

**SATSUMA CITY
BOARD OF EDUCATION
FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

SATSUMA CITY BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Members of the Board
Satsuma City Board of Education
Satsuma, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Satsuma City Board of Education, as of and for the fifteen month period ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Satsuma City Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Satsuma City Board of Education, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fifteen month period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-12 and 31-33 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.

Other Information

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

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

The Other Supplementary Information, Agency Funds Booster Clubs, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014, on our consideration of Satsuma City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Satsuma City Board of Education's internal control over financial reporting and compliance.



Certified Public Accountants

February 5, 2014
Fairhope, Alabama

SATSUMA CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION & ANALYSIS
REQUIRED SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2013

The Satsuma City Board of Education's (the "Board") discussion and analysis presents the overall financial position and operating results for the fifteen month period ended September 30, 2013. Readers are encouraged to read it in conjunction with the Board's financial statements, which follow this analysis. The Management's Discussion and Analysis (MD&A) reflects an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Financial Highlights: Significant Items to Note

Our financial statements provide these insights into the results operations for the fifteen month period:

- The Board formally started operating in June of 2012 with donated fixed assets and equipment and supplies transferred from Mobile County Board of Education. The Board's financial status decreased for the fifteen month audit period ending September 30, 2013. The Board's total net position decreased by approximately \$2.1 million over the course of the audit period. This decrease is attributable to the fact that the Board initially received approximately \$42.2 million in donated assets from Mobile County Board of Education that were subsequently reduced by \$1.1 million in retirements/dispositions of assets and \$1.3 million in accumulated depreciation. In addition, the reduction in Net Position was impacted by the recognition of \$642,547 accrued salaries and benefits and \$29,503 in compensated absences. The assets of the Board exceeded its liabilities at the close of fifteen month period ended September 30, 2013, by approximately \$40.1 million (net position).
- The total cost of the Board's programs for the period was \$15.1 million. After taking away a portion of these costs paid for with charges or fees, intergovernmental aid, interest earnings and other miscellaneous sources, the net cost that required funding from city and county taxpayers was \$5.6 million. This includes the required 10-mill local system contribution into the State Foundation Program of \$476,900. The Foundation Program (the state funding mechanism for K-12 education systems in Alabama) provided \$5.7 million toward the cost of these programs.
- For the General Fund, revenues exceeded total expenditures during the fifteen month period by \$224,185. This amount represents the fund balance as of September 30, 2013 on the Budgetary Basis.
- The Board had \$29,503 in long-term liabilities at September 30, 2013. This liability is solely for the accounting entry made for compensated absences. The Board had no long-term debt for buildings or operations as of September 30, 2013.

**SATSUMA CITY BOARD OF EDUCATION
MANAGEMENT’S DISCUSSION & ANALYSIS
REQUIRED SUPPLEMENTAL INFORMATION**

SEPTEMBER 30, 2013

Using the Financial Statements -An Overview for the User

The following graphic is provided for your review and understanding of the financial statements and this report as a whole. This annual financial report consists of four parts:

- Independent Auditor’s Report
- Required Supplementary Information (including the MD&A)
- Basic Financial Statements (District-wide or Board-wide and Fund Financial Statements)
- Supplemental Information

Required Components of Annual Financial Report

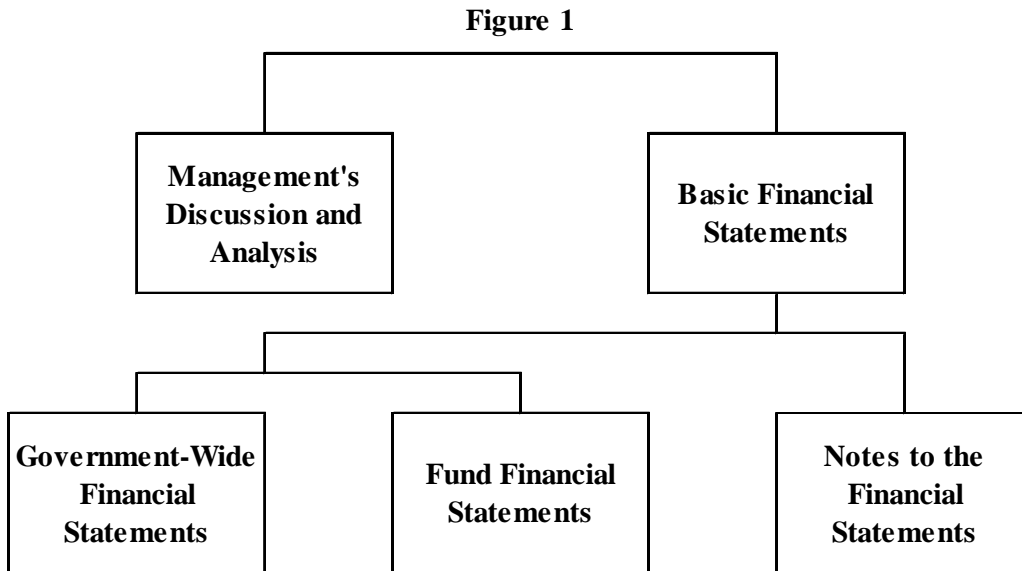


Figure 1 depicts the major features of the Board’s financial statements. The focus of the financial statements is on the Board as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Board’s accountability.

Government-Wide Financial Statements

The first two statements are government-wide financial statements — the *Statement of Net Position* and the *Statement of Activities*. These provide both long-term and short-term information about the Board's overall financial status. The focus of the Statement of Net Position (the “Unrestricted Net Position”) is designed to be similar to bottom line results for the Board and its activities.

SATSUMA CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION & ANALYSIS
REQUIRED SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2013

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

The *Statement of Activities* provides information which shows how the Board's Net Position changed as a result of the fifteen month period's activities. The statement uses the accrual basis of accounting. 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).

