

Report on the

Coosa County Board of Education

Coosa County, Alabama

October 1, 2011 through September 30, 2012

Filed: May 3, 2013



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, I submit this report on the results of the audit of the Coosa County Board of Education, Coosa County, Alabama, for the period October 1, 2011 through September 30, 2012.

Sworn to and subscribed before me this
the 12th day of April, 2013.

James E. Hall
Notary Public

rb

Respectfully submitted,

Chris Newton

Chris Newton
Examiner of Public Accounts

Table of Contents

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

Table of Contents

	<i>Page</i>
Exhibit #8 Statement of Changes in Fiduciary Net Assets	12
Notes to the Financial Statements	13
<u>Required Supplementary Information</u>	34
Provides information required by the GASB to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #9 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	35
Exhibit #10 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	39
<u>Supplementary Information</u>	43
Contains financial information and notes relative to federal financial assistance.	
Exhibit #11 Schedule of Expenditures of Federal Awards	44
Notes to the Schedule of Expenditures of Federal Awards	46
<u>Additional Information</u>	47
Provides basic information related to the Board, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits.	
Exhibit #12 Board Members and Administrative Personnel – a listing of the Board members and administrative personnel.	48
Exhibit #13 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Board complied with laws and regulations which could have a direct and material effect on the Board’s financial statements.	49

Table of Contents

Page

Exhibit #14	Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the Board complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.	51
Exhibit #15	Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133.	54
Exhibit #16	Auditee Response/Corrective Action Plan – a response by the Board on the results of the audit and/or corrective action plan for federal audit findings.	56



Department of
Examiners of Public Accounts

SUMMARY

**Coosa County Board of Education
October 1, 2011 through September 30, 2012**

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

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

An unqualified opinion was issued on the financial statements, which means that the Board's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2012.

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

The following problem was found with the Board's internal controls over compliance for its federal assistance programs (Exhibit 15):

- ◆ 2012-01 relates to the Board using other federal grant funds as sources of matching contributions on the Distance Learning and Telemedicine Grants and Loans program.

The following officials/employees were invited to an exit conference to discuss the contents of this report: Dennis Sanford, Superintendent; Amy D. Norford, Chief School Financial Officer; and Board Members: David L. Edwards, Randall L. Hardman, David M. Tuck, David L. McElrath, and Sheila Ward. The following individuals attended the exit conference, held at the offices of the Coosa County Board of Education: Dennis Sanford, Superintendent of the Coosa County Board of Education; Amy D. Norford, Chief School Financial Officer; Member of the Board of Education: Sheila Ward; and representatives from the Department of Examiners of Public Accounts: Elizabeth Crowson, Audit Manager and Chris Newton, Examiner. Results of the audit were discussed via telephone with Board Member David Tuck.

Independent Auditor's Report

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coosa County Board of Education, as of and for the year ended September 30, 2012, which collectively comprise the Coosa County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the Coosa County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

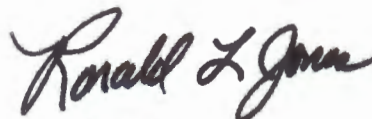
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan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

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

In accordance with ***Government Auditing Standards***, we have also issued our report dated April 1, 2013 on our consideration of the Coosa County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

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 9 and 10), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coosa County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 11) is presented for the purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

April 1, 2013

This Page Intentionally Blank

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

Management Discussion and Analysis (MD&A)

Introduction

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

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Financial Analysis of the Board as a Whole

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

COOSA COUNTY BOARD OF EDUCATION**Net Assets**

	<u>Governmental Activities</u> <u>September 30, 2012</u>	<u>Governmental Activities</u> <u>September 30, 2011</u>
Current and other assets	\$ 3,082,032	\$ 2,807,919
Capital assets	<u>\$12,857,704</u>	<u>\$12,968,650</u>
Total assets	<u>\$15,939,736</u>	<u>\$15,776,569</u>
Current and other liabilities	\$ 3,315,063	\$ 3,298,757
Long-term liabilities	<u>\$ 5,294,692</u>	<u>\$ 5,932,021</u>
Total liabilities	<u>\$ 8,609,755</u>	<u>\$ 9,230,778</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 7,149,859	\$ 3,964,627
Restricted	\$ 362,544	\$ 369,168
Unrestricted	<u>\$ (182,422)</u>	<u>\$ 2,211,996</u>
Total net assets	<u>\$ 7,329,981</u>	<u>\$ 6,545,791</u>

The Board's assets exceeded liabilities by \$7,329,981 at the close of the fiscal year. The majority of the Board's net assets are invested in capital assets (land, buildings, and equipment) owned by the Board. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements are (\$182,421.89) at the end of the year.

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

COOSA COUNTY BOARD OF EDUCATION

	Changes in Net Assets	
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>September 30, 2012</u>	<u>September 30, 2011</u>
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 970,612	\$ 1,051,725
Operating grants and contributions	\$ 9,816,704	\$ 9,529,559
Capital grants and contributions	\$ 436,949	\$ 452,008
General revenues:		
Property taxes	\$ 1,708,243	\$ 1,789,960
Federal and state aid not restricted to specific purposes	\$ 8,357	\$ 8,475
Sales Tax	\$ 418,723	\$ 373,082
Other general revenues	<u>\$ 403,168</u>	<u>\$ 281,295</u>
Total revenues	<u>\$ 13,762,756</u>	<u>\$13,486,104</u>
<u>Expenses</u>		
Instructional services	\$ 6,365,067	\$ 6,445,267
Instructional support services	\$ 2,867,040	\$ 2,250,450
Operation & maintenance services	\$ 635,557	\$ 743,109
Student transportation services	\$ 1,244,561	\$ 1,267,482
Food services	\$ 839,545	\$ 846,756
General administrative services	\$ 864,022	\$ 896,787
Debt service	\$ 39,630	\$ 306,905
Other expenses	<u>\$ 123,144</u>	<u>\$ 215,187</u>
Total expenses	<u>\$12,978,566</u>	<u>\$12,971,943</u>
Change in net assets	\$ 784,190	\$ 514,161
Net assets, beginning	<u>\$ 6,545,791</u>	<u>\$ 6,031,630</u>
Net assets, ending	<u>\$ 7,329,981</u>	<u>\$ 6,545,791</u>

Program revenues, specifically operating grants and contributions, are the largest component of total revenues 81.55%.

- o Operating grants and contributions contribute 87.46% of program revenues and 71.33% of total revenues. The major sources of revenues in this category are State foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- o Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- o Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

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

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board 71.13%.

