

SARALAND BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**Saraland 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
Saraland Board of Education
Saraland, 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 Saraland Board of Education, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Saraland Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Saraland 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 Saraland Board of Education, as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 3-10 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 Saraland Board of Education's basic financial statements. The 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Agency Funds Booster Clubs information on page 34 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 these statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2014 on our consideration of Saraland 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 Saraland Board of Education's internal control over financial reporting and compliance.

Hartmann, Blackman & Kilgore, P.C.

Certified Public Accountants

February 3, 2014
Brewton, Alabama

**SARALAND BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION & ANALYSIS
REQUIRED SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2013**

Our discussion and analysis of the Saraland Board of Education's (the "Board's") financial performance provides an overview of the Board's financial activities for the fiscal year ended September 30, 2013 (FY 2013). Please read it in conjunction with the Board's financial statements and notes to the financial statements, which immediately follow this analysis.

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

Financial Highlights: Significant Items to Note

Our financial statements provide these insights into the results of this year's operations:

- ✓ The Board's financial status remained consistent for FY 2013. The board's total net position decreased slightly by approximately \$372 thousand, over the course of the fiscal year. The assets of the Board exceeded its liabilities at the close of FY 2013 by \$16.3 million (net position). Of this amount, \$949 thousand (unrestricted net position) may be used to meet the Board's future costs of operations.
- ✓ The total cost of the Board's programs for the year was \$22 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 \$7.07 million. This includes the required 10-mill local system contribution into the State Foundation Program of \$1.71 million. The Foundation Program (the state funding mechanism for K-12 education systems in Alabama) provided \$10.6 million toward the cost of these programs.
- ✓ For the General Fund expenditures exceeded revenues by a total of \$365,308. This is mainly attributable to having to fund several local units due to not receiving adequate current unit dollars to cover teacher units. There was an increase in Ad Valorem Taxes.
- ✓ At the end of the current fiscal year, fund balance for the General Fund was \$1.13 million.
- ✓ The Board had \$56.83 million in long-term liabilities at year end.

Using the Financial Statements - An Overview for the User

As a result of the implementation of the GASB 34 reporting model, the financial section consists of five parts - *management's discussion and analysis* (this section), the *independent auditors' report*, the *basic financial statements*, *required supplemental information*, and *other supplemental information*.

The Board's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*.

Government-wide financial statements - Perhaps the most notable feature of the GASB 34 model is the requirement for *government-wide financial statements*. The focus of these statements is to provide readers with a broad overview of the Board's finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Board's overall financial status. It is important to note that all of the activities of the board reported in the *government-wide financial statements* are classified as governmental activities. These activities include, but are not limited to, student transportation, school food services, facility maintenance, local school organizations, interest and fiscal charges on long-term debt, and student instruction. *Government-wide statements* report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Board's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector. The following *government-wide financial statements* report on all of the governmental activities of the Board as a whole.

The *statement of net assets* (on page 11) is most closely related to a balance sheet. It presents information on all of the board's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net position. The net position reported in this statement represent the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net position reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.

The *statement of activities* (on page 12) is most closely related to an income statement. It presents information showing how the Board's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net position for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. The change in net position may be financial or non-financial in nature. Non-financial factors which may have an impact on the Board's financial condition include: age and condition of facilities and mandated educational programs for which little or no funding is provided.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The new reporting model still requires the Board to present financial statements on a fund basis, but with some modifications. All of the funds of the Board can be classified into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental *fund financial statements* begin on page 13. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. Historically, fund information was reported in the aggregate by type of fund. As required under the GASB 34 reporting model, the *fund financial statements* presented herein display information on each of the Board's most important governmental funds or *major funds*. This is required in order to better assess the Board's accountability for significant governmental programs or certain dedicated revenue. The Board's *major funds* are the General Fund, Special Revenue Fund, and Capital Projects Fund.

The *fund financial statements* are measured on the modified-accrual basis of accounting as reported in prior fiscal years, where revenues and expenditures are recorded when they become measurable and available. As a result, the *fund financial statements* focus more on the near term use and availability of expendable resources. The information provided in these statements is useful in determining the Board's immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements*, which focus more on overall long-term availability of expendable resources. The relationship between governmental activities reported in the *government-wide financial statements* and the governmental funds reported in the *fund financial statements* are reconciled on pages 14 and 16 of these financial statements.

The reconciliation is useful to readers in understanding the long-term impact of the Board's short-term financing decisions.

Fiduciary Funds - The Board is the trustee, or fiduciary, for some of its booster and parent organization activity funds, which are under the control and administration of its schools. Fiduciary funds also include agency funds, such as accounts payable clearing and payroll clearing funds. All of the Board's fiduciary activities are reported in a separate *Statement of Fiduciary Net Assets* on page 32 of this section. These funds are not available to the Board to finance its operations, and therefore not included in the *government-wide financial statements*. The Board is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

Notes to the Basic Financial Statements - The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly represent the Board's financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *notes to the basic financial statements* begin on page 17 in this section.