Fund Financial Statements

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 are reported in the Other Supplementary Information as Agency Funds Booster Clubs, using an accrual basis of accounting.

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.

Required Supplementary Information

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.

SATSUMA CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION & ANALYSIS
REQUIRED SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2013

Analysis of the School Board's Overall Financial Position

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to *Table 1* when reading the following analysis of net position. The Board's assets exceeded liabilities by \$40.1 million at September 30, 2013.

- Of this figure, 99.1% or \$39.7 million reflects the Board's investment in capital assets (e.g., land, buildings, improvements other than buildings, furniture and equipment, and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net position is not available for future spending or funding of operations.
- This audit period covers the first fifteen months of operation for Satsuma City Board of Education. Although the Board experienced an excess operating fund balance for the General Fund on the budgetary basis in the amount of \$224,185, there were several accrual entries required for proper presentation in accordance with accounting principles generally accepted in the United States of America (GAAP) that resulted in a negative figure for Unrestricted Net Position of \$(385,501). These entries included an accrual for salaries and benefits exceeding \$600,000 and a loss on disposal of unusable fixed assets donated by Mobile County Board of Education in the amount of \$1.1 Million. The results of these accrual entries do not impact the Board's ability to meet current obligations and operational needs.

Table 1: Summary of Net Position
As of September 30, 2013

	Governmental Activities	Percent of Total
Current and other assets	\$ 1,070,980	2.62%
Capital assets	39,744,525	97.38%
Total Assets	\$ 40,815,505	100.00%
Current and Other Liabilites	\$ 697,186	95.94%
Long-term liabilities	29,503	4.06%
Total Liabilities	726,689	100.00%
Net Position:		
Net investment in capital assets	39,744,526	99.14%
Restricted	729,791	1.82%
Unrestricted	(385,501)	-0.96%
Total Net Position	\$ 40,088,816	100.00%

SATSUMA CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION & ANALYSIS
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The results of fiscal period 2013's operations as a whole are reported in detail in the *Statement of Activities*. Table 2 below condenses the results of operations for the audit period into a format where the reader can easily see the total revenues of the Board for the fifteen month period. It also shows the impact the operations had on changes in net position as of September 30, 2013.

**Table 2: Summary of Changes in Net Position from Operating
Results for Audit Period Ending September 30, 2013**

	<u>Governmental Activities</u>	<u>Percent of Total</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,799,168	13.80%
Operating grants & contributions	7,449,188	57.13%
Capital grants & contributions	319,515	2.45%
General revenues:		
Local property taxes	2,673,070	20.50%
Local sales taxes	203,512	1.56%
Other taxes	87,130	0.67%
Grants & contributions not restricted	185,323	1.42%
Investment earnings	38,970	0.30%
Miscellaneous	282,167	2.16%
Total Revenues	<u>\$ 13,038,043</u>	<u>100.00%</u>
Expenses:		
Instructional services	\$ 8,142,650	53.78%
Instructional support services	1,652,561	10.91%
Operation & maintenance services	1,841,208	12.16%
Student transportation	413,513	2.73%
Food service	787,365	5.20%
General administration services	2,222,360	14.68%
Other expenses	80,941	0.53%
Total Expenses	<u>\$ 15,140,598</u>	<u>100.00%</u>

The Board's Net Position decreased by approximately \$2.1 million during the current audit period. Again, this is mainly attributable to the disposition and depreciation of the original fixed assets donated by Mobile County Board of Education at the point of separation by Satsuma City Board of Education.

SATSUMA CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION & ANALYSIS
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Governmental Activities - As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the audit period ended September 30, 2013 was \$15.1 million. It is important to note that not all of these costs were borne by the taxpayers of Satsuma City:

- Some of the cost, \$1.8 million, was paid by users who benefited from services provided during the fifteen month period, such as school lunches, local school fundraisers, and admissions for local school events.
- State and federal governments subsidized certain programs with grants and contributions totaling \$7.45 million.
- \$3.47 million of the Board's total costs of \$15.1 million was financed by district and state taxpayers, unrestricted grants, investment and miscellaneous revenues as follows: \$2,673,070 in property taxes, \$203,512 in sales taxes, and \$87,130 in other taxes (alcohol beverage tax, business privilege tax and tobacco tax), \$185,323 in unrestricted grants, \$38,970 in investment revenues, \$1,121,291 as a loss on the disposition of capital assets and \$282,167 in miscellaneous revenues.

Table 3 is a condensed statement taken from the Statement of Activities showing the total cost for providing identified services for seven major Board activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the Board used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

**Table 3: Net Cost of Governmental Activities for Audit Period
For the Fifteen Months Ended September 30, 2013**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Expenses:		
Instructional services	\$ 8,142,650	\$ 2,547,892
Instructional support services	1,652,561	319,445
Operation & maintenance services	1,841,208	630,092
Student transportation	413,513	45,389
Food service	787,365	142,103
General administrative	2,222,360	1,876,181
Other expenses	80,941	11,625
Total Expenses	<u>\$ 15,140,598</u>	<u>\$ 5,572,727</u>

SATSUMA CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION & ANALYSIS
REQUIRED SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2013

Performance of School Board Funds

As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Board's overall financial health. The following analysis of the Board's funds should be read in reference to the fund financial statements.

Governmental Funds - The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Board's financial requirements (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on pages 16 and 18. The financial performance of the Board as a whole is reflected in its governmental funds as well. At September 30, 2013, the Board's governmental funds reported combined ending fund balances of \$373,794. **General Fund** - During the fifteen month period, the net change in the general fund balance was a decrease of \$380,748. This is the fund balance on the GAAP basis. This is due to the large salary and benefit accrual entry of \$618,157. Note that the actual general fund balance on the budgetary basis was \$224,185.