- In addition to teacher salaries and benefits, instructional services includes teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.

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

Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The financial performance of the Board as a whole is reflected in its governmental funds as well.

General Fund – The general fund is the primary operating fund of the Board. Property taxes decreased \$81,717 from the previous year. Student enrollment drives state funded teacher units. Student enrollment dropped from 1,311.25 in FY11 to 1,263.70 in FY12. This represents a loss of 47.55 students resulting in a loss of 6.60 teacher units.

In order to comply with the School Fiscal Accountability Law Act No. 2006-196, the Coosa County Board needed \$610,631 in the general fund to achieve a 1 month's operating balance. The year ended with 14% of the required 1 month balance.

For FY12 the local board had flexibility on certain line items. The flexibility could not create a reduction of earned teacher units and/or education support personnel. The Board took advantage of this flexibility wherever possible and utilized the funds to help with general operating expenditures.

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

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

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

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

General Fund Budgetary Highlights

The original 2012 fiscal year budget, adopted on September 8, 2011, was based on a "bare bones" approach that reflected only guaranteed revenues and necessary expenditures since some of the state-funded programs had not been authorized at this point. The original budget projected a deficit fund balance of -\$590,789. Over the course of the year, the Board revised the annual operating budget on March 15, 2012, anticipating an ending deficit of -\$182,150.

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

- Adjusted projected beginning balances to actual beginning balances.
- Added unexpended state funds for Grad Coach, HIPPIY, High Hopes Supplemental and adjusted allocation for ESL.
- Added carryover funds for Title I, Title II, Title II Part D, Jobs Fund, ARRA 1003-G, IDEA, Title I School Improvement Reward Funds.
- Adjusted transportation budget to increase maintenance and parts.

Overall, the final amended budget was reflective of the actual operating activity for the year. The Board's financial position has shown improvement over the previous years, ending the year with a positive balance.

Capital Assets and Debt Administration

Capital Assets - At September 30, 2012, the Board had \$12,857,704 invested in capital assets including land, buildings, equipment costing \$5000 or more, vehicles, buildings and equipment under capital lease, and construction in progress. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year.

Long-Term Debt - At year-end, the Board had \$5,707,845 in warrants, notes, capital lease contracts payable, and other long-term debt outstanding. These debts are for school buses, the construction of the consolidated Elementary and Middle Schools, and the cafeteria/gymnasium for the Central Elementary/Middle Schools (additional information on the Board's long-term debt is presented in the notes to the basic financial statements.

Economic Factors and Next Year's Budget

- ✓ After facing proration for three consecutive years (2009, 2010, 2011) Coosa County Schools are projecting a \$109,872 deficit. The Board continues to be diligent in efforts to reduce this deficit.
- ✓ The Coosa County Commission's vote to allow the excess use of sales tax to be used for general operating expenditures continues to help to improve our financial situation.
- ✓ Coosa County is a rural community with very little industry. The only local support received by the Board is the 12 mills of property tax, beer tax, and excess funds from the 1 cent sales tax.
- ✓ The County's main industry is timber. Over half of the land in Coosa County is owned by timber companies or other corporations. These businesses pay a lower percent on property tax.
- ✓ The largest employer is Madix, Inc. followed by the Board of Education and AmTech.
- ✓ The county has an industrial park located on Highway 280 in conjunction with Alexander City. The revenue from industries located in this park is shared with Alexander City.
- ✓ The county has great natural resources coming from 4 lakes. The infrastructure of the Lake Martin area has improved with a result of increased revenue through property tax reappraisals. The remaining lakefront property is not as developed resulting in lower property taxes.
- ✓ The estimated population in Coosa County as of 2011 is 10,713, which is a decrease from the 12,202 recorded in the 2000 Census. (estimates obtained from the U.S. Census Bureau- 2012 data not yet available)

Estimated Capital Needs - As of September 30, 2012, the Board's Five-Year Capital Plan, based upon critical needs and a State facility assessment, included \$4.3 million in estimated capital needs throughout the system, all of which are unfunded at this time.

Student Enrollment - The latest student enrollment figure as of the forty-day report for the 2012-2013 school year of 1,147.45 indicates there will be a decline in enrollment of approximately 34.30 students.

Enrollment Decline	Fiscal Year
34.30	2013
47.55	2012
20.60	2011
10.50	2010
40.40	2009
74.20	2008

Medical and Retirement Costs - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs were \$714 per employee per month in fiscal year 2012. Also, the employer contribution rate to the Teachers Retirement System (TRS) was 10.00% for fiscal year 2012. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Amy D. Norford, Chief School Financial Officer, P. O. Box 37, Rockford, AL 35136, or by calling 256-377-4913 extension 2027 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:00 p.m.

This Page Intentionally Blank

Basic Financial Statements

This Page Intentionally Blank

Statement of Net Assets **September 30, 2012**

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 1,075,191.12
Cash with Fiscal Agent	124,316.33
Ad Valorem Property Taxes Receivable	1,586,649.01
Receivables (Note 4)	262,007.52
Inventories	33,867.46
Capital Assets (Note 5):	
Nondepreciable	396,772.06
Depreciable, Net	12,460,932.29
Total Assets	<u>15,939,735.79</u>
<u>Liabilities</u>	
Payables (Note 8)	141,490.70
Accrued Interest Payable	43,390.88
Deferred Revenue	1,895,207.81
Salaries and Benefits Payable	571,820.33
Short-Term Note Payable	250,000.00
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Warrants Payable	127,342.06
Capital Lease Contracts Payable	285,811.01
Portion Payable After One Year:	
Warrants Payable	1,556,697.05
Capital Lease Contracts Payable	3,737,994.77
Total Liabilities	<u>8,609,754.61</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	7,149,859.46
Restricted for:	
Capital Projects	12,253.20
Debt Service	105,211.75
Child Nutrition	245,078.66
Unrestricted	<u>(182,421.89)</u>
Total Net Assets	<u><u>\$ 7,329,981.18</u></u>

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

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

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities</u>			
Instruction	\$ 6,365,067.21	\$ 124,285.31	\$ 5,024,677.52
Instructional Support	2,867,040.25	38,321.58	2,582,521.77
Operation and Maintenance	635,556.91	87,683.03	358,148.80
Auxiliary Services:			
Student Transportation Services	1,244,561.53	24,174.80	1,080,113.78
Food Services	839,544.93	659,786.36	38,572.13
General Administrative and Central Support	864,021.95	497.86	690,122.52
Interest and Fiscal Charges	39,629.68		
Other Expenses	123,144.14	35,863.32	42,547.84
Total Governmental Activities	<u>\$ 12,978,566.60</u>	<u>\$ 970,612.26</u>	<u>\$ 9,816,704.36</u>