After the presentation of the basic financial statements, the new reporting model requires additional required supplemental information to be presented following the notes to the basic financial statements. The required supplemental information beginning on page 31 provides a comparison of the original adopted budget to the final amended budget of the Board's General Fund, which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.

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 \$16.37 million at September 30, 2013.

- ✓ Of this figure, 83.87% or \$13.73 million reflects the Board's net 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 assets is not available for future spending or funding of operations.
- ✓ A balance of unrestricted net assets of \$949 thousand may be used at the Board's discretion to meet ongoing obligations to citizens and creditors and for future operations.

Table 1: Summary of Net Position
As of September 30, 2013
(In millions)

	2013	2013
	Governmental Activities	Percent of Total
Current and other assets	\$ 4.25	5.69%
Capital assets	70.39	94.31%
Total Assets	\$74.64	100%
Current and other liabilities	\$ 1.42	2.44%
Long-term liability	56.84	97.56%
Total Liabilities	\$58.26	100%
Net Position:		
Net investment in capital assets	13.73	83.87%
Restricted	1.70	10.33%
Unrestricted	.949	5.80%
Total Net Position	\$16.37	100%

At September 30, 2013, the Board is able to report zero or positive balances in all three categories of net position: net investment in capital assets, restricted and unrestricted. This means that the Board has enough available resources to cover all outstanding obligations, including non-capital liabilities (such as compensated absences) as of September 30, 2013, with resources left over to use for next year's operations.

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities* on page 12. *Table 2* below condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the Board for the year. It also shows the impact the operations had on changes in net assets as of September 30, 2013.

**Table 2: Summary of Changes in Net Position from Operating Results
Fiscal Year Ended September 30, 2013
(In millions)**

	2013 Governmental Activities	2013 Percent of Total
Revenues		
Program Revenues:		
Charges for services	\$2.18	10.04%
Operating grants and contributions	11.92	54.91 %
Capital grants and contributions	.54	2.49%
General Revenues:		
Local property taxes	3.77	17.37%
Local sales taxes	2.75	12.67%
Other taxes	.17	.78%
Other	.38	1.74%
Total Revenues	\$21.71	100%
Expenses		
Instructional services	\$10.83	49%
Instructional support services	3.25	15%
Operation and maintenance services	1.81	8%
Auxiliary services	2.33	11%
General administrative services	1.15	5%
Interest and fiscal charges	2.39	11%
Other expenses	.32	1%
Total Expenses	\$22.08	100%
Increase in Net Position	-.37	
Net Position – Beginning	16.75	
Net Position – Ending	\$16.38	

The Board's net position decreased by \$372,375 during the current fiscal year. This is mainly attributable to the increase of additional teacher units and current units not being fully funded until FY2014.

Governmental Activities - As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2013 was \$22.09 million. It is important to note that not all of these costs were borne by the taxpayers of Saraland:

- ✓ Some of the cost, \$2.18 million, was paid by users who benefited from services provided during the year, such as school lunches, local school fundraisers, and admissions from local school events.
- ✓ State and federal governments subsidized certain programs with grants and contributions totaling \$11.92 million.
- ✓ \$6.69 million of the Board's total costs of \$22.09 million was financed by district and state taxpayers, as follows: \$3.77 million in property taxes, \$2.75 million in sales taxes, and \$168,314 in other taxes (alcohol beverage tax, business privilege tax and tobacco tax).

Table 3 is a condensed statement taken from the Statement of Activities on page 12 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
Fiscal Year Ended September 30, 2013
(In millions)

	2013 Total Cost Of Services	2013 Net Cost Of Services
Expenses		
Instructional services	\$10.83	\$1.96
Instructional support services	3.25	.69
Operation and maintenance services	1.81	1.33
Auxiliary services	2.33	.39
General administrative services	1.15	.58
Interest and fiscal charges	2.39	2.39
Other expenses	.32	.10
Total Expenses	\$22.08	\$7.44

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, which begin on page 13.

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 14 and 16). The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$2.82 million.

General Fund – During the year, the net change in the general fund balance was a decrease of \$365,308. The decrease leaves the general fund with a balance of \$1.126 million.

Special Revenue Fund - These funds consist of three different fund sources. The child nutrition program, federal grants and awards and local public school funds are accounted for in Special Revenues. The child nutrition fund consists of USDA Reimbursements and local funds and provides breakfast and lunches for the Saraland students. Federal grants and awards are Title I, Special Education, Title II and other grants that are awarded through applications from the State Department. Local school funds are accounted for at each individual school. The Special Revenue Fund Balance at year end was \$703,149.