Special Revenue Fund - During the fifteen month period, the net change in the special revenue fund was an increase of \$342,361 which is also the fund balance.

Capital Projects Fund - During the fifteen month period, the net change in the Capital Projects Fund was an increase of \$412,180. State and local tax revenues for capital outlay accumulated in this fund, and capital related expenditures were made. The Board plans to continue to allow this fund to grow to serve as a fund for necessary capital project improvements or emergency needs in the future.

Budgetary Highlights of Major Funds

On or before October 1 of each year, the Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The State Department of Education required such budget to be submitted by September 15, 2012. The original 2013 fiscal year budget, adopted on September 13, 2012, was based on a conservative approach that reflected only allocated revenues and essential expenditures. The Board revised the annual operating budgets during the year on June 11, 2013. For purposes of this budgetary analysis, the General Fund and the Special Revenue fund of the board are discussed in accordance with the GASB 34 reporting model.

General Fund - The comparison of general fund original budget to the final amended budget is on page 31. The difference between the original budget and the final amended budget of the Board was \$1,214,435 increase in overall revenues, an increase in overall expenditures of \$898,336, and a decrease in Other Financing Sources and Uses of \$107,679. These variances were primarily due to the

**SATSUMA CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION & ANALYSIS
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SEPTEMBER 30, 2013

entries made to recognize the donated fixed assets and equipment from Mobile and the related expenditure for these donated assets and the accrual entry for salaries and benefits. There was an overall increase in ending fund balance budgeted of \$148,280 due to higher local tax revenues received than expected. Since the district was formed in 2012, it was difficult to accurately budget the local revenue without the benefit of a historical trend. The Board also reclassified an earlier budget entry pertaining to the short term line of credit. It was originally budgeted as a category under Debt Service in the General Fund. An entry was made at year-end to properly record the short term note as balance sheet entries.

Special Revenue Fund - The comparison of the special revenue original budget to the final amended budget is reflected on page 32. The Special Revenue Fund contains all of the federal programs including Child Nutrition as well as the public funds of the two local schools. The variance for revenues is due to a reduction in federal funding during the fifteen month period and an increase in local revenues at the school level. The total amount of revenue variance was \$273,578. There was increase in expenditures of \$125,942 above the budgeted amount again primarily due to increased operations at the local school level. Without the benefit of historical trends for the two local schools, it was difficult to properly estimate the level of revenues and expenditures.

Capital Assets and Debt Administration

Capital Assets - The Board's investment in capital assets for its governmental activities for the fifteen month period ended September 30, 2013, amounted to \$66,315. The original donation of capital assets by Mobile County Board of Education was \$42,191,371. The Board had to dispose of numerous unusable portable buildings, an inoperable walk-freezer and a few small structures on the property. The total disposals were \$1,121,291, and total depreciation was \$1,325,555. The Board's investment in capital assets includes donated land, buildings and improvements estimated at fair market value, and certain purchased capital assets at historical cost. See *Table 4* for detailed schedule.

**Table 4: Capital Assets (net of accumulated depreciation)
As of September 30, 2013**

Land	\$ 664,800
Land Improvements-Exhaustible	1,942,661
Buildings	36,279,455
Building Improvements	587,545
Equipment and Furniture	169,764
Vehicles	100,300
Total Capital Assets	<u><u>\$ 39,744,525</u></u>

**SATSUMA CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION & ANALYSIS
REQUIRED SUPPLEMENTAL INFORMATION**

SEPTEMBER 30, 2013

Long-term Liabilities

At September 30, 2013, the Board had \$29,503 reflected as a long-term liability. This amount is the entry made for compensated absences. The Board had no other long-term liabilities as of September 30, 2013.

Economic Factors and Next Year's Budget

The following are currently known City of Satsuma economic factors considered going into FY 2014.

- The population of the City of Satsuma as of the year 2011 was 6,133, a 7.8% increase over the 2000 census.
- Median age for the City of Satsuma is 40.7 as compared to a State average of 40.9.
- The estimated per capita income in 2011 was \$25,240.
- The median household income in the City of Satsuma for 2011 was \$58,048 as compared to a State average of \$41,415.
- Estimated median house or condo value in the City of Satsuma for 2011 was \$146,217 as compared to a statewide value of \$122,700.
- The citizens of Satsuma voted an increase of 7.5 mills of ad valorem tax in order to support the newly formed Satsuma City Board of Education.
- The City of Satsuma levied a one-cent Sales Tax and appropriates half of the penny Sales Tax to the Board.

Circumstances that could significantly affect the Board's financial health in the future are listed as follows: Proration of State Appropriations - Applicable provisions of the Constitution of Alabama effectively prohibit the State from engaging in deficit financing-that is to say, state expenditures during any fiscal year may not exceed available revenues. State law provides procedures for delaying or, if necessary, reducing (or "prorating") appropriations of state revenues in order to maintain and enforce the constitutional ban on deficit financing. The Board's General Fund receives the largest share of its annual revenue from the State. Although the State revenues provided for the payment of employee salaries and benefits are prorated, State law prohibits the Board from reducing salaries and benefits paid to employees. The postponement or reduction of State appropriations to the Board as a consequence of proration may therefore result in reductions of expenditures by the Board for certain budget items other than salaries (e.g. instructional materials, certain academic programs, maintenance projects, and supplies). School systems have experienced three years without proration,

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and the general economy and state funding has continued to increase slightly over the past three years. The Board monitors the state tax revenues closely in order to plan for any possible threat of proration. Estimated Capital Needs- The Board's five year capital plan submitted for fiscal year 2014 is based on facility assessments and enrollment needs, and includes \$11.1 million in estimated capital needs throughout the system. It is planned that \$2 million will be funded with a Quality Zone Academy Bond (QZAB) to be processed and executed in Fiscal Year 2014. The source of funding for remaining needs of \$9.1 million is not identified or determined at this time. The Board continues to allow the Capital Fund to grow in order to combine those funds with future bond issues in order to meet capital needs.