General Revenues:

Taxes:

Property Taxes for General Purposes

Property Taxes for Specific Purposes

Sales Tax

Alcohol Beverage Tax

Other Taxes

Grants and Contributions Not Restricted
for Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

<u>Capital Grants and Contributions</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>	
		<u>Total Governmental Activities</u>	
\$	272,856.38	\$	(943,248.00)
			(246,196.90)
	43,647.28		(146,077.80)
	120,445.47		(19,827.48)
			(141,186.44)
			(173,401.57)
			(39,629.68)
			(44,732.98)
<u>\$</u>	<u>436,949.13</u>		<u>(1,754,300.85)</u>

1,537,437.64
170,805.45
418,722.60
44,934.68
9,687.20
8,357.00
3,996.54
344,549.71
<u>2,538,490.82</u>
784,189.97
<u>6,545,791.21</u>
<u>\$ 7,329,981.18</u>

Balance Sheet
Governmental Funds
September 30, 2012

	General Fund	Special Revenue Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 513,102.34	\$ 525,549.28
Cash with Fiscal Agents		
Ad Valorem Property Taxes Receivable	1,586,649.01	
Receivables (Note 4)	75,766.46	186,241.06
Interfund Receivables	125,329.31	999.75
Inventories		33,867.46
Total Assets	<u>2,300,847.12</u>	<u>746,657.55</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Payables (Note 8)	73,335.93	68,154.77
Interfund Payables	999.75	125,329.31
Deferred Revenues	1,868,324.39	26,883.42
Salaries and Benefits Payable	550,330.91	21,489.42
Short-Term Note Payable	250,000.00	
Total Liabilities	<u>2,742,990.98</u>	<u>241,856.92</u>
<u>Fund Balances</u>		
Nonspendable:		
Inventories		33,867.46
Restricted for:		
Debt Service		
Capital Projects		
Child Nutrition		211,211.20
Assigned to:		
Local Schools		259,721.97
Unassigned	(442,143.86)	
Total Fund Balances	<u>(442,143.86)</u>	<u>504,800.63</u>
Total Liabilities and Fund Balances	<u>\$ 2,300,847.12</u>	<u>\$ 746,657.55</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 36,539.50	\$ 1,075,191.12
124,316.33	124,316.33
	1,586,649.01
	262,007.52
	126,329.06
	33,867.46
160,855.83	3,208,360.50

	141,490.70
	126,329.06
	1,895,207.81
	571,820.33
	250,000.00
	2,984,847.90

	33,867.46
124,316.33	124,316.33
36,539.50	36,539.50
	211,211.20
	259,721.97
	(442,143.86)
160,855.83	223,512.60
\$ 160,855.83	\$ 3,208,360.50

This Page Intentionally Blank

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2012***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 223,512.60

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

Capital assets used in governmental activities are not financial resources and
therefore are not reported as assets in governmental funds.

The Cost of Capital Assets	\$ 18,591,671.92	
Accumulated Depreciation	(5,733,967.57)	
		12,857,704.35

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

Long-term liabilities at year-end consist of:

	Amounts Due or Payable Within One Year	Amounts Due or Payable After One Year	
Warrants Payable	\$ 127,342.06	\$ 1,556,697.05	
Capital Lease Contracts Payable	285,811.01	3,737,994.77	
Accrued Interest Payable	43,390.88		
Total Long-Term Liabilities	\$ 456,543.95	\$ 5,294,691.82	
			(5,751,235.77)

Total Net Assets - Governmental Activities (Exhibit 1)	\$ 7,329,981.18
--	-----------------

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, 2012

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 6,612,358.53	\$
Federal	102,370.06	3,628,580.60
Local	2,075,134.07	611,875.43
Other	25,678.85	43,095.16
Total Revenues	<u>8,815,541.51</u>	<u>4,283,551.19</u>
<u>Expenditures</u>		
Current:		
Instruction	4,562,932.14	1,478,900.25
Instructional Support	1,360,784.31	1,499,130.28
Operation and Maintenance	476,746.02	115,563.36
Auxiliary Services:		
Student Transportation Services	1,102,187.79	29,602.61
Food Services		847,026.03
General Administrative and Central Support	670,828.62	231,101.19
Capital Outlay	3,084.40	151,292.20
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Other Debt Service		
Other	53,364.12	69,780.02
Total Expenditures	<u>8,229,927.40</u>	<u>4,422,395.94</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>585,614.11</u>	<u>(138,844.75)</u>
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	75,985.79	
Long-Term Debt Issued		
Premiums on Long-Term Debt Issued		
Transfers In	45,621.59	236,690.90
Other Financing Sources	55,758.29	
Transfers Out	(434,091.15)	(45,621.59)
Payments to Refunding Escrow Agent		
Total Other Financing Sources (Uses)	<u>(256,725.48)</u>	<u>191,069.31</u>
Net Changes in Fund Balances	328,888.63	52,224.56
Fund Balances - Beginning of Year, as Restated (Note 15)	<u>(771,032.49)</u>	<u>452,576.07</u>
Fund Balances - End of Year	<u>\$ (442,143.86)</u>	<u>\$ 504,800.63</u>

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

Other Governmental Funds		Total Governmental Funds	
\$	436,100.13	\$	7,048,458.66
			3,730,950.66
	170,805.45		2,857,814.95
			68,774.01
	606,905.58		13,705,998.28
	10,122.30		6,051,954.69
			2,859,914.59
	42,794.86		635,104.24
			1,131,790.40
			847,026.03
			901,929.81
	192,122.02		346,498.62
	439,854.96		439,854.96
	279,774.64		279,774.64
	9,469.32		9,469.32
			123,144.14
	974,138.10		13,626,461.44
	(367,232.52)		79,536.84
			75,985.79
	1,584,636.56		1,584,636.56
	286,571.99		286,571.99
	253,705.40		536,017.89
			55,758.29
	(56,305.15)		(536,017.89)
	(1,865,594.23)		(1,865,594.23)
	203,014.57		137,358.40
	(164,217.95)		216,895.24
	325,073.78		6,617.36
\$	160,855.83	\$	223,512.60

