local	3,857,450.00	3,847,450.00	4,012,502.28
Other	123,375.00	123,375.00	137,270.01
Total Revenues	24,248,079.00	24,272,112.00	24,696,495.89
Expenditures			
Current:			
Instruction	15,207,156.00	15,344,855.68	15,283,725.76
Instructional Support	4,026,122.00	4,126,361.63	4,032,138.17
Operation and Maintenance	2,637,359.00	2,805,001.03	2,845,484.88
Auxiliary Services:			
Student Transportation	214,864.00	214,864.00	235,531.66
General Administration and Central Support	1,201,885.00	1,202,385.00	1,115,579.98
Other	100,560.00	101,601.00	212,615.60
Capital Outlay			44,553.00
Total Expenditures	23,387,946.00	23,795,068.34	23,769,629.05
Excess (Deficiency) of Revenues Over Expenditures	860,133.00	477,043.66	926,866.84
Other Financing Sources (Uses)			
Indirect Cost	276,495.47	288,495.47	256,360.49
Transfers In			37,234.04
Other Sources			27,564.91
Transfers Out	(1,351,340.49)	(968,944.46)	(629,951.97)
Total Other Financing Sources (Uses)	(1,074,845.02)	(680,448.99)	(308,792.53)
Net Change in Fund Balances	(214,712.02)	(203,405.33)	618,074.31
Fund Balances - Beginning of Year	3,200,000.00	3,562,596.26	3,562,596.26
Fund Balances - End of Year	\$ 2,985,287.98	\$ 3,359,190.93	\$ 4,180,670.57

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 20,281,997.00
		264,726.60
		4,012,502.28
		137,270.01
		<u>24,696,495.89</u>
(1)	80,394.03	15,364,119.79
(1)	50,836.88	4,082,975.05
(1)	6,768.57	2,852,253.45
(1)	2,386.76	237,918.42
(1)	7,979.39	1,123,559.37
(1)	7,785.82	220,401.42
		44,553.00
	<u>156,151.45</u>	<u>23,925,780.50</u>
	<u>(156,151.45)</u>	<u>770,715.39</u>
		256,360.49
		37,234.04
		27,564.91
		<u>(629,951.97)</u>
		<u>(308,792.53)</u>
	(156,151.45)	461,922.86
(2)	<u>(1,404,362.48)</u>	<u>2,158,233.78</u>
	<u>\$ (1,560,513.93)</u>	<u>\$ 2,620,156.64</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2013***

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 and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

Net Decrease 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.

\$ (156,151.45)

\$ (156,151.45)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2013***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Federal	\$ 6,441,801.74	\$ 7,465,366.85	\$ 6,726,557.47
Local	1,171,039.00	1,282,914.00	1,606,946.92
Other	55,100.00	55,100.00	58,666.08
Total Revenues	<u>7,667,940.74</u>	<u>8,803,380.85</u>	<u>8,392,170.47</u>
Expenditures			
Current:			
Instruction	1,720,065.00	2,323,414.88	2,190,300.69
Instructional Support	1,171,245.01	1,347,839.35	808,465.24
Operation and Maintenance	298,028.00	353,028.00	412,073.59
Auxiliary Services:			
Student Transportation	88,670.00	88,457.40	114,160.06
Food Service	3,392,647.15	3,314,006.98	3,050,909.85
General Administration and Central Support	309,860.00	344,993.79	439,525.36
Other	1,727,437.45	1,922,295.91	1,818,090.95
Capital Outlay			19,846.65
Total Expenditures	<u>8,707,952.61</u>	<u>9,694,036.31</u>	<u>8,853,372.39</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,040,011.87)</u>	<u>(890,655.46)</u>	<u>(461,201.92)</u>
Other Financing Sources (Uses)			
Transfers In	971,284.00	588,887.97	588,887.97
Other Sources	200.00	200.00	197,591.40
Transfers Out			(37,234.04)
Total Other Financing Sources (Uses)	<u>971,484.00</u>	<u>589,087.97</u>	<u>749,245.33</u>
Net Change in Fund Balances	(68,527.87)	(301,567.49)	288,043.41
Fund Balances - Beginning of Year	<u>1,382,999.00</u>	<u>1,449,464.00</u>	<u>1,449,464.00</u>
Fund Balances - End of Year	<u>\$ 1,314,471.13</u>	<u>\$ 1,147,896.51</u>	<u>\$ 1,737,507.41</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 6,726,557.47
		1,606,946.92
		58,666.08
		<u>8,392,170.47</u>
		2,190,300.69
		808,465.24
		412,073.59
		114,160.06
(1)	5,963.64	3,056,873.49
		439,525.36
		1,818,090.95
		19,846.65
	<u>5,963.64</u>	<u>8,859,336.03</u>
	<u>(5,963.64)</u>	<u>(467,165.56)</u>
		588,887.97
		197,591.40
		<u>(37,234.04)</u>
		<u>749,245.33</u>
	(5,963.64)	282,079.77
(2)	<u>(78,258.50)</u>	<u>1,371,205.50</u>
	<u>\$ (84,222.14)</u>	<u>\$ 1,653,285.27</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2013***

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 and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

Net Decrease 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.