Capital Projects Fund – The Capital Projects Fund served in two capacities this past year with the issuance of the 2012 Bond to refinance part of the 2010 Bond Issuance and adding another for the purpose of renovating the Saraland Middle School and building a new Saraland Elementary School. The renovations have been completed and the Elementary school has been completed except for the retainage. The Public School Capital Outlay Fund is also accounted for in the Capital projects account in which all is used to pay for debt service. The fund balance in the Capital Projects fund is \$991,666.

Fiduciary Funds - The Fiduciary Fund or Agency-Type financial statements appear on page 34. Only additions and deletions of the fund are presented, as the Board serves as the custodian of these funds, and is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

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 October 1, 2012. The original 2013 fiscal year budget, adopted on September 6, 2012, was based on a conservative approach that reflected only allocated revenues and essential expenditures. The Board revised the annual operating budgets only once during the year on January 13, 2013.

For purposes of this budgetary analysis, only the General Fund of the board is discussed in accordance with the GASB 34 reporting model.

General Fund - The comparison of the general fund original budget to the final amended budget is on page 31. The differences between the original budget and the final amended budget of the Board were adjustments made due to additional allocations and grants awarded by the state. No additional proration was declared in FY2013.

Capital Assets and Debt Administration

Capital Assets - The Board's investment in capital assets for its governmental activities for the year ended September 30, 2013, amounted to \$70.39 million, net of accumulated depreciation and debt related to the acquisition of the assets. The Board's investment in capital assets includes, land at estimated historical cost, buildings and improvements at estimated historical cost, equipment and furniture at estimated historical cost, buildings under capital lease, equipment under capital lease, and construction in progress, and is shown in *Table 4*.

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

	2013
Land and Land Improvements	\$3.30
Buildings & Improvements	65.87
Vehicles, Equipment and Furniture	1.22
	\$70.39

Long-term Liabilities

At year-end the Board had \$56.84 million in capital leases and other long term liabilities outstanding. Of this amount \$916,069 is due within one year. Note 10 Long Term Liabilities in the Notes to the Financial Statements provides a detailed summary of the general long-term Liabilities transactions for the Board for the year ended September 30, 2013.

Economic Factors and Next Year's Budget

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

- ✓ The population for the City of Saraland as of the year 2000 census was 12,288. The estimated 2010 population for the City of Saraland is 13,405. An increase of 9.09%
- ✓ Median age for the City of Saraland is 37.3 with as estimated per capita income in 2009 of \$23,819 and the median family income of \$57,571.
- ✓ Since 2010, there have been 178 new home permits issued and 109 new properties annexed into the City of Saraland. In the last 2 ½ years, 7 new residential developments have been proposed for a combined total of approximately 1,000 lots.
- ✓ Estimated median house or condo value in Saraland for 2010 was \$176,596 compared to statewide of \$121,500.
- ✓ Saraland has completed a Shopping Center with 3 new retail shops and 3 new eateries. Development is beginning on an existing on shopping center to bring in 5 new retail shops. A new grocery store is opening on March 1, 2014 that will boost sales tax revenues.

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).

Proration of 7.5% was declared in October 2009 another 2% was declared in July for the 2010 fiscal year and 3% for FY2011. Although there have been some signs of economic improvement in the Mobile area there is still uncertainty of the State's financial wellbeing for the FY2014 will continue to be conservative for the FY2014 year.

Estimated Capital Needs – The Board's five year capital plan submitted for fiscal year 2013 is based on facility assessments and enrollment needs, and includes \$54.4 million in estimated capital needs throughout the system. Approximately \$22 million will be funded with local bond proceeds and interest earned and the remaining \$32 million is unfunded at this time.

Student Enrollment – The Board's current enrollment based on the Average Daily Membership (ADM) as of the twenty-day report for the 2012 - 2013 scholastic year was 2,725, an increase of 300 over the previous year. The Board's enrollment will continue to see substantial growth through the annexation of new subdivisions and the growth in Saraland residents.

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 remained the same for fiscal year 2013 from \$714 per month per employee and will remain unchanged for fiscal year 2013. Also, employer contributions to the Teachers Retirement System (TRS) remained the same at 11.71 percent for fiscal year 2013. Retirement costs and Medical cost will be ongoing issues for fiscal year 2014.

11
Saraland Board of Education
Statement of Net Position
September 30, 2013

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 2,221,060
Investments	1,413,697
Receivables, Net	526,850
Inventories	33,577
Prepaid Charges	26,012
Other Assets	23,390
Capital Assets:	
Nondepreciable	18,782,146
Depreciable, Net	51,612,574
Total Assets	\$ 74,639,306
Liabilities	
Accounts Payable	\$ 11,259
Unearned Revenue	16,973
Salaries and Benefits Payable	1,395,498
Long-Term Liabilities:	
Portion Due or Payable Within One Year	916,069
Portion Due or Payable After One Year	55,920,051
Total Liabilities	58,259,850
Net Position	
Net Investment in Capital Assets	13,735,663
Restricted for:	
Education	703,149
Construction	991,666
Unrestricted	948,978
Total Net Position	16,379,456
Total Liabilities and Net Position	\$ 74,639,306

The accompanying notes are an integral part of these financial statements.