Student Enrollment- The Board's current enrollment based on the Average Daily Membership (ADM) as of the twenty-day report for the 2013-2014 scholastic year was 1,304 which is a decrease from the 1,463 reported in the previous year. This is due to the reduction of the large senior class that was permitted to attend the first year regardless of whether the students were residents of Satsuma or not. The Board anticipates and is planning accordingly for a reduction in state funding based upon this decrease of 159 students.

Medical and Retirement Costs - Employee health insurance is provided through the Public Education Employees Health Insurance Program (PEEHIP). The premiums for health insurance for teachers and support personnel under PEEHIP have been consistent at \$714 per month per employee for a few years. Also, the employer contribution rate to the Teachers Retirement System (TRS) was 10.08% and 9.44% for Tier 1 and 2 employees, respectively, in Fiscal Year 2013 and is 11.71% and 11.08% for Tier 1 and 2 employees, respectively, for Fiscal Year 2014.

SATSUMA CITY BOARD OF EDUCATION

STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 888,653
Receivables, net	157,576
Inventories	24,751
Capital assets	
Nondepreciable	664,800
Depreciable, net	39,079,725
Total Assets	<u>\$ 40,815,505</u>
Liabilities	
Salaries and benefits payable	\$ 642,547
Other payables	45,508
Unearned revenue	9,131
Long-Term liabilities	
Portion due or payable within one year	2,950
Portion due or payable after one year	26,553
Total Liabilities	<u>726,689</u>
Net Position	
Net investment in capital assets	39,744,526
Restricted for:	
Education	317,611
Construction	412,180
Unrestricted	(385,501)
Total Net Position	<u>40,088,816</u>
Total Liabilities and Net Position	<u>\$ 40,815,505</u>

See independent auditors' report and notes to the financial statements.

SATSUMA CITY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES

FOR THE FIFTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instructional	\$ 8,142,650	\$ 449,461	\$ 5,144,243	\$ 1,054	\$ (2,547,892)
Instructional support	1,652,561	174,460	1,158,656	-	(319,445)
Operation and maintenance	1,841,208	313,167	668,339	229,609	(630,093)
Student transportation	413,513	62,939	288,447	16,738	(45,389)
Food service	787,365	606,286	38,975	-	(142,104)
General administrative	2,222,360	148,441	125,626	72,114	(1,876,179)
Other expenses	80,941	44,414	24,902	-	(11,625)
Total governmental activities	<u>\$ 15,140,598</u>	<u>\$ 1,799,168</u>	<u>\$ 7,449,188</u>	<u>\$ 319,515</u>	<u>(5,572,727)</u>
General revenues:					
Taxes:					
					1,925,170
					747,900
					203,512
					66,420
					20,710
					185,323
					38,970
					282,167
					<u>3,470,172</u>
					(2,102,555)
					42,191,371
					<u>\$ 40,088,816</u>

See independent auditors' report and notes to the financial statements.

SATSUMA CITY BOARD OF EDUCATION

FUND BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	<u>(11) - General Fund</u>	<u>(12) - Special Revenue Fund</u>	<u>(14) - Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 85,309	\$ 393,722	\$ 409,622	\$ 888,653
Receivables, net	53,481	88,873	15,222	157,576
Due from other funds	109,796	-	-	109,796
Inventories	-	24,751	-	24,751
Total assets	<u>\$ 248,586</u>	<u>\$ 507,346</u>	<u>\$ 424,844</u>	<u>\$ 1,180,776</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 11,177	\$ 34,331	\$ -	\$ 45,508
Due to other funds	-	97,132	12,664	109,796
Unearned revenues	-	9,131	-	9,131
Salaries and benefits payable	618,157	24,390	-	642,547
Total liabilities	<u>629,334</u>	<u>164,984</u>	<u>12,664</u>	<u>806,982</u>
Fund Balances				
Nonspendable	-	24,751	-	24,751
Restricted for:				
Education	-	317,611	-	317,611
Construction	-	-	412,180	412,180
Unassigned	(380,748)	-	-	(380,748)
Total fund balances	<u>(380,748)</u>	<u>342,362</u>	<u>412,180</u>	<u>373,794</u>
Total liabilities and fund balances	<u>\$ 248,586</u>	<u>\$ 507,346</u>	<u>\$ 424,844</u>	<u>\$ 1,180,776</u>

See independent auditors' report and notes to the financial statements.

SATSUMA CITY BOARD OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

SEPTEMBER 30, 2013

Total Fund Balances - Governmental Funds		\$	373,794
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
The Cost of Capital Assets is		\$	41,088,675
Accumulated Depreciation is			<u>(1,344,150)</u>
			<u>39,744,525</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Current Portion of Long-Term Liabilities			2,950
Noncurrent Portion of Long-Term Liabilities			<u>26,553</u>
			<u>(29,503)</u>
Total Net Position - Governmental Activities		\$	<u><u>40,088,816</u></u>

See independent auditors' report and notes to the financial statements.