\$ (5,963.64)

\$ (5,963.64)

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
---	------------------------------------	--

**U. S. Department of Agriculture
Passed Through Alabama Department of Education**

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)		
Fresh Fruit and Vegetable Program	10.582	N.A.
Total U. S. Department of Agriculture		

**U. S. Department of Education
Direct Program**

Impact Aid	84.041	N.A.
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**U. S. Department of Education
Passed Through Alabama Department of Education**

Title I Grants to Local Educational Agencies (M)	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		
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.
Advance Placement Program	84.330	N.A.
Rural Education	84.358	N.A.
Improving Teacher Quality State Grants (M)	84.367	N.A.
Total U. S. Department of Education		

Sub-Total Forward

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2012-09/30/2013	\$ 534,282.57	\$ 534,282.57	\$ 534,282.57	\$ 534,282.57
10/01/2012-09/30/2013	1,726,490.02	1,726,490.02	1,726,490.02	1,726,490.02
10/01/2012-09/30/2013	137,955.40	137,955.40	137,955.40	137,955.40
	<u>1,864,445.42</u>	<u>1,864,445.42</u>	<u>1,864,445.42</u>	<u>1,864,445.42</u>
	2,398,727.99	2,398,727.99	2,398,727.99	2,398,727.99
10/01/2012-09/30/2013	<u>97,298.44</u>	<u>97,298.44</u>	<u>97,298.44</u>	<u>97,298.44</u>
	<u>2,496,026.43</u>	<u>2,496,026.43</u>	<u>2,496,026.43</u>	<u>2,496,026.43</u>
10/01/2012-09/30/2013	7,458.13	7,458.13	7,458.13	7,458.13
10/01/2012-09/30/2013	3,065,014.71	3,065,014.71	2,636,577.15	2,636,577.15
10/01/2012-09/30/2013	1,220,806.69	1,220,806.69	1,159,804.98	1,159,804.98
10/01/2012-09/30/2013	<u>46,273.78</u>	<u>46,273.78</u>	<u>34,938.51</u>	<u>34,938.51</u>
	1,267,080.47	1,267,080.47	1,194,743.49	1,194,743.49
10/01/2012-09/30/2013	96,725.00	96,725.00	96,725.00	96,725.00
10/01/2012-09/30/2013	28,000.00	28,000.00	28,000.00	28,000.00
10/01/2012-09/30/2013	150,952.87	150,952.87	125,345.31	125,345.31
10/01/2012-09/30/2013	583.00	583.00	583.00	583.00
10/01/2012-09/30/2013	73,542.00	73,542.00	25,613.24	25,613.24
10/01/2012-09/30/2013	<u>436,369.06</u>	<u>436,369.06</u>	<u>315,105.01</u>	<u>315,105.01</u>
	<u>5,125,725.24</u>	<u>5,125,725.24</u>	<u>4,430,150.33</u>	<u>4,430,150.33</u>
	\$ 7,621,751.67	\$ 7,621,751.67	\$ 6,926,176.76	\$ 6,926,176.76

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Health and Human Services</u>		
<u>Passed Through Alabama Department of Education</u>		
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	N.A.
<u>Social Security Administration</u>		
<u>Passed Through Alabama Department of Education</u>		
Social Security - Disability Insurance	96.001	N.A.
<u>Other Federal Assistance</u>		
<u>U. S. Department of Defense</u>		
<u>Direct Program</u>		
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		
	\$ 7,621,751.67	\$ 7,621,751.67	\$ 6,926,176.76	\$ 6,926,176.76
10/01/2012-09/30/2013	3,000.00	3,000.00	3,000.00	3,000.00
10/01/2012-09/30/2013	3,140.00	3,140.00	3,140.00	3,140.00
10/01/2012-09/30/2013	58,967.31	58,967.31	58,967.31	58,967.31
	<u>\$ 7,686,858.98</u>	<u>\$ 7,686,858.98</u>	<u>\$ 6,991,284.07</u>	<u>\$ 6,991,284.07</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2013***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards 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.

Additional Information

Board Members and Administrative Personnel
October 1, 2012 through September 30, 2013

Board Members		Term Expires
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Hon. Henry Hicks, Sr.	President	2016
Hon. Brenda Randolph Obomanu	Vice-President	2016
Hon. Frank Chestnut, Jr.	Member	2016
Hon. Kirit Chapatwala, Ph.D.	Member	2016
Hon. Udo F. Ufomadu, Ph.D.	Member	2016

Administrative Personnel

Gerald Shirley	Superintendent	June 2014
Grindal Harris	Chief School Financial Officer	Indefinite

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

Independent Auditor's Report

To: Members of the Selma City Board of Education, Superintendent and Chief School Financial Officer

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Selma City Board of Education as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Selma City Board of Education's basic financial statements and have issued our report thereon dated July 23, 2014.

Internal Control Over Financial Reporting

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

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

***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***

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weakness or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2013-001, 2013-002, 2013-003, 2013-004, 2013-005, 2013-006, 2013-007 and 2013-008.

Compliance and Other Matters

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

Selma City Board of Education's Response to Findings

The Selma City Board of Education's response to the findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Selma City Board of Education's response was not subjected to auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

***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***

Purpose of this Report

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



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

Montgomery, Alabama

July 23, 2014

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

Independent Auditor's Report

To: Members of the Selma City Board of Education, Superintendent and Chief School Financial Officer

Report on Compliance for Each Major Federal Program

We have audited the Selma City Board of Education's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Selma City Board of Education's major federal programs for the year ended September 30, 2013. The Selma City Board of Education's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Selma City Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Selma City Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Selma City Board of Education's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the Selma City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-009. Our opinion on each major program is not modified with respect to this matter.

The Selma City Board of Education's response to the noncompliance finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Selma City Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-009, that we consider to be a significant deficiency.

The Selma City Board of Education's response to the internal control over compliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Selma City Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance accordingly, we express no opinion on the response.