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

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)	\$	216,895.24	
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:			
Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$346,498.62) differed from depreciation (\$458,444.49) in the current period.			
			(111,945.87)
Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.			
Repayments:			
Capital Leases	\$	298,161.50	
Warrants Payable		141,693.46	
			439,854.96
Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.			
			1,865,594.23
Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Assets but does not affect the Statement of Activities.			
			(1,584,636.56)
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These items consist of:			
Net Decrease in Accrued Interest	\$	14,209.01	
Loss on Early Extinguishment of Debt		(56,781.04)	
			(42,572.03)
In the Statement of Activities, donation of capital assets is recorded as revenue, whereas in the governmental funds it is not recorded.			
Donated Assets			1,000.00
Change in Net Assets of Governmental Activities (Exhibit 2)	\$	784,189.97	

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

Statement of Fiduciary Net Assets
September 30, 2012

	Private-Purpose Trust Fund	Agency Fund
<u>Assets</u>		
Cash	\$ 44,306.59	\$ 15,053.02
Investments	30,828.33	
Total Assets	<u>75,134.92</u>	<u>15,053.02</u>
<u>Liabilities</u>		
Accounts Payable		
Due to External Organizations		15,053.02
Total Liabilities		<u>\$ 15,053.02</u>
<u>Net Assets</u>		
Held in Trust for Other Purposes	75,134.92	
Total Net Assets	<u>\$ 75,134.92</u>	

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

Statement of Changes in Fiduciary Net Assets
For the Year Ended September 30, 2012

	Private-Purpose Trust Fund
<u>Additions</u>	
Earnings on Investments	\$ 6,643.81
Total Additions	<u>6,643.81</u>
<u>Deductions</u>	
Capital Outlay	1,000.00
Other	2,175.00
Total Deductions	<u>3,175.00</u>
Changes in Net Assets	3,468.81
Net Assets - Beginning of Year	<u>71,666.11</u>
Net Assets - End of Year	<u><u>\$ 75,134.92</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

Fund Financial Statements

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

The Board reports the following major governmental funds:

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

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

Governmental Fund Types

- ◆ **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 or other capital assets. The proceeds from the 2009 capital lease is accounted for in this fund and the resources generated by these proceeds are used to acquisition or construction of schools.

Notes to the Financial Statements

For the Year Ended September 30, 2012

The Board reports the following fiduciary fund types:

Fiduciary Fund Types

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

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

D. Assets, Liabilities and Net Assets/Fund Balances

1. Deposits and Investments

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

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

Investments are reported at fair value.

2. Receivables

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

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

3. Inventories

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

4. Restricted Assets

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

5. Capital Assets

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

6. Long-Term Obligations

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

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

7. Net Assets/Fund Equity

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

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

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

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Notes to the Financial Statements

For the Year Ended September 30, 2012

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

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

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and Special Revenue 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. All other governmental funds adopt budgets on the modified accrual basis of accounting. Capital projects funds adopt project-length budgets. All appropriations lapse at fiscal year-end.

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2012, the following governmental fund had a deficit fund balance:

General Fund	<u>\$442,143.86</u>
--------------	---------------------

The deficit in the General Fund is a result of the salary accrual adjustment. Salaries and benefits payable at September 30, 2012, are funded with an appropriation from the State of Alabama that is not legally available to the Board until October 1 and therefore, is not reflected as revenue in the Board's financial statements as of September 30, 2012. Accrued salaries of \$550,330.91 were in excess of the fund balance \$103,218.30 resulting in a deficit balance. The Superintendent is actively working with the State Department of Education to develop a plan to eliminate the remaining deficit of \$442,143.86.

Note 3 – Deposits and Investments

A. Deposits

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

B. Investments and Cash with Fiscal Agent

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

The Board had cash with fiscal agent of \$124,316.33 invested in the Dreyfus Treasury Prime Cash Management Fund at September 30, 2012.

Notes to the Financial Statements

For the Year Ended September 30, 2012

As of September 30, 2012, the Board had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity in Years
Dreyfus Treasury Prime Cash Management Investment	\$124,316.33	Varies
Mutual Funds - Fiduciary Funds	30,828.33	Varies
Total	<u>\$155,144.66</u>	

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

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

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

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

Note 4 – Receivables

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

	General Fund	Special Revenue Fund	Total
<u>Receivables:</u>			
Accounts Receivable	\$69,586.79	\$106,712.25	\$176,299.04
Intergovernmental	6,179.67	79,199.81	85,379.48
Other		329.00	329.00
Total Receivables	<u>\$75,766.46</u>	<u>\$186,241.06</u>	<u>\$262,007.52</u>

Notes to the Financial Statements

For the Year Ended September 30, 2012

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

	Unavailable	Unearned
Ad Valorem Taxes Receivable	\$1,568,324.39	\$
State Contract		300,000.00
IDEA - Part B		11,988.06
Title II, Part A		7,094.19
Title VI, Rural Ed		3,610.22
Child Nutrition Program Prepaid Meals		4,190.95
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$1,568,324.39</u>	<u>\$326,883.42</u>

Note 5 – Capital Assets

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

	Balance 10/01/2011	Additions	Retirements	Balance 09/30/2012
<u>Governmental Activities:</u>				
Capital Assets, not Being Depreciated:				
Land	\$ 274,659.50	\$	\$	\$ 274,659.50
Construction in Progress	2,483,801.63	122,112.56	(2,483,801.63)	122,112.56
Total Capital Assets, not Being Depreciated	<u>2,758,461.13</u>	<u>122,112.56</u>	<u>(2,483,801.63)</u>	<u>396,772.06</u>
Capital Assets Being Depreciated:				
Land Improvements	180,000.00			180,000.00
Buildings	9,597,101.99	2,554,811.09		12,151,913.08
Building Improvements	1,090,773.74			1,090,773.74
Furniture and Equipment	322,829.26	154,376.60		477,205.86
Vehicles	1,344,519.54	157,873.14		1,502,392.68
Assets Under Capital Lease	2,950,487.64		(157,873.14)	2,792,614.50
Total Capital Assets Being Depreciated	<u>15,485,712.17</u>	<u>2,867,060.83</u>	<u>(157,873.14)</u>	<u>18,194,899.86</u>
Less Accumulated Depreciation for:				
Land Improvements	(180,000.00)			(180,000.00)
Buildings	(2,626,793.27)	(215,190.15)		(2,841,983.42)
Building Improvements	(245,915.22)	(51,307.96)		(297,223.18)
Furniture and Equipment	(183,003.29)	(35,974.62)		(218,977.91)
Vehicles	(1,293,229.85)	(28,522.99)	(134,192.22)	(1,455,945.06)
Equipment Under Capital Lease	(746,581.45)	(127,448.77)	134,192.22	(739,838.00)
Total Accumulated Depreciation	<u>(5,275,523.08)</u>	<u>(458,444.49)</u>		<u>(5,733,967.57)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,210,189.09</u>	<u>2,408,616.34</u>	<u>(157,873.14)</u>	<u>12,460,932.29</u>
Governmental Activities Capital Assets, Net	<u>\$12,968,650.22</u>	<u>\$2,530,728.90</u>	<u>\$(2,641,674.77)</u>	<u>\$12,857,704.35</u>