SATSUMA CITY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE FIFTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2013

	<u>(11) - General Fund</u>	<u>(12) - Special Revenue Fund</u>	<u>(14) - Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues				
State	\$ 6,662,623	\$ -	\$ 308,461	\$ 6,971,084
Federal	-	1,127,945	-	1,127,945
Local	3,149,826	1,010,324	747,900	4,908,050
Other	19,528	8,048	-	27,576
Total revenues	<u>9,831,977</u>	<u>2,146,317</u>	<u>1,056,361</u>	<u>13,034,655</u>
Expenditures				
Current:				
Instructional	6,050,354	735,472	-	6,785,826
Instructional support	1,369,651	268,892	-	1,638,543
Operation and maintenance	1,559,432	1,481	277,834	1,838,747
Auxiliary services:				
Student transportation	383,128	12,685	-	395,813
Food service	47,515	743,412	58,316	849,243
General administrative	935,596	117,724	-	1,053,320
Other	40,018	40,924	-	80,942
Capital outlay	38,281	-	28,034	66,315
Total expenditures	<u>10,423,975</u>	<u>1,920,590</u>	<u>364,184</u>	<u>12,708,749</u>
Excess (deficiency) of revenues				
Over expenditures	<u>(591,998)</u>	<u>225,727</u>	<u>692,177</u>	<u>325,906</u>
Other Financing Sources (Uses)				
Indirect cost	44,500	-	-	44,500
Transfers in	310,200	146,838	-	457,038
Other financing sources	3,388	-	-	3,388
Transfers out	<u>(146,838)</u>	<u>(30,203)</u>	<u>(279,997)</u>	<u>(457,038)</u>
Total other financing sources (uses)	<u>211,250</u>	<u>116,635</u>	<u>(279,997)</u>	<u>47,888</u>
Net changes in fund balances	(380,748)	342,362	412,180	373,794
Fund balances - beginning of fifteen month period	-	-	-	-
Fund balances - end of fifteen month period	<u>\$ (380,748)</u>	<u>\$ 342,362</u>	<u>\$ 412,180</u>	<u>\$ 373,794</u>

See independent auditors' report and notes to the financial statements.

SATSUMA CITY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE FIFTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2013

Net Changes in Fund Balances - Total Governmental Funds \$ 373,794

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

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

Capital Outlays	\$ 66,315	
Depreciation Expense	<u>(1,391,870)</u>	(1,325,555)

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

Loss on disposition of capital assets		(1,121,291)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences, Current Year Increase/(Decrease) in Noncurrent Portion		<u>(29,503)</u>
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Change in Net Position of Governmental Activities		<u>\$ (2,102,555)</u>
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SATSUMA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The financial statements of the Satsuma City Board of Education (the Board) have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB).

For financial reporting purposes and in conformance with the criteria set forth by GASB Statement No. 14, the Board includes those funds, account groups, agencies, boards, commissions and authorities for which the Board has the ability to exercise its oversight responsibility and provides financial and managerial assistance.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE AND FUND LEVEL

Government-wide

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 the 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.

Fund Level

The government fund level financial statements are reported using the current financial resource 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 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, 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 the capital leases are reported as other financing sources. Since governmental fund level financial statements are

SATSUMA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented explaining adjustments necessary to reconcile fund level statements to the government-wide presentation.

The accounts of the Board are organized on the basis of funds which are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into broad fund categories as follows:

Governmental Funds:

General Fund—The General Fund is used to account for all revenues and expenditures applicable to the general operations of the Board which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.

Special Revenue Fund—Special revenue funds are operating funds for which the use of revenues is restricted or designated by outside sources.

Capital Project Fund—Capital project funds are used to account for the financial resources used to construct or acquire major capital items.

Fiduciary Fund:

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 governments.

C. CAPITAL ASSETS

The accounting treatment over capital assets depends on whether the assets are used by fund level or government-wide reporting.

In government-wide reporting, all capital assets are reported as capital assets for both governmental-type and business-type activities. The Board has established a minimum capitalization threshold of \$5,000 for personal property and \$50,000 for real property. Depreciation is provided on all capital assets at the government-wide level.

In fund level reporting, capital assets are reported as expenditures by governmental funds. Depreciation is not provided at the fund level.

SATSUMA CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated.

Depreciation is allocated as an expense in the Statement of Activities (government-wide level) and accumulated depreciation is reflected in the Statement of Net Position (government-wide level). Depreciation has been provided over the estimated useful lives using the straight-line rates as follows:

Buildings	25-50 years
Vehicles and equipment	5-20 years

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, that is when they become both “measurable” and “available” to finance expenditures of the current period. Ad valorem and other taxes collected by an intermediary are considered “measurable” when in the hand of the intermediary collecting governments and may be recognized as revenue at that time. Expenditures, generally, are recorded at the time liabilities are incurred. Revenues susceptible to accrual are: property taxes and federal financial assistance programs, which are measurable and available to finance expenditures of the current period.

E. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued and Adopted Accounting Principles

On July 1, 2012, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedures. The adoption of GASB Statement No. 62 did not have any impact on the Board’s financial statements.

SATSUMA CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On July 1, 2012, the Board adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Balance Sheet is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The Board has determined they have no deferred outflows or inflows of resources at September 30, 2013, under the requirements of GASB 63.

Recently Issued Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 requires certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows of resources, deferred inflows of resources or current-period outflows (expenses) and inflows (revenues). These determinations are based on the definitions of those elements in Concepts Statement No. 4, *Elements of Financial Statements*. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the Board's 2014 financial statements.

F. NET ASSET AND EQUITY CLASSIFICATIONS

Government-wide Financial Statement

The Board adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which superseded GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*. Equity is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources attributable to the unspent proceeds is not included in the same net position as the unspent proceeds.
- Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

SATSUMA CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance. In March 2009, GASB adopted a standard that establishes a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

Fund balance is classified into one of the following five components:

- Nonspendable fund balance—Consists of amounts that are not in a spendable form or are required to be maintained intact.
- Restricted fund balance—Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the Board's own laws through its enabling legislation and other provisions of its laws and regulations.
- Committed fund balance—Consists of fund balances 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.
- Assigned fund balance—Consists of fund balances 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 restraint.
- Unassigned fund balance—All other fund balances that do not meet the definition of "restricted, committed or assigned fund balances." This portion of the total fund balance in the general fund is available to finance operating expenditures.

G. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments. The State Attorney General has issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government.

SATSUMA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. INVENTORIES

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories consist of food products purchased to be sold in the cafeteria facilities. The costs of governmental fund inventories are recorded as expenditures when purchased, except commodities donated by the federal government, which are expensed when consumed.

I. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. ENCUMBRANCES

Encumbrances represent commitments related to underperformed contracts for goods or services. Encumbrances accounting—under which purchase orders, contracts and other commitments for the expenditure or resources are recorded to reserve that portion of the applicable appropriation—is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

NOTE 2 DEPOSITS AND INVESTMENTS

Interest Rate Risk

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 increasing interest rates.

Credit Risk

State statutes authorize the Board's investments. The Board is authorized to invest in U.S. Government obligations and its agencies or instrumentalities. The Board has no investment policy that further limits investment choices.

SATSUMA CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 2 DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

The Board is a participant in the Security for Alabama Funds Enhancement (SAFE) Program, a multiple financial institution collateral pool, administered by the State of Alabama. The program, by law, provides administration of pledged collateral coverage for all governments and agencies in the state and requires qualified financial institutions to provide collateral to the administrator adequate to secure all deposits of public funds in that financial institution. The State guarantees deposits identified as “public funds” will be adequately secured by insurance or collateral. Any collateral shortages of one financial institution are assessed to other member financial institutions.

NOTE 3 INTERFUND TRANSACTIONS

During the course of normal operations, the Board has numerous transactions between funds to provide services, construct assets, etc. These transactions are generally reflected as operating transfers or receivables and liabilities. Transactions reimbursing a fund for expenditures are recorded as expenditures in the disbursing fund and as revenues in the receiving fund. Remaining fund balances in discontinued funds and non-recurring, non-routine transfers are accounted for as residual equity transfers. The Board typically used transfers to fund operating subsidies and to recoup certain expenditures paid on-behalf of the local schools.

	Interfund Receivables			
	General Fund	Totals		
<u>Interfund Payables</u>				
Special Revenue Fund	\$ 97,132	\$ 97,132		
Capital Projects Fund	12,664	12,664		
Totals	<u>\$ 109,796</u>	<u>\$ 109,796</u>		
	<u>Transfers Out</u>			
	General Fund	Special Revenue Fund	Capital Projects Fund	Totals
<u>Transfers In</u>				
General Fund	\$ -	\$ 30,203	\$ 279,997	\$ 310,200
Special Revenue Fund	146,838	-	-	146,838
Totals	<u>\$ 146,838</u>	<u>\$ 30,203</u>	<u>\$ 279,997</u>	<u>\$ 457,038</u>

SATSUMA CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fifteen month period ending September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ reclassifications</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 664,800	-	-	\$ 664,800
Total Capital Assets, Not Being Depreciated	<u>664,800</u>	<u>-</u>	<u>-</u>	<u>664,800</u>
Capital Assets Being Depreciated:				
Land improvements-exhaustible	2,100,174			2,100,174
Buildings	38,566,509		1,163,011	37,403,498
Building Improvements	605,716			605,716
Equipment and Furniture	136,172	66,315	6,000	196,487
Vehicles	118,000	-	-	118,000
Total Capital Assets Being Depreciated	<u>41,526,571</u>	<u>66,315</u>	<u>1,169,011</u>	<u>40,423,875</u>
Less Accumulated Depreciation for:				
Land improvements-exhaustible	-	157,513	-	157,513
Buildings	-	1,170,563	46,520	1,124,043
Building Improvements	-	18,171	-	18,171
Equipment and Furniture	-	27,923	1,200	26,723
Vehicles	-	17,700	-	17,700
Total Accumulated Depreciation	<u>-</u>	<u>1,391,870</u>	<u>47,720</u>	<u>1,344,150</u>
Total Capital Assets Being Depreciated, Net	<u>41,526,571</u>	<u>(1,325,555)</u>	<u>1,121,291</u>	<u>39,079,725</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 42,191,371</u>	<u>\$ (1,325,555)</u>	<u>\$ 1,121,291</u>	<u>\$ 39,744,525</u>

Depreciation expense was charged to governmental functions/programs as follows:

Instructional	\$ 1,351,687
Operation and Maintenance	1,712
Student Transportation	17,700
Food Service	18,751
General Administrative	2,020
Total Depreciation Expense - Governmental Activities	<u>\$ 1,391,870</u>

SATSUMA CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 5 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Other Liabilities:					
Compensated Absences	\$ -	\$ 29,503	\$ -	\$ 29,503	\$ 2,950
Total Other Liabilities	<u>-</u>	<u>29,503</u>	<u>-</u>	<u>29,503</u>	<u>2,950</u>
Governmental Activities Long- Term Liabilities	<u>\$ -</u>	<u>\$ 29,503</u>	<u>\$ -</u>	<u>\$ 29,503</u>	<u>\$ 2,950</u>

NOTE 6 COMPENSATED ABSENCES

For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 16 requires the accrual of liabilities as the benefits are earned by the employees if both of these conditions are met:

- 1) The employees' right to receive compensation is attributable to services already rendered.
- 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Professional and support personnel are provided two days of personal leave per year with pay. The State provides partial funding (\$60.00 per day), at the substitute rate, for up to two days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to two days of unused personal leave. Certain unused personal leave can be converted to sick leave days at the end of the school year.

SATSUMA CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 6 COMPENSATED ABSENCES (continued)

Certain employees are allowed two weeks of vacation per year with pay. Certain unused vacation leave cannot be converted to sick leave days at the end of the school year.

Professional and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may accumulate an unlimited number of sick leave days. Employees may use their accrued sick leave as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

NOTE 7 RISK MANAGEMENT

Rather than finance various risks through self-insurance, the Board has elected to carry traditional insurance coverage.