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 23, 2014

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section I – Summary of Examiner’s Results

Financial Statements

Type of opinion issued: Unmodified
Internal control over financial reporting:
Material weakness(es) identified? _____ Yes X No
Significant deficiency(ies) identified? 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: Unmodified
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 Numbers	Name of Federal Program or Cluster
10.553 and 10.555 84.010	Child Nutrition Program Cluster Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants

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, 2013

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2013-001	Internal Control	<p><u>Finding:</u> Management is responsible for establishing policies and procedures to ensure local schools maintain accurate receipt book logs for receipt books disbursed to teachers/responsible personnel. An adequate internal control system for maintaining a receipt book log should involve recording the date receipt books are issued and returned, the receipt numbers issued and returned, and should exhibit receipt books being issued in sequential order. The log should contain the signatures of teachers/responsible personnel to verify books issued and returned.</p> <p>At Selma High School and R. B. Hudson Middle School the following problems were noted:</p> <ul style="list-style-type: none"> ✓ Receipt books were not issued in sequential order on the receipt book log. ✓ The receipt book log did not always note the date the receipt book was issued and/or to whom the receipt book was issued ✓ The receipt book log did not identify when receipt books were returned or the number of unused receipts returned. ✓ Receipt books assigned to one teacher/responsible personnel was used by multiple teachers/responsible personnel. ✓ Signatures were not documented on the receipt book log verifying receipt books received and returned. <p><u>Recommendation:</u> The Board should ensure that adequate internal control procedures are established for maintaining a receipt book log and ensure receipt books are only used by the individual to whom they are assigned.</p>	

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2013-002	Internal Control	<p><u>Finding:</u> The Board’s policies state that all monies received before the end of the school day should be turned in that day to appropriate office personnel when possible and should be turned in no later than the next school day. At Selma High School and R. B. Hudson Middle School, receipts were not taken to the office in a timely manner.</p> <p><u>Recommendation:</u> The Board should ensure that all funds received by teachers/responsible personnel are taken to the office for receipt in a timely manner.</p>	
2013-003	Internal Control	<p><u>Finding:</u> According to the Board’s policy, the purpose of the purchase order is to provide documentation of the principal’s written approval to purchase items or services. A completed purchase order shall include the vendor and address, item(s) description, quantity, price extension, and any other pertinent information concerning the purchase (i.e. what funds will be used to purchase the items). A purchase order must be completed and approved (by the principal) before every purchase, except recurring expenditures (i.e utilities). After purchase orders are processed and goods or services ordered are received, the invoice and/or packing slip shall be checked against the purchase order and the person receiving the goods/services shall sign and date the invoice indicating that the goods/services have been received before disbursements are made. The following instances were noted at Selma High School:</p> <ul style="list-style-type: none"> ✓ Numerous purchase orders were not properly coded to the correct activity codes. ✓ Numerous purchase orders did not include the descriptions and/or quantities of all items purchased. 	

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		<p><u>Finding Continued:</u></p> <ul style="list-style-type: none"> ✓ Not all invoices were signed or dated when items were received. ✓ Dates on some invoices appear to have been altered. ✓ Disbursements were made prior to adequate documentation being received. ✓ Adequate documentation was not maintained to support numerous expenditures. <p>The following instance was noted at R. B. Hudson Middle School:</p> <ul style="list-style-type: none"> ✓ Numerous expenditures were not coded to the correct activity code. <p><u>Recommendation:</u></p> <p>The Board should ensure that adequate internal control procedures are followed for the disbursement of funds at local schools and ensure that adequate documentation is maintained to support the expenditures.</p>	
2013-004	Internal Control	<p><u>Finding:</u></p> <p>Internal Revenue Service regulations require the Board to issue a form 1099 to every person providing goods and/or services in an amount equal to \$600 or more. At Selma High School, several individuals providing goods and/or services in the amount of \$600 or more were not issued a 1099 form.</p> <p><u>Recommendation:</u></p> <p>The Board should develop policies and procedures to ensure all persons providing goods or services in an amount equal to \$600 or more are issued 1099 forms in accordance with applicable Internal Revenue Service regulations.</p>	

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2013-005	Internal Control	<p><u>Finding:</u> The Board utilizes a Gate Ticket Sales form for each athletic event. This form should indicate the beginning and ending ticket numbers issued with the value indicated and the signature of the person receiving the start up cash and tickets. When these forms are returned, the ticket numbers returned should be indicated on the Gate Ticket Sales form and a reconciliation performed for the deposit of funds. The following instances were identified relating to athletic receipting at Selma High School and R. B. Hudson Middle School:</p> <ul style="list-style-type: none"> ✓ A control sheet was not being maintained for athletic tickets issued and returned to ensure all ticket sales were accurately accounted for and completed. ✓ Approved Gate Ticket Sales forms were not always used to document the sale of tickets. ✓ None of the Gate Ticket Sales forms indicated the color of the tickets being sold. ✓ Gate Ticket Sales forms did not indicate the number of tickets issued for an athletic event. ✓ Gate Ticket Sales forms only required the number of tickets sold and returned to be reported on the ticket sales forms and numerous forms did not indicate the number of tickets returned. ✓ The Cash Count Section on the Gate Ticket Sales form was not always completed. ✓ Reconciled receipts were not always verified by another individual. ✓ Startup cash was not noted on some of the Gate Ticket Sales forms, and was altered on several forms. ✓ Errors were noted in Cash Counts that were not always identified by the person verifying amounts. 	