Notes to the Financial Statements

For the Year Ended September 30, 2012

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
Instruction	\$313,112.52
Instructional Support	7,125.66
Operation and Maintenance	452.67
<u>Auxiliary Services:</u>	
Food Services	19,804.13
Student Transportation Services	112,771.13
General Administrative and Central Support	5,178.38
Total Depreciation Expense - Governmental Activities	<u>\$458,444.49</u>

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2012

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

B. Funding Policy

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

Fiscal Year Ended September 30,	2012	2011	2010
Total Percentage of Covered Payroll	17.25%	17.51%	17.51
Contributions:			
Percentage Contributed by the Board	10.00%	12.51%	12.51%
Percentage Contributed by the Employees	7.25%	5.00%	5.00%
Contributed by the Board	\$ 602,961.14	\$ 794,778.65	\$ 829,205.89
Contributed by Employees	437,144.73	317,657.68	331,417.59
Total Contributions	<u>\$1,040,105.87</u>	<u>\$1,112,436.33</u>	<u>\$1,160,623.48</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, 2012

B. Funding Policy

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

	Fiscal Year 2012
Individual Coverage – Non-Medicare Eligible	\$151.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$391.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$250.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$250.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$658.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$847.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$816.00
Surviving Spouse – Medicare Eligible	\$328.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$517.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$486.00

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid by Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2012	\$714.00	\$228.85	32.05%	\$441,512.66	100%
2011	\$752.00	\$198.94	26.45%	\$395,383.33	100%
2010	\$752.00	\$241.27	32.08%	\$505,521.77	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 – Payables

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

	General Fund	Special Revenue Fund	Total Payables
<u>Payables:</u>			
Vendors	\$73,335.93	\$68,154.77	\$141,490.70
Total Payables	<u>\$73,335.93</u>	<u>\$68,154.77</u>	<u>\$141,490.70</u>

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 9 – Lease Obligations

Capital Leases

In August 2009, the Board entered into a sale/lease-back agreement with Coosa County Commission. The Board sold the gymnasium/cafeteria at Coosa County Elementary/Middle School to the Commission and then leased them back. Capital Lease contracts were issued for the purchase of school buses. Assets under capital leases totaled \$2,792,614.50 at September 30, 2012. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2012.

Fiscal Year Ending	Governmental Activities
September 30, 2013	\$ 466,494.23
2014	464,071.73
2015	466,011.73
2016	462,231.73
2017	462,709.23
2018-2022	1,705,533.59
2023-2027	1,060,305.00
2028-2029	421,465.00
Total Minimum Lease Payments	5,508,822.24
Less: Amount Representing Interest	(1,485,016.46)
Present Value of Net Minimum Lease Payments	<u>\$ 4,023,805.78</u>

Note 10 – Short-Term Debt

On September 1, 2010, the Board established a \$1,100,000.00 line of credit with a financial institution for the payment of current expenses. At September 30, 2012, the principal balance was \$250,000.00. This line of credit was paid off November 2, 2012.

Short-term debt activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note Payable	<u>\$350,000.00</u>	\$250,000.00	\$350,000.00	\$250,000.00

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 11 – Long-Term Debt

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

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

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

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

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

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

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

During fiscal year 2012, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Refunding Bonds, Series 2012A to provide funds for the advance refunding of the remaining portion of the Capital Improvement Pool Bonds, Series 2002-A.

Notes to the Financial Statements

For the Year Ended September 30, 2012

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

	Debt Outstanding 10/01/2011	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2012	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
Capital Improvement Pool Bonds, Series 2002A	\$1,944,828.77	\$	\$(1,944,828.77)	\$	\$
Capital Improvement Pool Bonds, Series 2005A	105,080.43		(5,677.88)	99,402.55	5,907.85
Capital Improvement Pool Bonds, Series 2012A		1,584,636.56		1,584,636.56	121,434.21
Total Warrants Payable	2,049,909.20	1,584,636.56	(1,950,506.65)	1,684,039.11	127,342.06
Other Liabilities:					
Capital Leases Payable	4,321,967.28		(298,161.50)	4,023,805.78	285,811.01
Total Other Liabilities	4,321,967.28		(298,161.50)	4,023,805.78	285,811.01
Governmental Activities Long-Term Liabilities	\$6,371,876.48	\$1,584,636.56	\$(2,248,668.15)	\$5,707,844.89	\$413,153.07

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

Fiscal Year Ending	Warrants Payable		Capital Lease Contracts Payable		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	
September 30, 2013	\$ 127,342.06	\$ 75,361.27	\$ 285,811.01	\$ 180,683.22	\$ 669,197.56
2014	132,672.99	69,553.82	294,579.91	169,491.82	666,298.54
2015	137,919.96	64,141.93	308,549.54	157,462.19	668,073.62
2016	143,374.56	58,516.08	317,730.68	144,501.05	664,122.37
2017	149,536.13	51,944.84	332,134.64	130,574.59	664,190.20
2018-2022	869,667.41	137,565.80	1,245,000.00	460,533.59	2,712,766.80
2023-2027	123,526.00	5,295.02	840,000.00	220,305.00	1,189,126.02
2028-2029			400,000.00	21,465.00	421,465.00
Totals	\$1,684,039.11	\$462,378.76	\$4,023,805.78	\$1,485,016.46	\$7,655,240.11

Pledged Revenues

The Board issued Series 2005A and Series 2012A Capital Improvement Pool Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used for the acquisition, construction, and renovation of school facilities. Future revenues in the amount of \$2,146,417.87 are pledged to repay the principal and interest on the bonds at September 30, 2012. Pledged funds in the amount of \$229,124.23 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2012. This amount represents 99.49 percent of the pledged funds received by the Board. The Series 2005A and Series 2012A bonds will mature in fiscal years 2025 and 2024, respectively.