12
Saraland Board of Education
Statement of Activities
For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instructional	\$ 10,828,268	\$ 360,487	\$ 7,971,478	\$ 534,170	\$ (1,962,133)
Instructional Support	3,252,261	382,455	2,174,759	-	(695,047)
Operation and Maintenance	1,812,723	55,780	429,111	-	(1,327,832)
Student Transportation	1,012,227	53,895	677,301	5,580	(275,451)
Food Service	1,324,815	1,149,709	58,815	-	(116,291)
General Administrative	1,148,298	18,460	552,136	-	(577,702)
Interest and Fiscal Charges	2,387,924	-	-	-	(2,387,924)
Other Expenses	319,897	161,479	56,497	-	(101,921)
Total Governmental Activities	\$ 22,086,413	\$ 2,182,265	\$ 11,920,097	\$ 539,750	(7,444,301)

General revenues:

Taxes:

Property Taxes for General Purposes	2,485,590
Property Taxes for Specific Purposes	1,284,578
Sales Tax	2,752,457
Alcohol Beverage Tax	97,806
Other Taxes	70,508
Grants and Contributions Not Restricted for Specific Programs	30,608
Investment Earnings	95,383
Gain on Disposition of Capital Assets	10,263
Miscellaneous	244,733
Total General Revenues	7,071,926
Changes in Net Position	(372,375)
Net Position - Beginning of Year	16,751,831
Net Position - End of Year	\$ 16,379,456

The accompanying notes are an integral part of these financial statements.

13
Saraland Board of Education
Balance Sheet
Governmental Funds
September 30, 2013

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 452,205	\$ 804,332	\$ 964,522	\$ -	\$ 2,221,059
Investments	1,413,697	-	-	-	1,413,697
Receivables, Net	410,144	89,215	27,492	-	526,851
Due from Other Funds	167,716	-	-	-	167,716
Inventories	-	33,577	-	-	33,577
Other Assets	23,390	26,012	-	-	49,402
Total Assets	<u>\$ 2,467,152</u>	<u>\$ 953,136</u>	<u>\$ 992,014</u>	<u>\$ -</u>	<u>\$ 4,412,302</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 49	\$ 10,862	\$ 348	\$ -	\$ 11,259
Due to Other Funds	-	167,716	-	-	167,716
Deferred Revenues	-	16,973	-	-	16,973
Salaries and Benefits Payable	1,341,062	54,436	-	-	1,395,498
Total Liabilities	<u>1,341,111</u>	<u>249,987</u>	<u>348</u>	<u>-</u>	<u>1,591,446</u>
Fund Balances					
Nonspendable	-	33,577	-	-	33,577
Restricted for:					
Education	-	669,572	-	-	669,572
Construction	-	-	991,666	-	991,666
Unassigned	1,126,041	-	-	-	1,126,041
Total Fund Balances	<u>1,126,041</u>	<u>703,149</u>	<u>991,666</u>	<u>-</u>	<u>2,820,856</u>
Total Liabilities and Fund Balances	<u>\$ 2,467,152</u>	<u>\$ 953,136</u>	<u>\$ 992,014</u>	<u>\$ -</u>	<u>\$ 4,412,302</u>

The accompanying notes are an integral part of these financial statements.

Saraland Board of Education
Reconciliation of the Governmental Fund Balance to Net Position of Governmental Activities
September 30, 2013

Total Fund Balances - Governmental Funds		\$	2,820,856
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		\$	74,238,456
Accumulated Depreciation is			(3,843,736)
			70,394,720
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			916,069
Noncurrent Portion of Long-Term Liabilities			55,920,051
			(56,836,120)
Total Position - Governmental Activities		\$	16,379,456

The accompanying notes are an integral part of these financial statements.