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		<p><u>Finding Continued:</u> ✓ Errors were noted in the calculation of the number of tickets sold which were not reflected in the deposit, nor were the errors identified by the person verifying the Gate Ticket Sales forms.</p> <p><u>Recommendation:</u> The Board should implement adequate internal controls to ensure that gate receipts are properly accounted for and reconciled.</p>	
2013-006	Internal Control	<p><u>Finding:</u> The Board has established policies and procedures for local schools to adhere to when documenting amounts collected and expended for fundraising events. These policies and procedures require the teacher/sponsor/responsible party to request approval for fundraising events by completing a “Fund Raising Activity Request” form, which must be submitted to the Principal 30 days in advance. Per the Board’s policies, it is the Local School Bookkeepers’ responsibility to start a file for the fundraiser and coordinate with the responsible party to secure requisitions, generate purchase orders, and secure receiving documents and invoices. The Board’s policies and procedures also require a “Fundraiser/School Store Accountability Report” be completed by the responsible party and/or bookkeeper. This form requires the following to be documented: Total cost of items/products purchased; total revenue deposited to the office; the actual profit (or loss); Principal’s signature verifying completion of form; and verification of amounts entered as receipts and expenditures by the Local School Bookkeeper. The “Fundraiser/School Store Accountability Report” and supporting documents are to be placed in a file and maintained by the Local School Bookkeeper.</p>	

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		<p><u>Finding Continued:</u></p> <p>At Selma High School, the following instances were noted:</p> <ul style="list-style-type: none"> ✓ Only one Fundraiser/School Accountability Report was completed for over twenty fundraisers that were requested and approved by the Principal and Superintendent during the fiscal year. ✓ The one Fundraiser/School Accountability Report completed was not signed by the Principal or verified by the Local School Bookkeeper. ✓ No completed files were maintained to support a profit (loss) for any of the fundraisers approved by the Principal and Superintendent. ✓ The majority of the fundraiser requests were not submitted to the Principal at least 30 days prior to the event. <p>At R. B. Hudson Middle School, the following instances were noted:</p> <ul style="list-style-type: none"> ✓ No Fundraiser/School Accountability Report was completed to support fundraisers reviewed. ✓ No completed files were maintained to support a profit (loss) for any of the fundraising events. ✓ Fundraising Activity Request forms were not completed and retained to support approval of all fundraising events. ✓ None of the Fundraising Activity Request forms were signed by the Principal 30 days prior to the event. <p><u>Recommendation:</u></p> <p>The Board should ensure that schools comply with the established policies and procedures as they relate to completing applicable forms and maintaining documentation to support fundraising activities. All fundraising activities should be reviewed to ensure they are generating adequate profits.</p>	

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2013-007	Internal Control	<p><u>Finding:</u> Management is responsible for establishing policies and procedures to ensure the local schools sell concession items to students at a profit. At Selma High School and R. B. Hudson Middle School, revenues and expenditures pertaining to the sale of concession items were not being monitored to ensure adequate profits were being made. The following items were noted:</p> <ul style="list-style-type: none"> ✓ Revenues for the sale of concession items were recorded in various activity codes and comingled with other revenues. ✓ Expenditures to vendors for items for resale were recorded in various activity codes and comingled with other expenditures. <p><u>Recommendation:</u> The Board needs to develop adequate policies and procedures to ensure that items sold for concessions are recorded in a way that profitability of such sales can be monitored.</p>	
2013-008	Internal Control	<p><u>Finding:</u> Rule 290-2-1-.01(4)(a) issued by the State Board of Education states “<i>Local boards of education are required to maintain a supplemental inventory of equipment items not classified as fixed assets.</i>” The supplemental inventory of noncapitalized equipment is identified as items with a useful life of one year or more but a unit cost of less than \$5,000. The Board failed to maintain an accurate supplemental inventory of noncapitalized equipment for Selma High School. During a physical inventory of iPads at Selma High School, ninety-nine iPads were inspected. Of the ninety-nine iPads inspected, only twenty-nine were recorded on the Selma High School’s supplemental equipment inventory. Forty-five iPads that were recorded on Selma High School’s supplemental equipment inventory were unable to be inspected.</p>	

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		<p><u>Recommendation:</u> The Board should implement policies and procedures to ensure that an accurate supplemental equipment inventory is maintained.</p>	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2013-009	84.010	U. S. Department of Education; Passed Through State of Alabama Department of Education; Title I, Grants to Local Educational Agencies for 10/01/2012 – 09/30/2013	<p><u>Finding:</u> The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. An adequate system of internal controls over Procurement should ensure that all personnel responsible for the review and approval of purchases from federal funds are knowledgeable about Procurement requirements. Procurement regulations require that all purchases from federal funds adhere to the more restrictive of the A-102 Common Rule and the Alabama Competitive Bid Law. The Alabama Competitive Bid Law requires all goods and services purchased in excess of \$15,000.00 to be let by free and open competitive bidding, on sealed bids, to the lowest responsible bidder. The Board purchased paper from a vendor awarded the statewide contract.</p>	

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			<p><u>Finding Continued:</u> The Title I Director purchased paper from a vendor that was not awarded the statewide contract and was not awarded a bid through an open and competitive bid process.</p> <p><u>Recommendation:</u> The Board should implement an adequate system of internal controls to ensure that all personnel responsible for the review and approval of purchases from federal funds are knowledgeable about procurement requirements.</p>	

Summary Schedule of Prior Audit Findings



SELMA CITY SCHOOLS

OFFICE OF THE
SUPERINTENDENT

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

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2013

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section __.315(b), the Selma City Board of Education has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2013.

**Finding
Ref.
No.**

Status of Prior Audit Finding

2012-002 Corrective action was taken.

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

August 8, 2014

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 .3159c), 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.