Notes to the Financial Statements

For the Year Ended September 30, 2012

On August 1, 2009, the Board entered into a capital lease with the Coosa County Commission for the purpose of providing funds for the acquisition, construction and renovation of school facilities. The Board pledged to repay the capital lease from a portion of the sales tax for educational purposes levied by the Coosa County Commission pursuant to provisions of the ***Code of Alabama 1975***, sections 40-12-4 through 40-12-7. Future revenues in the amount of \$3,612,888.75 are pledged to repay the principal and interest on the capital lease at September 30, 2012. Proceeds of the sales tax for educational purposes in the amount of \$418,722.60 were received by the Board during the fiscal year ended September 30, 2012. Pledged funds in the amount of \$212,552.50 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2012. The funding agreement will mature in fiscal year 2029.

Defeased Debt

On March 14, 2012, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued \$79,340,000.00 in Capital Improvement Pool Refunding Bonds Series 2012-A (“Series 2012-A”) with interest rates ranging from 4% to 5% to advance refund \$65,655,000.00 of outstanding Capital Improvement Pool Bonds Series 2002-A (“Series 2002-A”) which were scheduled to mature in fiscal years 2022 with an interest rate of 5%. The net proceeds of \$67,692,098.21 for Series 2002-A after a premium of \$10,398,112.89 and payment of \$203,712.68 in underwriting fees and other issuance costs were used to purchase U. S. government securities. Those securities will be placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2002-A which were refunded. As a result, the Series 2002-A are considered to be defeased and the liabilities for those bonds have been removed.

The Board had a 2.7560% participation in the Series 2002-A. This resulted in the Board being obligated for \$1,584,636.56 of the total principal for the Series 2012-A. The Board’s portion of the net proceeds deposited in an irrevocable trust with an escrow agent was \$1,865,594.23. The liability removed was \$1,808,813.19.

The Board’s portion of the refunding resulted in a difference between the reacquisition price and net carrying amount of the Series 2002-A of \$56,781.04. As a result of the refunding, the Board reduced its total debt service requirements by \$293,283.19, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$278,034.54.

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 12 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Automobile liability insurance is purchased through Auto Owners Insurance. Errors and omissions insurance are purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board'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, 2012

Note 13 – Interfund Transactions

Interfund Receivables and Payables

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

	Interfund Receivables		
	General Fund	Special Revenue Fund	Totals
<u>Interfund Payables:</u>			
General Fund	\$	\$999.75	\$ 999.75
Special Revenue Fund	125,329.31		125,329.31
Total	<u>\$125,329.31</u>	<u>\$999.75</u>	<u>\$126,329.06</u>

Interfund Transfers

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

	Transfers In			
	General Fund	Special Revenue Fund	Other Governmental Funds	Totals
<u>Transfers Out</u>				
General Fund	\$	\$236,690.90	\$197,400.25	\$434,091.15
Special Revenue Fund	45,621.59			45,621.59
Other Governmental Fund			56,305.15	56,305.15
Totals	<u>\$45,621.59</u>	<u>\$236,690.90</u>	<u>\$253,705.40</u>	<u>\$536,017.89</u>

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.

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 14 – Subsequent Event

On November 1, 2012, the Coosa County Board of Education issued Capital Outlay School Refunding Warrants, Series 2012, in the principal amount of \$1,285,000.00. The proceeds of this issue are to be used to refund the Limited Obligation School Warrants, Series 2003 and pay the cost of issuance of the Capital Outlay School Refunding Warrants, Series 2012. These warrants will be issued at an interest rate from .70% to 2.10% and will mature in 2021.

Note 15 – Restatements

As a result of the requirements of GASB Statement Number 54, a fund source was reclassified.

The impact of the restatements on the fund balances as previously reported is as follows:

	General Fund	Other Governmental Funds
Fund Balance, September 30, 2011, as Previously Reported	\$(810,086.15)	\$364,127.44
Restatement of Fund Balance	39,053.66	(39,053.66)
Fund Balance, September 30, 2011, as Restated	<u>\$ 771,032.49</u>	<u>\$325,073.78</u>

This Page Intentionally Blank

Required Supplementary Information

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

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<u>Revenues</u>			
State	\$ 6,727,519.00	\$ 6,597,587.00	\$ 6,612,358.53
Federal			102,370.06
Local	1,674,414.00	1,674,414.00	1,656,411.47
Other	18,645.00	18,645.00	25,678.85
Total Revenues	8,420,578.00	8,290,646.00	8,396,818.91
<u>Expenditures</u>			
Current:			
Instruction	4,696,750.12	4,698,715.97	4,697,907.61
Instructional Support	1,421,310.62	1,449,216.54	1,393,846.70
Operation and Maintenance	585,066.72	583,244.97	478,254.66
Auxiliary Services:			
Student Transportation Services	1,102,642.86	1,128,264.61	1,123,600.42
General Administrative and Central Support	555,063.74	555,063.74	675,025.68
Capital Outlay			3,084.40
Debt Service	11,100.00	11,100.00	
Other	29,083.00	54,526.56	56,342.18
Total Expenditures	8,401,017.06	8,480,132.39	8,428,061.65
Excess (Deficiency) of Revenues Over Expenditures	19,560.94	(189,486.39)	(31,242.74)
<u>Other Financing Sources (Uses)</u>			
Indirect Cost	76,742.72	80,533.02	75,985.79
Transfers In	227,532.57	227,532.57	301,028.85
Other Financing Sources			55,758.29
Transfers Out	(274,688.60)	(239,108.60)	(236,690.90)
Total Other Financing Sources (Uses)	29,586.69	68,956.99	196,082.03
Net Change in Fund Balances	49,147.63	(120,529.40)	164,839.29
Fund Balances - Beginning of Year	(639,936.77)	(61,620.99)	(22,567.33)
Fund Balances - End of Year	\$ (590,789.14)	\$ (182,150.39)	\$ 142,271.96

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$
		6,612,358.53
		102,370.06
(1)	418,722.60	2,075,134.07
		25,678.85
	<u>418,722.60</u>	<u>8,815,541.51</u>
(2)	134,975.47	4,562,932.14
(2)	33,062.39	1,360,784.31
(2)	1,508.64	476,746.02
(2)	21,412.63	1,102,187.79
(2)	4,197.06	670,828.62
		3,084.40
(2)	<u>2,978.06</u>	<u>53,364.12</u>
	<u>198,134.25</u>	<u>8,229,927.40</u>
	<u>616,856.85</u>	<u>585,614.11</u>
		75,985.79
(1)	(255,407.26)	45,621.59
		55,758.29
(1)	<u>(197,400.25)</u>	<u>(434,091.15)</u>
	<u>(452,807.51)</u>	<u>(256,725.48)</u>
	164,049.34	328,888.63
(3)	<u>(748,465.16)</u>	<u>(771,032.49)</u>
	<u>\$ (584,415.82)</u>	<u>\$ (442,143.86)</u>