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The Board has insurance for its building and contents through an insurance company. The insurance company provides coverage up to \$65,899,951. Errors and omissions insurance is purchased from the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for fidelity bonds and vehicle fleet. Settled claims in the past fifteen months have not exceeded the amounts of commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), a public entity risk pool, administered by the Public Education Employees' Health Insurance Board. 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 set annually by the Alabama Legislature based on the amounts necessary to fund coverage. The Board contributes the specified monthly amount to the PEEHIF for each employee.

The State Board of Adjustments is a state agency with which people can file against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Employees may, however, file claims for job-related injuries with the State Board of Adjustments. The Board of Adjustments determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board.

SATSUMA CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 8 DEFINED BENEFIT PENSION PLAN

Plan Description

The Board contributes to the Teacher's Retirement System of Alabama (TRS), 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 TRS. Membership is mandatory for covered or eligible employees of the Board. Benefits vest after 10 years of credible 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 TRS 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 TRS is vested in the Board of Control (currently 14 members). Benefit provisions are established by the **Code of Alabama 1975**, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

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

Funding Policy

During 2012, the Alabama Legislature passed and the Governor signed into law, changes in the pension plan effective January 1, 2013, which created two "Tiers" of covered employees. Employees hired prior to January 1, 2013 (Tier 1 employees) must contribute 7.50% of their salary to the TRS. Employees hired on or after that date (Tier 2 employees) will contribute on gross earnings at a rate of 6.00%. 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 TRS recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill.

SATSUMA CITY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 8 **DEFINED BENEFIT PENSION PLAN (continued)**

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,	<u>2013 Tier 1</u>	<u>2013 Tier 2</u>
Total Percentage of Covered Payroll	<u>17.58%</u>	<u>15.44%</u>
Contributions		
Percentage Contributed by the Board	10.08%	9.44%
Percentage Contributed by the Employees	7.50%	6.00%
Contributed by the Board	\$ 501,941	\$ 6,665
Contributed by the Employees	<u>373,465</u>	<u>4,237</u>
Total Contributions	<u>\$ 875,406</u>	<u>\$ 10,902</u>

NOTE 9 **CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditure which may be disallowed by the grantor cannot be determined at this time although the Board expects such amounts, if any, to be immaterial.

NOTE 10 **SUBSEQUENT EVENTS**

The Board has evaluated subsequent events through February 5, 2014, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

SATSUMA CITY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET TO ACTUAL
(11) – GENERAL FUND

SEPTEMBER 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
State	\$ 5,537,999	\$ 6,661,569	\$ 6,662,623	\$ 1,054	\$ -	\$ 6,662,623
Local	1,650,662	1,939,558	3,149,826	1,210,268	-	3,149,826
Other	-	16,414	19,528	3,114	-	19,528
Total Revenues	7,188,661	8,617,541	9,831,977	1,214,436	-	9,831,977
Expenditures						
Current:						
Instructional	4,290,151	5,151,196	5,531,362	(380,166)	518,992	6,050,354
Instructional Support	1,013,982	1,118,790	1,305,903	(187,113)	63,748	1,369,651
Operation and Maintenance	930,879	1,190,332	1,556,965	(366,633)	2,467	1,559,432
Auxiliary Services:						
Student Transportation	247,414	338,333	363,402	(25,069)	19,726	383,128
Food Service	-	-	47,515	(47,515)	-	47,515
General Administrative	544,474	597,607	935,596	(337,989)	-	935,596
Other	25,222	35,285	40,018	(4,733)	-	40,018
Capital Outlay	-	-	38,281	(38,281)	-	38,281
Debt Service:						
Principal Retirement	500,000	482,285	-	482,285	-	-
Interest and Fiscal Charges	13,750	6,877	-	6,877	-	-
Total Expenditures	7,565,872	8,920,705	9,819,042	(898,337)	604,933	10,423,975
Excess (Deficiency) of Revenues Over Expenditures	(377,211)	(303,164)	12,935	316,099	(604,933)	(591,998)
Other Financing Sources (Uses):						
Indirect Cost	49,415	55,378	44,500	(10,878)	-	44,500
Long-Term Debt Issued	500,000	357,000	-	(357,000)	-	-
Transfers In	20,000	29,089	310,199	281,110	-	310,199
Other Financing Sources	-	-	3,389	3,389	-	3,389
Transfers Out	(122,538)	(122,538)	(146,838)	(24,300)	-	(146,838)
Total Other Financing Sources (Uses)	446,877	318,929	211,250	(107,679)	-	211,250
Net Change in Fund Balances	69,666	15,765	224,185	208,420	(604,933)	(380,748)
Fund Balances - Beginning of Fifteen Month Period	-	60,141	-	110,907	-	-
Fund Balances - End of Fifteen Month Period	\$ 69,666	\$ 75,906	\$ 224,185	\$ 319,327	\$ (604,933)	\$ (380,748)