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

Finding #2013-001: Management is responsible for establishing policies and procedures to ensure local schools maintain accurate receipt book logs for receipt books disbursed to teachers/responsible personnel. An adequate internal control system for maintaining a receipt book log should involve recording the date receipt books are issued and returned, the receipt numbers issued and returned, and should exhibit receipt books being issued in sequential order. The log should contain the signatures of teachers/responsible personnel to verify books issued and returned. At Selma High School and R. B. Hudson Middle School the following problems were noted:

- Receipt books were not issued in a sequential order on receipt book log.
- The receipt book log did not always note the date receipt book was issued and/or to whom the receipt book was issued.
- The receipt book log did not identify when receipt books were returned or the number of unused receipts returned.
- Receipt books assigned to one teacher/responsible personnel was used by multiple teachers/responsible personnel.
- Signatures were not documented on the receipt book log verifying receipt books received and returned.

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

Response: The Board has established policies and procedures to ensure local schools maintain accurate receipt book logs. The forms have been revised to include all the necessary information. Mini audits will be done to monitor the procedures.

Anticipated completion date: October 1, 2014

Finding #2013-002: The Board's policies state that all monies received before the end of the school day should be turned in the day to appropriate office personnel when possible and should be turned in no later than the next school day. At Selma High School and R. B. Hudson Middle School, receipts were not taken to the office in a timely manner.

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

Response: Regular staff meetings will be held to enforce and reiterate accounting procedures. Strong emphasis of guidelines will be communicated to all principals and staff members including receipting procedures.

Anticipated completion date: October 1, 2014

Finding #2013-003: According to the Board's policy, the purpose of the purchase order is to provide documentation of the principal's written approval to purchase items or services. A completed purchase order shall include the vendor and address, item(s) description, quantity, price extension, and any other pertinent information concerning the purchase (i.e. what funds will be used to purchase the items). A purchase order must be completed and approved (by the principal) before every purchase, except recurring expenditures (i.e. utilities). After purchase orders are processed and goods or services ordered are received, the invoice and/or packing slip shall be checked against the purchase order and the person receiving the goods/services shall sign and date the invoice indicating that the goods/services have been received before disbursements are made. The following instances were noted at Selma High School:

- Numerous purchase orders were not properly coded to the correct activity codes.
- Numerous purchase orders did not include the descriptions and/or quantities of all items purchased.
- Not all invoices were signed or dated when items were received.
- Dates on some invoices appear to have been altered.
- Disbursements were made prior to adequate documentation being received.
- Adequate documentation was not maintained to support numerous expenditures.

The following instance was noted at R. B. Hudson Middle School:

- Numerous expenditures were not coded to the correct activity code.

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

Response: Professional development will be given to all bookkeepers to ensure they follow the Board's policy when it pertains to purchase order procedures. A checklist will be implemented to ensure bookkeeping practices are being followed.

Anticipated completion date: October 1, 2014

Finding #2013-004: Internal Revenue Service regulations required the Board to issue a form 1099 to every person providing goods and/or services in an amount equal to \$600 or more. At Selma High School, several individuals providing goods and/or services in the amount of \$600 or more were not issued a 1099 form.

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

Response: The CSFO and the Centralized LSA Bookkeeper will review the file closely for the vendors and their services before the 1099s are done.

Anticipated completion date: October 1, 2014

Finding #2013-005: The Board utilizes a Gate Ticket Sales form for each athletic event. This form should indicate the beginning and ending ticket numbers issued with the value indicated and the signature of the person receiving the start up cash and tickets. When these forms are returned, the ticket numbers returned should be indicated on the Gate Ticket Sales form and a reconciliation performed for the deposit of funds. The following instances were identified relating to athletic receipting at Selma High School and R. B. Hudson Middle School:

- A control sheet was not being maintained for athletic tickets issued and returned to ensure all ticket sales were accurately accounted for and completed.
- Approved Gate Ticket Sales forms were not always used to document the sale of tickets.
- None of the Gate Ticket Sales forms indicated the color of the ticket being sold.
- Gate Ticket Sales forms did not indicate the number of tickets issued for an athletic event.
- Gate Ticket Sales forms only required the number of tickets sold and returned to be reported on the ticket sales forms and numerous forms did not indicate the number of tickets returned.
- The Cash Count Section on the Gate Ticket Sales form was not always completed.
- Reconciled receipts were not always verified by another individual.
- Startup cash was not noted on some of the Gate Ticket Sales forms, and was altered on several forms.
- Errors were noted in Cash Counts that were not always identified by the person verifying amounts.
- Errors were noted in the calculation of the number of tickets sold which were not reflected in the deposit, nor were the errors identified by the person verifying the Gate Ticket Sales forms.

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

Response: Gate receipt form and practices have been revisited by executing meetings with the Middle and High School Bookkeepers, Athletic Director and Principals. The Board will ensure these practices are followed.

Anticipated completion date: October 1, 2014

Finding #2013-006: The Board has established policies and procedures for local schools to adhere to when documenting amounts collected and expended for fundraising events. These policies and procedures require the teacher/sponsor/responsible party to request approval for fundraising events by completing a "Fund Raising Activity Request" form, which must be submitted to the Principal 30 days in advance. Per the Board's policies, it is the Local School Bookkeepers' responsibility to start a file for the fundraiser and coordinate with the responsible party to secure requisitions, generate purchase orders, and secure receiving documents and invoices. The Board's policies and procedures also require a "Fundraiser/School Store Accountability Report" be completed by the responsible party and/or bookkeeper. This form requires the following to be documented: Total cost of items/products purchased; total revenue deposited to the office; the actual profit (or loss); Principal's signature verifying completion of form; and verification of amounts entered as receipts and expenditures by the Local School Bookkeeper. The "Fundraiser/School Store Accountability Report" and supporting documents are to be placed in a file and maintained by the Local School Bookkeeper.