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

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

The Board budgets on the modified accrual basis of accounting except as shown below:

Some amounts are combined with the General Fund for reporting purposes,
but are budgeted separately

(1) Revenues

Capital Projects Fund Source - Sales Tax for Educational Purposes

Other Financing Sources/(Uses) Net

Capital Projects Fund Source - Sales Tax for Educational Purposes

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

Net Increase in Fund Balance - Budget to GAAP

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

\$ 418,722.60

(452,807.51)

198,134.25

\$ 164,049.34

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

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<u>Revenues</u>			
State			
Federal	\$ 3,482,287.00	\$ 3,720,398.64	\$ 3,628,580.60
Local	618,844.00	618,844.00	611,875.43
Other	27,978.00	27,978.00	43,095.16
Total Revenues	4,129,109.00	4,367,220.64	4,283,551.19
<u>Expenditures</u>			
Current:			
Instruction	1,298,678.36	1,414,382.99	1,478,900.25
Instructional Support	1,624,037.80	1,730,764.51	1,499,130.28
Operation and Maintenance	121,053.00	125,043.00	115,563.36
Auxiliary Services:			
Student Transportation Service	34,726.08	34,726.08	29,602.61
Food Service	870,867.41	870,867.41	859,415.80
General Administrative and Central Support	231,241.17	242,931.47	231,101.19
Capital Outlay			151,292.20
Other	116,410.94	116,410.94	69,780.02
Total Expenditures	4,297,014.76	4,535,126.40	4,434,785.71
Excess (Deficiency) of Revenues Over Expenditures	(167,905.76)	(167,905.76)	(151,234.52)
<u>Other Financing Sources (Uses)</u>			
Transfers In	330,269.60	294,689.60	236,690.90
Transfers Out	(115,091.07)	(115,091.07)	(45,621.59)
Total Other Financing Sources (Uses)	215,178.53	179,598.53	191,069.31
Net Change in Fund Balances	47,272.77	11,692.77	39,834.79
Fund Balances - Beginning of Year	293,877.04	580,009.96	486,455.26
Fund Balances - End of Year	\$ 341,149.81	\$ 591,702.73	\$ 526,290.05

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 3,628,580.60
		611,875.43
		43,095.16
		<u>4,283,551.19</u>
		1,478,900.25
		1,499,130.28
		115,563.36
		29,602.61
(1)	12,389.77	847,026.03
		231,101.19
		151,292.20
		69,780.02
	<u>12,389.77</u>	<u>4,422,395.94</u>
	<u>12,389.77</u>	<u>(138,844.75)</u>
		236,690.90
		<u>(45,621.59)</u>
		<u>191,069.31</u>
	12,389.77	52,224.56
(2)	<u>(33,879.19)</u>	<u>452,576.07</u>
	<u>\$ (21,489.42)</u>	<u>\$ 504,800.63</u>

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

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

The Board budgets on the modified accrual basis of accounting except as shown below:

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

Net Increase in Fund Balance - Budget to GAAP

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

\$ 12,389.77

\$ 12,389.77

This Page Intentionally Blank

Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Agriculture</u>		
<u>Direct Program</u>		
Distance Learning and Telemedicine Loans and Grants (M)	10.855	N.A.
<u>Passed Through Alabama Department of Education</u>		
Child Nutrition Cluster:		
National School Lunch Program		
Cash Assistance	10.555	N.A.
Non-Cash Assistance (Commodities)	10.555	N.A.
Sub-Total National School Lunch Program Sub-Total		
School Breakfast Program	10.553	N.A.
Total Child Nutrition Cluster		
Total U. S. Department of Agriculture		
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of Education</u>		
Title I Grants to Local Educational Agencies	84.010	N.A.
Special Education Cluster:		
Special Education - Grants to States	84.027	N.A.
Special Education - Preschool Grants	84.173	N.A.
Sub-Total Special Education Cluster		
Career and Technical Education - Basic Grants to States	84.048	N.A.
Education Technology State Grants	84.318	N.A.
Special Education - State Personnel Development	84.323	N.A.
Rural Education	84.358	N.A.
Improving Teacher Quality State Grants	84.367	N.A.
ARRA - School Improvement Grants, Recovery Act (M)	84.388	N.A.
Education Jobs Fund	84.410	N.A.
Total U. S. Department of Education		
<u>U. S. Department of Social Security Administration</u>		
<u>Passed Through Alabama Department of Education</u>		
Social Security - Disability Insurance	96.001	N.A.
Total Expenditures of Federal Awards		

(M) = Major Program

N.A. = Not Available or Not Applicable

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
03/01/2011 - 02/28/2014	\$ 664,541.84	\$ 409,461.84	\$ 381,876.00	\$ 381,876.00
10/01/2011 - 09/30/2012	377,016.92	377,016.92	377,016.92	377,016.92
10/01/2011 - 09/30/2012	41,101.68	41,101.68	41,101.68	41,101.68
	418,118.60	418,118.60	418,118.60	418,118.60
10/01/2011 - 09/30/2012	166,154.63	166,154.63	166,154.63	166,154.63
	584,273.23	584,273.23	584,273.23	584,273.23
	1,248,815.07	993,735.07	966,149.23	966,149.23
10/01/2011 - 09/30/2012	436,924.50	436,924.50	386,618.96	386,618.96
10/01/2011 - 09/30/2012	477,789.86	477,789.86	399,214.85	399,214.85
10/01/2011 - 09/30/2012	11,823.00	11,823.00	11,823.00	11,823.00
	489,612.86	489,612.86	411,037.85	411,037.85
10/01/2011 - 09/30/2012	20,697.00	20,697.00	20,697.00	20,697.00
10/01/2011 - 09/30/2012	662.88	662.88	662.88	662.88
10/01/2011 - 09/30/2012	1,894.98	1,894.98	1,894.98	1,894.98
10/01/2011 - 09/30/2012	29,679.00	29,679.00	26,068.78	26,068.78
10/01/2011 - 09/30/2012	103,963.97	103,963.97	84,438.28	84,438.28
10/01/2011 - 09/30/2012	2,013,874.43	2,013,874.43	1,828,712.78	1,828,712.78
10/01/2011 - 09/30/2012	3,990.00	3,990.00	3,990.00	3,990.00
	3,101,299.62	3,101,299.62	2,764,121.51	2,764,121.51
10/01/2011 - 09/30/2012	1,232.00	1,232.00	1,232.00	1,232.00
	\$ 4,351,346.69	\$ 4,096,266.69	\$ 3,731,502.74	\$ 3,731,502.74