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

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
State	\$ 10,630,481	\$ -	\$ 537,938	\$ -	\$ 11,168,419
Federal	61,107	1,821,872	-	-	1,882,979
Local	4,466,081	1,513,108	1,294,586	1,285,609	8,559,384
Other	61,253	31,733	-	-	92,986
Total Revenues	<u>15,218,922</u>	<u>3,366,713</u>	<u>1,832,524</u>	<u>1,285,609</u>	<u>21,703,768</u>
Expenditures					
Current:					
Instructional	9,039,636	969,638	-	-	10,009,274
Instructional Support	2,386,353	783,996	-	-	3,170,349
Operation and Maintenance	1,783,830	8,694	-	-	1,792,524
Auxiliary Services:					
Student Transportation	900,935	33,407	-	-	934,342
Food Service	-	1,389,700	-	-	1,389,700
General Administrative	967,867	142,594	-	-	1,110,461
Other	117,222	202,671	-	-	319,893
Capital Outlay	188,667	-	12,495,356	-	12,684,023
Debt Service:					
Principal Retirement	25,200	-	-	620,000	645,200
Interest and Fiscal Charges	15,870	-	1,683,155	499,581	2,198,606
Debt Issuance Costs/Other Debt Service	23,291	-	-	166,028	189,319
Total Expenditures	<u>15,448,871</u>	<u>3,530,700</u>	<u>14,178,511</u>	<u>1,285,609</u>	<u>34,443,691</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(229,949)</u>	<u>(163,987)</u>	<u>(12,345,987)</u>	<u>-</u>	<u>(12,739,923)</u>
Other Financing Sources (Uses)					
Indirect Cost	150,860	-	-	-	150,860
Long-Term Debt Issued	35,074	-	1,000,148	-	1,035,222
Transfers In	11,920	347,692	22,480	-	382,092
Other Financing Sources	5	-	-	-	5
Sale of Capital Assets	14,474	-	-	-	14,474
Transfers Out	(347,692)	(34,400)	-	-	(382,092)
Total Other Financing Sources (Uses)	<u>(135,359)</u>	<u>313,292</u>	<u>1,022,628</u>	<u>-</u>	<u>1,200,561</u>
Net Changes in Fund Balances	(365,308)	149,305	(11,323,359)	-	(11,539,362)
Fund Balances - Beginning of Year	1,491,349	553,844	12,315,025	-	14,360,218
Fund Balances - End of Year	<u>\$ 1,126,041</u>	<u>\$ 703,149</u>	<u>\$ 991,666</u>	<u>\$ -</u>	<u>\$ 2,820,856</u>

Saraland Board of Education
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2013

Net Changes in Fund Balances - Total Governmental Funds \$ (11,539,362)

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	\$ 12,684,023	
Depreciation Expense	<u>(1,124,999)</u>	11,559,024

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

645,200

Some of the capital assets acquired this year were financed with capital leases. The amounts financed by the leases are reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Assets.

(785,222)

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

(250,000)

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

Proceeds from Sale of Capital Assets	(14,474)	
Gain on Disposition of Capital Assets	<u>10,263</u>	(4,211)

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>2,196</u>
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Change in Net Position of Governmental Activities

\$ (372,375)

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Saraland 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 Saraland 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 capital leases are reported as other financing sources. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

to explain 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.

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.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 October 1, 2012, the Board adopted the provisions of 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 Procedure. The adoption of GASB Statement No. 62 did not have any impact on the Board’s financial statements.

On October 1, 2012, the Board implemented 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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 that they have no deferred outflows or inflows of resources at September 30, 2013, under the requirements of GASB Statement No. 63.

Recently Issued Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 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. 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.

G. 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.

H. 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.

I. NET ASSET AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

The Board adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Deferred outflows of resources and deferred inflows of resources 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 at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of the related debt. Rather, that portion of the debt or deferred inflows of resources is 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.

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.

Saraland Board of Education
Notes to the Financial Statements
September 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- Unassigned 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.

When 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 classification 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.

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.

K. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through February 3, 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, other than the following:

On October 4, 2013, the Board approved a line of credit with Bancorp South in the amount of \$1,000,000 with interest at 3.25% due September 30, 2014. At the date of issuance of the financial statements, no amounts had been drawn down.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2013

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.

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 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.

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.

**Saraland Board of Education
Notes to the Financial Statements
September 30, 2013**

NOTE 3 COMPENSATED ABSENCES (continued)

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 4 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 \$85,407,348. 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 three years 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.

NOTE 5 PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES

Certain payments or services are furnished by the State of Alabama and the City of Saraland, Alabama, on behalf of the Board. Included in these items are payments from bond issue proceeds and payments on City bond issues for school purpose. These payments or services are reflected as revenues and expenditures on the Board's financial statements in the applicable funds for which they apply.

Saraland Board of Education
Notes to the Financial Statements
September 30, 2013

NOTE 6 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 7 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 ongoing operating subsidies and to recoup certain expenditures paid on-behalf of the local schools.