At Selma High School the following instances were noted:

- Only one Fundraiser/School Accountability Report was completed for over twenty fundraisers that were requested and approved by the Principal and Superintendent during the fiscal year.
- The one Fundraiser/School Accountability Report completed was not signed by the Principal or verified by the Local School Bookkeeper.
- No completed files were maintained to support a profit (loss) for any of the fundraisers approved by the Principal and Superintendent.
- The majority of the fundraiser requests were not submitted to the Principal at least 30 days prior to the event.

At R. B. Hudson, the following instances were noted;

- No Fundraiser/School Accountability Report was completed to support fundraisers reviewed.
- No completed files were maintained to support a profit (loss) for any of the fundraising events.
- Fundraising Activity Request forms were not completed and retained to support approval of all fundraising events.
- None of the Fundraising Activity Request forms were signed by the Principal 30 days prior to the event.

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

Response: "Fund Raising Activity Request" and practices have been revisited by executing meetings with the proper staff members. Extensive training will be done to ensure everyone understands the procedures. Forms have been updated to capture all the necessary information.

Anticipated completion date: October 1, 2014

Finding #2013-007: Management is responsible for establishing policies and procedures to ensure the local schools sell concession items to students at a profit. At Selma High School and R. B. Hudson Middle School, revenues and expenditures pertaining to the sale of concession items were not being monitored to ensure adequate profits were being made. The following items were noted:

- Revenues for the sale of concession items were recorded in various activity codes and comingled with other revenues.
- Expenditures to vendors for items for resale were recorded in various activity codes and comingled with other expenditures.

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

Response: Procedures will be put in place to monitor and account for all funds of the LSA concession sale, both revenues and expenditures.

Anticipated completion date: October 1, 2014

Finding #2013-008: Rule 290-2-1-.01(4)(a) issued by the State Board of Education states "Local boards of education are required to maintain a supplemental inventory of equipment items not classified as fixed assets." The supplemental inventory of noncapitalized equipment is identified as items with a useful life of one year or more but a unit cost of less than \$5,000. The Board failed to maintain an accurate supplemental inventory of noncapitalized equipment for Selma High School. During a physical inventory of iPads at Selma High School, ninety-nine iPads were inspected. Of the ninety-nine iPads inspected, only twenty-nine were recorded on the Selma High School's supplemental equipment inventory. Forty-five iPads that were recorded on Selma High School's supplemental equipment inventory were unable to be inspected.

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

Response: The Board has put in place a technology inventory policy and additional assignments to ensure that a supplemental inventory of equipment and fixed assets be maintained. (see attachment)

Anticipated completion date: October 1, 2014

Finding #2013-009: The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. An adequate system of

internal controls over Procurement should ensure that all personnel responsible for the review and approval of purchases from federal funds are knowledgeable about Procurement requirements. Procurement regulations require that all purchases from federal funds adhere to the more restrictive of the A-102 Common Rule and the Alabama Competitive Bid Law. The Alabama Competitive Bid Law requires all goods and services purchased in excess of \$15,000.00 to be let by free and open competitive bidding, on sealed bids, to the lowest responsible bidder. The Board purchased paper from a vendor awarded the statewide contract. The Title I Director purchased paper from a vendor that was not awarded the statewide contract and was not awarded a bid through an open and competitive bid process.

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

Response: The Board will ensure that all purchases in the excess of \$15,000.00 be bid on or purchased from the statewide contract. Also internal controls over Procurement will be maintained and enforced.

Anticipated completion date: October 1, 2014

Sincerely,



Larry E. DiChiara, Ed.D.
Acting Superintendent

Sincerely,



Grindal D. Harris
Chief School Financial Officer



Inventory Management Procedures

Selma City Schools, 2194 Broad Street, Selma, AL 36701

Earl Coleman, Director of Technology

Preface

Selma City School System is required to establish property-management policies and procedures and to maintain equipment inventory-control records, including equipment description, identification number, acquisition date and acquisition cost, funding source, location, use, condition, and ultimate disposition. In addition, the system is required to label all vocational education equipment.

Vocational education equipment purchased totally with federal funds, purchased (cost shared) with federal and nonfederal funds, or purchased totally with nonfederal funds used to meet federal government matching requirements is subject to both federal and state laws, rules, and regulations.

Equipment purchased with federal or nonfederal funds and no longer needed, worn out, stolen, obsolete, or the like must be taken off the system's inventory list in accordance with state and federal regulations governing the disposal of equipment (EDGAR).

Definitions

Definitions are useful in formulating property-management policies and procedures, preparing and maintaining equipment inventory-control records, and disposing of equipment that is no longer needed for vocational education purposes or that is worn out, stolen, obsolete, or the like.

Acquisition Cost

Acquisition cost of an item of purchased equipment means the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. Other charges, such as the cost of installation, transportation, taxes, duty, or protective in-transit insurance, shall be included in or excluded from the unit acquisition cost in accordance with the regular accounting practices of the organization purchasing the equipment. If the item is acquired by trading in another item and paying an additional amount, acquisition cost means the amount received for trade-in plus the additional outlay.

Amount Received for Trade-in

Amount received for trade-in of an item of equipment traded in for replacement equipment means the amount that would have been paid for the replacement equipment without a trade-in minus the amount paid with the trade-in. The term refers to the actual difference, not necessarily the trade-in value shown on an invoice.

Equipment

Equipment means items of relatively permanent value whose purchase increases the value of the physical properties of the LEA.