SATSUMA CITY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET TO ACTUAL
(12) – SPECIAL REVENUE FUND

SEPTEMBER 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Federal	\$ 1,229,132	\$ 1,212,756	\$ 1,127,945	\$ (84,811)	\$ -	\$ 1,127,945
Local	595,523	652,307	1,010,324	358,017	-	1,010,324
Other	3,490	7,675	8,048	373	-	8,048
Total Revenues	1,828,145	1,872,738	2,146,317	273,579	-	2,146,317
Expenditures						
Current:						
Instructional	709,805	636,759	735,472	(98,713)	-	735,472
Instructional Support	154,475	213,450	268,892	(55,442)	-	268,892
Operation and Maintenance	9,600	18,000	1,481	16,519	-	1,481
Auxiliary Services:						
Student Transportation	-	49	12,685	(12,636)	-	12,685
Food Service	624,562	734,664	719,021	15,643	24,391	743,412
General Administrative	132,655	124,856	117,724	7,132	-	117,724
Other	37,034	42,479	40,924	1,555	-	40,924
Total Expenditures	1,668,131	1,770,257	1,896,199	(125,942)	24,391	1,920,590
Excess (Deficiency) of Revenues Over Expenditures	160,014	102,481	250,118	147,637	(24,391)	225,727
Other Financing Sources (Uses):						
Transfers In	122,538	122,538	146,838	24,300	-	146,838
Transfers Out	(20,000)	(29,089)	(30,203)	(1,114)	-	(30,203)
Total Other Financing Sources (Uses)	102,538	93,449	116,635	23,186	-	116,635
Net Change in Fund Balances	262,552	195,930	366,753	170,823	(24,391)	342,362
Fund Balances - Beginning of Fifteen Month Period	-	301,903	-	110,907	-	-
Fund Balances - End of Fifteen Month Period	\$ 262,552	\$ 497,833	\$ 366,753	\$ 281,730	\$ (24,391)	\$ 342,362

SATSUMA CITY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2013

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

On or before October 1 of each year, the Board is required to prepare and submit to the state superintendent of education the annual budget to be adopted by the Board. Neither the superintendent of education nor the Board can approve any budget for operations of the school system for a fiscal year which shows expenditures in excess of income estimated to be available plus any balances on hand. The superintendent, with the approval of the Board, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes.

Budgeted amounts are as originally adopted by the Board on July 10, 2012. Final budgeted amounts were adopted by the Board on June 11, 2013.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

NOTE 2 EXPLANATION OF DIFFERENCE BETWEEN ACTUAL AMOUNT ON BUDGETARY BASIS AND ACUTAL AMOUNTS GAAP BASIS

	<u>(11)-General Fund</u>	<u>(12) Special Revenue Fund</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) available for expenditures shown as Total Expenditures on the budgetary comparison schedule	\$ 9,819,042	\$ 1,896,199
 Difference - budget to GAAP		
Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are recorded as expenditures on the financial statements	<u>604,933</u>	<u>24,391</u>
 Total expenditures are reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 10,423,975</u>	<u>\$ 1,920,590</u>

OTHER SUPPLEMENTARY INFORMATION

SATSUMA CITY BOARD OF EDUCATION

AGENCY FUNDS BOOSTER CLUBS

SEPTEMBER 30, 2013

	Balance				Balance
	July 1, 2012	Additions	Deletions		September 30, 2013
Assets					
Cash and Cash Equivalents	\$ 10,921	\$ 505,073	\$ 449,515	\$	66,479
Total Assets	<u>\$ 10,921</u>	<u>\$ 505,073</u>	<u>\$ 449,515</u>	<u>\$</u>	<u>66,479</u>
Liabilities					
Accounts Payable	\$ -	\$ 7,856	\$ 6,065	\$	1,791
Due to External Organizations	10,921	497,217	443,450		64,688
Total Liabilities	<u>\$ 10,921</u>	<u>\$ 505,073</u>	<u>\$ 449,515</u>	<u>\$</u>	<u>66,479</u>

See independent auditors' report.

COMPLIANCE SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

Members of the Board
Satsuma City Board of Education
Satsuma, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Satsuma City Board of Education as of and for the fifteen month period ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Satsuma City Board of Education's basic financial statements, and have issued our report thereon dated February 5, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

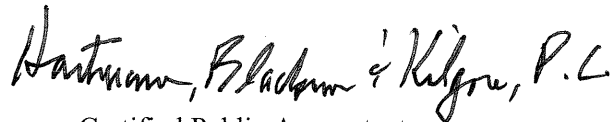
As part of obtaining reasonable assurance about whether Satsuma City Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a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

Purpose of this Report

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

Restriction on Use

This report is intended solely for the information and use of management, members of the board, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

February 5, 2014
Fairhope, Alabama

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board
Satsuma City Board of Education
Satsuma, Alabama

Compliance

We have audited Satsuma City Board of Education's compliances with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Satsuma City Board of Education's major federal programs for the fifteen month period ended September 30, 2013. Satsuma City Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Satsuma City Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above.

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

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

Opinion

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

Internal Control Over Compliance


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

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

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

Restricted Use

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


Certified Public Accountants

February 5, 2014
Fairhope, Alabama

SATSUMA CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FIFTEEN MONTHS ENDED SEPTEMBER 30, 2013

Description	Federal CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u>		
Passed Through State Department of Education:		
National School Lunch Program		
Cash Assistance	10.555	\$ 287,613
Non-Cash Assistance	10.555	38,975
National School Breakfast Program	10.553	37,198
Total U.S. Department of Agriculture		363,786
<u>U.S. Department of Education</u>		
Passed Through State Department of Education:		
Educationally Deprived Children -		
Title I Part A	84.010	298,438
Title II, Part A - Teacher Training	84.367	49,611
Title VI, Part B - School Program	84.027	331,162
IDEA, Preschool	84.173	4,514
Career and Technical Education-Basic Grant to States (Perkins IV)	84.048A	3,659
Total U.S. Department of Education		687,384
Total Expenditures of Federal Awards		\$ 1,051,170

See independent auditors' report and note to the Schedule of Expenditures of Federal Awards.

SATSUMA CITY BOARD OF EDUCATION

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2013

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented based on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund revenues. Expenditures are recorded when the related liability is incurred.

SATSUMA CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2013

SECTION 1 - SUMMARY OF AUDITORS' 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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	Title VI, Part B-School Program
84.173	IDEA, Preschool
10.553	National School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

SECTION 2 - FINANCIAL STATEMENT FINDINGS (GAGAS)

No matters were reportable.

SECTION 3 - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.