Interfund Receivables and Payables

	Interfund Receivables		
	General Fund	Special Revenue Fund	Totals
<u>Interfund Payables</u>			
Special Revenue Fund	\$ 167,716	\$ 167,716	
Totals	\$ 167,716	\$ 167,716	
	Transfers Out		
	General Fund	Special Revenue Fund	Totals
<u>Transfers In</u>			
General Fund	\$ -	\$ 11,920	\$ 11,920
Special Revenue Fund	347,692	-	347,692
Capital Projects Fund	-	22,480	22,480
Totals	\$ 347,692	\$ 34,400	\$ 382,092

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2013

NOTE 8 DEFINED BENEFIT PENSION PLAN

Plan Description

The Board contributes to the Teachers' 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 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 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. The

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2013

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

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, Total Percentage of Covered Payroll	<u>2013 Tier 1</u>	<u>2013 Tier 2</u>	<u>2012</u>	<u>2011</u>
	17.58%	15.44%	17.25%	17.51%
<u>Contributions:</u>				
Percentage Contributed by the Board	10.08%	9.44%	10.00%	12.51%
Percentage Contributed by the Employees	7.50%	6.00%	7.25%	5.00%
Contributed by the Board	\$ 963,184	\$ 7,044	\$ 867,678	\$ 992,855
Contributed by the Employees	716,648	4,477	629,065	396,826
Total Contributions	<u>\$ 1,679,832</u>	<u>\$ 11,521</u>	<u>\$ 1,496,743</u>	<u>\$ 1,389,681</u>

Saraland Board of Education
Notes to the Financial Statements
September 30, 2013

NOTE 9 CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements/ reclassifications	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 3,383,090	\$ -	\$ -	\$ 3,383,090
Construction in Progress	7,815,480	11,733,875	4,150,299	15,399,056
Total Capital Assets, Not Being Depreciated	<u>11,198,570</u>	<u>11,733,875</u>	<u>4,150,299</u>	<u>18,782,146</u>
Capital Assets Being Depreciated:				
Buildings	48,588,586	-	-	48,588,586
Building Improvements	791,818	4,150,299	-	4,942,117
Equipment and Furniture	677,297	-	-	677,297
Vehicles	303,777	950,148	5,615	1,248,310
Total Capital Assets Being Depreciated	<u>50,361,478</u>	<u>5,100,447</u>	<u>5,615</u>	<u>55,456,310</u>
Less Accumulated Depreciation for:				
Buildings	2,441,633	885,658	-	3,327,291
Building Improvements	26,780	85,966	-	112,746
Equipment and Furniture	172,383	74,521	-	246,904
Vehicles	79,345	78,854	1,404	156,795
Total Accumulated Depreciation	<u>2,720,141</u>	<u>1,124,999</u>	<u>1,404</u>	<u>3,843,736</u>
Total Capital Assets Being Depreciated, Net	<u>47,641,337</u>	<u>3,975,448</u>	<u>4,211</u>	<u>51,612,574</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 58,839,907</u>	<u>\$ 15,709,323</u>	<u>\$ 4,154,510</u>	<u>\$ 70,394,720</u>

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

Instructional	\$ 818,995
Instructional Support	81,912
Operation and Maintenance	20,199
Student Transportation	77,885
Food Service	79,919
General Administrative	46,089
Total Depreciation Expense - Governmental Activities	<u>\$ 1,124,999</u>

Saraland Board of Education
Notes to the Financial Statements
September 30, 2013

NOTE 10 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:					
Bonds and Warrants Payable	\$ -	\$ 250,000	\$ -	\$ 250,000	\$ -
Total Bonds and Notes Payable	-	250,000	-	250,000	-
Other Liabilities:					
Capital Leases	56,269,035	785,222	645,200	56,409,057	739,006
Compensated Absences	179,260	-	2,197	177,063	177,063
Total Other Liabilities	56,448,295	785,222	647,397	56,586,120	916,069
Governmental Activities Long-Term Liabilities	\$ 56,448,295	\$ 1,035,222	\$ 647,397	\$ 56,836,120	\$ 916,069

Bonds and warrants payable at September 30, 2013, were comprised of the following:

Note payable for capital outlay purposes dated September 6, 2013, due in 120 monthly installments of \$2,647, including interest at 2.98%	<u>\$ 250,000</u>
---	-------------------

Annual debt service requirements to maturity for general obligation bonds and warrants are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2014	\$ -	\$ 7,553
2015	24,545	7,215
2016	25,297	6,463
2017	26,072	5,688
2018	26,870	4,889
2019-2023	147,216	11,582
	<u>\$ 250,000</u>	<u>\$ 43,390</u>

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2013

NOTE 10 LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

The Board has entered into several lease agreements as lessee for financing the construction and renovation of school facilities and to purchase equipment. The leases qualify as capital leases for accounting purposes since there are bargain purchase elements at the end of the initial lease terms and the present value of the minimum lease payments are greater than 90 percent of the asset purchase prices. Each asset has, therefore, been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets.