Replacement Equipment

Replacement equipment means property acquired to take the place of other equipment. To qualify as replacement equipment, it must serve the same functions as the equipment replaced and must be of the same nature or character, although not necessarily the same model, grade, or quality.

Supplies

Supplies are items of an expendable nature that are consumed or worn out, deteriorate in use, or are easily broken, damaged, or lost.

Characteristics and Classification of Equipment

In determining if whether an item should be classified as equipment or supplies is based on the length of time that the items is serviceable and its contribution to the value of the school facility.

- Does the item lose its original shape and appearance with use?
- Is it consumable, with a normal service life of less than two years?
- Is it easily broken, damaged, or lost in normal use?
- Is it usually more feasible to replace it with an entirely new unit than to repair it?
- Is it an inexpensive item, having the characteristics of equipment?
- Does the small unit cost make it inadvisable to capitalize the item?

In addition to meeting each of the above criteria, to be considered equipment, an item must have a useful life of more than one year and an acquisition cost of \$99 or more.

Approval Requirement for Capital Expenditures Exceeding \$5,000

Capital expenditures of \$5,000 or more for equipment, including replacement equipment, other capital assets, and improvements which materially increase the value or useful life of equipment or other capital assets are allowable as a direct cost when approved by the awarding agency. Request for approval should be in the form of a memorandum forwarded to the State Department of Education signed by the authorized representative of the local education agency. The approval request must describe the justification for the capital expenditure as it relates to the requirements for the use of funds in the Perkins Act along with supporting Bids or Price Quotations. It is imperative that the justification also address the requirement in Perkins III, Title III, Part A, Section 311, which states that "funds made available under this Act for vocational and technical education activities shall supplement, and shall not supplant non-Federal funds expended to carry out vocational and technical education activities and tech-prep activities." Approval from the State Department of Education for capital expenditures exceeding \$5,000 must be obtained prior to the expenditure of federal vocational funds.

Selma City Schools

Equipment Procedures

Any equipment (all items purchased with federal funds with a unit cost of \$5,000.00 or more and a minimum useful life expectancy of three years) and sensitive minor equipment (items purchased with federal funds with a unit cost between \$99.00 and \$5,000.00) should be approved by the director of the applicable federal program before any transactions may take place. At the time of approval from the program director, the order for the item(s) will be placed. Once items have arrived, packing slips or other types of documentation concerning the order will be given to the program director for appropriate documentation of receiving the item(s). The item(s) will be labeled appropriately.

If, at any time, equipment or sensitive minor equipment is stolen from a school, the local law enforcement should be contacted and a police report needs to be filed. A copy of this police report needs to be given to the appropriate federal program director as soon as possible for records kept at the Central Office, and the IT department must be notified if the stolen equipment falls under the technology category. An investigation of this situation will be required.

The Chief Finance Officer will maintain an equipment log/database at Central Office that contains the following data elements for equipment purchased with Title funds:

- Description of item
- Serial number or other identifying number
- Source of property
- Who holds the title
- Acquisition date
- Cost
- Percentage of Federal participation in the cost
- Location
- Condition
- Disposition data

If, at any time, equipment is moved from the designated location within a school or disposition of the equipment is necessary, the appropriate federal programs director should be contacted immediately. Correct procedures for disposing of equipment will be conducted by the director. Disposition of equipment or sensitive minor equipment will follow the EDGAR Section 80.32 (b) and General Education Provisions Act (GEPA) Section 443 (a) guidelines set forth by the federal government. Any equipment or sensitive minor equipment purchased with federal funds will have maintenance regularly with federal funds taking care of costs, if necessary

Physical inventory of federal equipment and sensitive minor equipment will be conducted at least biennially meeting the following objectives:

- Confirms that the item(s) were found at the location indicated
- Condition of the equipment
- Confirms that the equipment is in a secure environment

After completing a physical inventory of federal equipment, if items are found missing, an investigation will be conducted to determine the whereabouts of the equipment. Further action will be taken as necessary.

Once this physical inventory has been completed, the Alabama Department of Education will be notified and given general results, including any corrective action that will be taken, if applicable.

Guidelines for Equipment

Purchasing-Selma City Schools will budget in the equipment line item sufficient funds for planned purchases of any items to be considered to be equipment in the . The appropriate director will maintain all supporting documentation: inventory records, purchase orders, receipts, and vendor contracts.

All purchases must be made in compliance with policies and statutes governing Selma City Schools.

Real Property and equipment purchases with NCLB funds may be made available to other education programs or projects, providing this use does not interfere with its use for the NCLB program or significantly shorten the equipment's useful life.

Bar codes-A bar code or other type of secure tag must be affixed to identify each equipment. The name of the LEA, and a unique number will be used to identify district property. Equipment items bought as a part of a Title I school-wide program are required to have same format.

All items purchased as equipment, including sensitive equipment, as well as materials and supplies must be accounted for in such a manner as to avoid fraud, waste, or abuse. These purchases will be reviewed as a part of the regular monitoring process.

Equipment Inventory (EDGAR Section 80.32)

The Selma City School District will maintain an inventory of equipment purchased with federal grant funds until disposition takes place.

The property/inventory records must include the following information:

- Description of the property;
 - A serial number or other identification number;
 - The source of the property;
 - Who holds title;
 - The acquisition date;
 - Cost of the property;
 - Percentage of Federal participation in the cost of the property;
 - The location, use, and condition of the property, and;
 - Any ultimate disposition data including date of disposal and the sale price of the property.
- (See ED-5091.)