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

Note 1 – Basis of Presentation

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

Additional Information

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coosa County Board of Education as of and for the year ended September 30, 2012, which collectively comprise the Coosa County Board of Education's basic financial statements and have issued our report thereon dated April 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

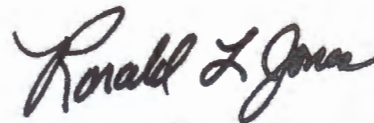
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

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

Compliance and Other Matters

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

April 1, 2013

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

Independent Auditor's Report

Compliance

We have audited the Coosa County Board of Education's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Coosa County Board of Education's major federal programs for the year ended September 30, 2012. The Coosa County Board of Education's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Coosa County Board of Education's management. Our responsibility is to express an opinion on the Coosa County Board of Education's compliance based on our audit.

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

As described in item 2012-01 in the accompanying Schedule of Findings and Questioned Costs, the Coosa County Board of Education did not comply with requirements regarding Matching that are applicable to its Distance Learning and Telemedicine Grants and Loans program. Compliance with such requirements is necessary, in our opinion, for the Coosa County Board of Education to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Coosa County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

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

Internal Control Over Compliance

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

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

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-01 to be a material weakness.

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

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

April 1, 2013

This Page Intentionally Blank

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

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? Yes X None reported

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

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
84.388	ARRA – School Improvement Grants, Recovery Act
10.855	Distance Learning and Telemedicine Grants and Loans

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

Auditee qualified as low-risk auditee? Yes X No

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2012

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2012-01	10.855	U.S. Department of Agriculture; Distance Learning and Telemedicine Loans and Grants 10/01/2011 through 09/30/2012	<u>Finding:</u> OMB Circular A87 (Cost Principles for State, Local and Indian Tribal Governments), Attachment A, Paragraph C establishes guidelines for determining allowable costs under the compliance requirements for Matching. This circular indicates that in order for matching contributions to be acceptable, the amounts contributed as matching must not be paid by another federal grant, except where authorized by Federal statute, to be allowable for cost sharing or matching. The Coosa County Board of Education reported matching contributions provided by Marengo County Board of Education which were paid from other federal grants. Controls were not in place to ensure compliance with these regulations. <u>Recommendation:</u> Controls should be implemented to ensure that matching contributions are not provided by another federal grant, except where authorized by federal statute.	\$35,030.00

Auditee Response/Corrective Action Plan

Coosa County Board of Education

Dennis R. Sanford

73 Nixburg Road
PO Box 37
Rockford, AL 35136
Telephone (256)377-4913 · Fax (256)377-2385
Email: dsanford@coosaschools.k12.al.us
Website: <http://coosaschools.k12.al.us>

Superintendent

April 17, 2013

Mr. Ronald L. Jones, Chief Examiner
State of Alabama Dept. of Examiners of Public Accounts
P. O. Box 302251
Montgomery, AL 36130-2251

Corrective Action Plan For the Year Ended September 30, 2012

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(c), the **Coosa County 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.

Finding #2012-01: OMB Circular A87 (Cost Principles for State, Local and Indian Tribal Governments), Attachment A, Paragraph C establishes guidelines for determining allowable costs under the compliance requirements for Matching. This circular indicates that in order for matching contributions to be acceptable, the amounts contributed as matching must not be paid by another federal grant, except where authorized by Federal statute, to be allowable for cost sharing or matching. The Coosa County Board of Education reported matching contributions provided by Marengo County Board of Education which were paid from other federal grants. Controls were not in place to ensure compliance with these regulations.

Response: Marengo County has sent a letter to the USDA/RUS Telecom Division with a request to purchase equipment exclusively for the distance learning labs. If this request is granted, the equipment would serve as an acceptable match for the grant. A copy of this request is attached. At this time, we do not have an anticipated completion date as we are waiting on their response. Amy Norford, CSFO is the contact person responsible for this corrective action.

Please let me know if you need further information.

Sincerely,



Dennis R. Sanford
Superintendent

OFFICE OF
SUPERINTENDENT OF EDUCATION

Luther P. Hallmark
Superintendent
E-mail: lhallmark@marengo.k12.al.us

MARENGO COUNTY
P.O. BOX 480339
LINDEN, AL 36748

Barbara "Babs" Prichett
Board Chairman
District 5

PHONE (334)295-4123
FAX (334)295-2259

March 22, 2013

Ms. Teresa Hunkapiller
USDA/RUS Telecom Division
100 Wyld Palms Drive, Unit 304
Foley, AL 36535

Dear Ms. Hunkapiller:

I am writing in regard to the Marengo County Board of Education's match portion on the RUS Grant which was a collaboration with Coosa County. As you know, the largest portion of our original match was done with federal funds. As we have recently learned this was a violation of the grant's regulations. This was not an intentional violation as we were not aware that you could not match with federal dollars.

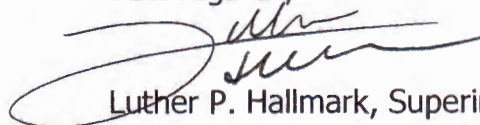
We would like to correct this matter now by purchasing thirty-four (34) laptops and three (3) laptop carts to be used exclusively for the distance learning labs. The total purchase price for these items would be \$43,099.66. Each laptop costs \$649.99 and each cart costs \$8,000.00.

Our match portion totals \$53,548.40. Expenditures submitted with our original match include \$8,064.00 of state funds. The \$43,099.66 we would send from local funds and the \$8,064.00 in state funds already expended would exceed the match amount.

Again, it was not our intention to violate the grant's regulations and I would greatly appreciate any consideration you could give to this matter.

Thank you for your assistance.

Best regards,



Luther P. Hallmark, Superintendent
Marengo County Board of Education

LPH/dgl

Cc: Dennis Sanford, Coosa County, Superintendent
Amy Norford, Coosa County, CSFO
Kevin Thompson, Coosa County, Technology Coord.