The capital assets acquired through capital lease obligations are as follows:

	<u>Governmental Activities</u>
Land	\$ 874,147
Construction in Progress	15,399,056
Buildings (net of \$1,673,086 accumulated depreciation)	<u>33,784,168</u>
Total	<u>\$ 50,057,371</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of September 30, 2013, were as follows:

	<u>Governmental Activities</u>
Year ending September 30,	
2014	\$ 2,938,000
2015	2,937,029
2016	2,915,928
2017	3,632,266
2018	3,634,248
2019-2023	18,230,213
2024-2028	17,940,063
2029-2033	18,094,769
2034-2038	16,743,908
2039-2041	<u>5,403,073</u>
Total minimum lease payments	92,469,497
Less amount representing interest	<u>(36,060,440)</u>
Present value of minimum lease payments	<u>\$ 56,409,057</u>

REQUIRED SUPPLEMENTARY INFORMATION

Saraland Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual
(11) - General Fund
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget--	Budget to GAAP	Actual Amounts GAAP Basis
	Original	Final			Differences Over (Under)	
Revenues						
State	\$ 10,314,221	\$ 10,563,842	\$ 10,630,481	\$ 66,639	\$ -	\$ 10,630,481
Federal	-	-	61,107	61,107	-	61,107
Local	3,892,771	3,892,771	4,466,081	573,310	-	4,466,081
Other	21,907	21,907	61,253	39,346	-	61,253
Total Revenues	14,228,899	14,478,520	15,218,922	740,402	-	15,218,922
Expenditures						
Current:						
Instructional	8,563,751	8,594,457	8,894,225	(299,768)	145,411	9,039,636
Instructional Support	2,139,517	2,140,892	2,307,654	(166,762)	78,699	2,386,353
Operation and Maintenance	1,512,155	1,583,291	1,781,558	(198,267)	2,272	1,783,830
Auxiliary Services:						
Student Transportation	862,269	826,269	895,974	(69,705)	4,961	900,935
General Administrative	946,149	946,149	967,865	(21,716)	-	967,865
Other	90,892	86,035	118,513	(32,478)	(1,291)	117,222
Capital Outlay	-	-	188,667	(188,667)	-	188,667
Debt Service:						
Principal Retirement	-	-	25,200	(25,200)	-	25,200
Interest and Fiscal Charges	-	-	15,870	(15,870)	-	15,870
Debt Issuance Costs/Other Debt Service	-	-	23,291	(23,291)	-	23,291
Total Expenditures	14,114,733	14,177,093	15,218,817	(1,041,724)	230,052	15,448,869
Excess (Deficiency) of Revenues Over Expenditures	114,166	301,427	105	1,782,126	(230,052)	(229,947)
Other Financing Sources (Uses):						
Indirect Cost	21,030	23,339	150,860	127,521	-	150,860
Long-Term Debt Issued	-	-	35,074	35,074	-	35,074
Transfers In	4,450	4,450	11,920	7,470	-	11,920
Other Financing Sources	-	-	5	5	-	5
Sale of Capital Assets	-	-	14,474	14,474	-	14,474
Transfers Out	(294,830)	(294,830)	(347,692)	(52,862)	-	(347,692)
Total Other Financing Sources (Uses)	(269,350)	(267,041)	(135,359)	131,682	-	(135,359)
Net Change in Fund Balances	(155,184)	34,386	(135,254)	1,913,808	(230,052)	(365,306)
Fund Balances - Beginning of Year	1,825,000	2,367,497	2,600,792	233,295	(1,109,442)	1,491,349
Fund Balances - End of Year	\$ 1,669,816	\$ 2,401,883	\$ 2,465,538	\$ 2,147,103	\$ (1,339,494)	\$ 1,126,043

Saraland Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual
(12) - Special Revenue Fund
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget--	Budget to GAAP	Actual Amounts GAAP Basis
	Original	Final			Differences Over (Under)	
Revenues						
Federal	\$ 1,664,306	\$ 1,795,685	\$ 1,821,872	\$ 26,187	\$ -	\$ 1,821,872
Local	1,186,311	1,186,311	1,513,108	326,797	-	1,513,108
Other	44,000	44,000	31,733	(12,267)	-	31,733
Total Revenues	2,894,617	3,025,996	3,366,713	340,717	-	3,366,713
Expenditures						
Current:						
Instructional	830,547	848,172	963,960	(115,788)	5,678	969,638
Instructional Support	723,793	820,743	783,996	36,747	-	783,996
Operation and Maintenance	50	50	8,694	(8,644)	-	8,694
Auxiliary Services:						
Student Transportation	81,769	81,769	33,407	48,362	-	33,407
Food service	1,227,862	1,227,862	1,381,415	(153,553)	8,285	1,389,700
General Administrative	156,928	159,237	142,596	16,641	-	142,596
Other	137,353	151,848	202,671	(50,823)	-	202,671
Total Expenditures	3,158,302	3,289,681	3,516,739	(227,058)	13,963	3,530,702
Excess (Deficiency) of Revenues Over Expenditures	(263,685)	(263,685)	(150,026)	567,775	(13,963)	(163,989)
Other Financing Sources (Uses):						
Transfers In	307,630	307,630	347,692	40,062	-	347,692
Transfers Out	(17,250)	(17,250)	(34,400)	(17,150)	-	(34,400)
Total Other Financing Sources (Uses)	290,380	290,380	313,292	22,912	-	313,292
Net Change in Fund Balances	26,695	26,695	163,266	590,687	(13,963)	149,303
Fund Balances - Beginning of Year	330,325	696,742	594,317	(102,425)	(40,473)	553,844
Fund Balances - End of Year	\$ 357,020	\$ 723,437	\$ 757,583	\$ 488,262	\$ (54,436)	\$ 703,147