Disposition of Equipment (EDGAR 80.32)

Equipment may be disposed of with no obligation to the federal government, if ALL of the following criteria are met:

- (1) Equipment is no longer needed in the current program.
- (2) Equipment is not needed in other programs currently or previously funded by a federal agency.
- (3) Equipment item has a current per-unit fair market value of less than \$5,000.

If Selma City Schools dispose of equipment with a fair market value of less than \$5,000, the proceeds must be used to support the program for which the equipment was purchased. No request for approval of equipment disposition is required.

If the equipment's fair market value is more than \$5,000.00, Selma City Schools must submit a cover letter with supporting documentation as per the forms provided by the Office of Federal Programs to its NCLB field of service consultant for review and submission to the office of Federal Programs. Upon approval from the Federal Program Coordinator, Selma City Schools may proceed with the disposition process. If items are to be sold after approval of the disposition, the proceeds must be used to support the program for which the equipment was purchased. Documentation of such sale and use for the program must be maintained.

If authorized or required to sell property, Selma City Schools must conduct proper sales procedures to ensure that the highest possible return of funds to the program that purchased the equipment.

Equipment Labeling

Equipment Labeling

The Selma City School district must ensure that each equipment item classified as object classification 491 or 499 has a label that contains the name of the federal or nonfederal source of funds, an equipment identification number, and the name of the LEA. The labeling of an equipment item may be accompanied either by etching the information on the equipment or by attaching a permanent metal label to the equipment.

The following is an example and description of a label that would meet the requirements:



1. "Selma City School District" designates the name of the LEA.
2. "123456" designates the asset number which may be the serial number or the LEAs inventory control number.

Use of Vocational Education Equipment

The equipment purchased by the Selma City School district with federal funds and nonfederal matching funds must be used for the purpose(s) for which it was purchased as long as it is needed, whether or not the LEA vocational education program continues to be supported by federal funds. When the equipment is no longer needed for the purpose(s) for which it was purchased and this lack of need is documented, the equipment may be used in other vocational education programs/services in the following order of priority:

Priority 1-- Programs/services currently funded with federal vocational education funds

Priority 2-- Programs/services previously funded with federal vocational education funds

If equipment purchased with federal funds and nonfederal matching funds is used on a less than full-time basis in the programs/services for which it was originally purchased, the LEA *must* make it available for use in other programs/services currently or previously funded by federal funds. However, the shared use of the equipment *must* not interfere with the equipment with the requirements of the program/service for which it was originally purchased, especially as regards dedicated equipment purchased to ensure the success of academically disadvantaged, limited-English-proficient, or handicapped students enrolled in vocational education.

Disposition of Equipment

When original or replacement equipment is no longer used in the vocational education program(s)/service(s) for which it was purchased, the LEA must dispose of the equipment in the following manner:

1. Equipment with a unit acquisition cost of less than \$1,000 and with no further use may be retained, sold, or otherwise disposed of with no further obligation to the federal government.
2. Equipment with a unit acquisition cost of \$1,000 or more may be retained or sold, and the federal government has a right to the amount calculated by multiplying the current market value or the proceeds from the sale by the federal share of the equipment. If the equipment is sold, \$100 or 10 percent of the total sale proceeds, whichever is greater, may be deducted and retained from the amount otherwise due to the federal government for selling and handling expenses.
3. If the LEA vocational education program is receiving federal funds and if the State Department of Education agrees, the net amount due may be used for allowable vocational education costs. Otherwise, the net amount must be remitted to the State Department of Education by check.
4. If equipment purchased totally or in part with federal vocational education funds becomes worn out, stolen, obsolete, or the like, before disposing of the equipment the LEA must complete and submit to the State Department of Education the attached "Vocational Education Inventory Equipment Removal Form" (Form No. VE-35) for approval to remove the equipment from its inventory.

TECHNOLOGY EQUIPMENT USE AGREEMENT

Staff Member requesting equipment (**Borrower**): _____

School/Department: _____

Purpose of use: _____

Check-Out Date: _____ Estimated Return Date: _____

<u>Item(s) Loaned</u> (Give Clear Description)	<u>Serial #</u>	<u>Inventory Tag#</u>	<u>Model/Brand</u>

Requirements for Use:

I agree to take responsibility for technology hardware/software listed above in exchange for the use of the equipment for educational purposes only.

1. I understand I am responsible for maintaining the equipment/software in working condition while said equipment is in my possession.
2. I agree to return the equipment in the same working condition that I received it to the designated personnel.
3. I agree and understand that if the technology equipment, software, and/or other related items are stolen, vandalized, misplaced, destroyed, etc. that I am responsible and will reimburse (pay) the District the amount required to replace or repair the equipment, software or other related items.
4. I will not install any software on this device without permission from the technology director.
5. I will use this device for work purposes only. I understand that if I use the device for illicit or immoral purposes, I am putting my job and future employment with Selma City Schools at risk.

Staff Member's Signature **Date** **Principal's/Supervisor's Signature** **Date**

ORIGINAL DOCUMENT: Principal; COPIES: Borrower and Technology Director

Return Date: _____ **Returned To:** _____

Borrower's Signature: _____ **Receiver's Signature:** _____



Inventory Receipt

School Name:	
Purchase Order No.:	
Funding Source:	
Location:	

Inventory Tag Numbers	Serial Number	Description

Please verify that the above information is correct and return this signed document to **Technology Department** immediately.

Please note that your signature indicates that you have ensured that the equipment is physically in your possession and that you are responsible for maintaining an accurate account of the location of this equipment at all times.

Signature of Delivery Person	Date	Time of Delivery

Signature of Receiving Person	Date	Time of Receipt