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Saraland 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 September 6, 2012. Final budgeted amounts were adopted by the Board on January 13, 2013.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America other than the difference described below. 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 AMOUNTS ON BUDGETARY BASIS AND ACTUAL AMOUNTS GAAP BASIS:

	(11) - General Fund	(12) - Special Revenue Fund
Uses/outflows of resources		
Actual amounts (budgetary basis) available for expenditures shown as		
Total Expenditures on the budgetary comparison schedule	\$ 15,218,817	\$ 3,516,739
 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	230,052	13,963
 Total expenditures are reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	\$ 15,448,869	\$ 3,530,702

OTHER SUPPLEMENTARY INFORMATION

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Saraland Board of Education
Agency Funds Booster Clubs
September 30, 2013

	Balance		Balance
	October 1, 2012	Additions	September 30, 2013
Assets			
Cash and Cash Equivalents	\$ 120,380	\$ 332,002	\$ 114,090
Total Assets	<u>\$ 120,380</u>	<u>\$ 332,002</u>	<u>\$ 114,090</u>
Liabilities			
Accounts Payable	\$ 17,955	\$ -	\$ -
Due to External Organizations	102,425	332,002	114,090
Total Liabilities	<u>\$ 120,380</u>	<u>\$ 332,002</u>	<u>\$ 114,090</u>

See independent auditors' report.

COMPLIANCE SECTION

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

Members of the Board
Saraland Board of Education
Saraland, 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 Saraland Board of Education as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Saraland Board of Education's basic financial statements, and have issued our report thereon dated February 3, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Saraland 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 Saraland Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Saraland 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency and communicated it in writing to management and those charged with governance on February 3, 2014.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saraland 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.

Hartmann, Blackman & Kilgore, P.C.

Certified Public Accountants

February 3, 2014
Brewton, 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
Saraland Board of Education
Saraland, Alabama

Compliance

We have audited the compliance of Saraland Board of Education with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013. Saraland 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

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the entity's management.

Auditors' Responsibility

Our responsibility is to express an opinion on Saraland Board of Education's compliance with the applicable compliance requirements based on our compliance audit.

We conducted our compliance audit 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the compliance 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. A compliance audit includes examining, on a test basis, evidence about Saraland Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination on Saraland Board of Education's compliance with those requirements.

Opinion

In our opinion, Saraland 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, 2013.

Internal Control over Compliance

The management of Saraland Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our compliance audit, we considered Saraland Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our compliance auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 Saraland 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Restricted Use

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

Hartmann, Blackman & Kilgore, P.C.

Certified Public Accountants

February 3, 2014
Brewton, Alabama

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u>		
Passed Through Alabama Department of Education:		
Child Nutrition Cluster:		
National School Breakfast Program--Cash Assistance	10.553	\$ 150,634
National School Lunch Program:		
Cash Assistance	10.555	539,591
Non-Cash Assistance (N)	10.555	58,815
National School Lunch Program Sub-Total		<u>598,406</u>
Total U.S. Department of Agriculture		<u><u>749,040</u></u>
<u>U.S. Department of Education</u>		
Passed Through State Department of Education:		
Special Education Cluster:		
Special Education-Grants to States	84.027	373,153
Special Education-Preschool Grants	84.173	5,257
Title I Grants to Local Education Agencies (M)	84.010	654,550
Career and Technical Education Basic Grants to States	84.048A	28,673
Improving Teacher Quality State Grants	84.367	51,275
Total U.S. Department of Education		<u><u>1,112,908</u></u>
Total Expenditures of Federal Awards		<u><u>\$ 1,861,948</u></u>

(M) = Major Program

(N) = Non-Cash Assistance

Saraland 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.

**Saraland Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended 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	<u>X</u>	No
Significant deficiency(ies) identified?	<u>X</u>	Yes	None reported
Noncompliance material to financial statements noted?	Yes	<u>X</u>	No

Federal Awards

Type of auditors' report issued on compliance of major programs: Unqualified

Internal control over major programs:

Material weakness(es) identified?	Yes	<u>X</u>	No
Significant deficiency(ies) identified?	Yes	<u>X</u>	None reported
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes	<u>X</u>	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Education Agencies

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

Auditee qualified as low-risk auditee? X Yes No

SECTION 2-FINANCIAL STATEMENT FINDINGS (GAGAS)

No matters were reportable

SECTION 3-FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.