

Report on the

Marion County Board of Education

Marion County, Alabama

October 1, 2008 through September 30, 2009

Filed: June 18, 2010



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

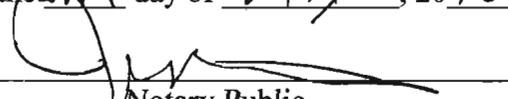
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Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the Marion County Board of Education, Marion County, Alabama, for the period October 1, 2008 through September 30, 2009.

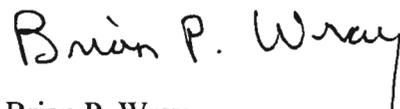
Sworn to and subscribed before me this
the 27th day of May, 2010.



Notary Public
MCE: 01/611

rb

Respectfully submitted,



Brian P. Wray
Examiner of Public Accounts

Table of Contents

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

Table of Contents

	<i>Page</i>
Exhibit #7 Statement of Fiduciary Net Assets	11
Exhibit #8 Statement of Changes in Fiduciary Net Assets	12
Notes to the Financial Statements	13
<u>Required Supplementary Information</u>	30
Provides information required by the GASB to supplement the basic financial statements. This information had not been audited and no opinion is provided about this information.	
Exhibit #9 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	31
Exhibit #10 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Child Nutrition Program Fund	35
Exhibit #11 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Local School Fund	37
<u>Supplementary Information</u>	39
Contains financial information and notes relative to federal financial assistance.	
Exhibit #12 Schedule of Expenditures of Federal Awards	40
Notes to the Schedule of Expenditures of Federal Awards	42
<u>Additional Information</u>	43
Provides basic information related to the Board, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits.	
Exhibit #13 Board Members and Administrative Personnel – a listing of the Board members and administrative personnel.	44

Table of Contents

		<i>Page</i>
Exhibit #14	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Board complied with laws and regulations which could have a direct and material effect on the Board’s financial statements.	45
Exhibit #15	Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the Board complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.	47
Exhibit #16	Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133.	49



Department of
Examiners of Public Accounts

SUMMARY

**Marion County Board of Education
October 1, 2008 through September 30, 2009**

The Marion County Board of Education (the "Board") is a five-member body elected by the citizens of Marion County. The members and administrative personnel in charge of governance of the Board are listed on Exhibit 13. The Board is the governmental agency that provides general administration and supervision for the Marion County Public Schools, preschool through high school, with the exception of schools administered by the Winfield City Board of Education.

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

An unqualified opinion was issued on the financial statements, which means that the Board's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2009.

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

The following officials/employees were invited to an exit conference to discuss the report: Superintendent: Ryan Hollingsworth; Chief School Financial Officer: Clint Green; and Board Members: Jim Atkinson, Belinda McRae, L. C. Fowler, Glendon Gibbs, Rodney Fleming and Stephen Pike. The following individuals attended the exit conference held at the Board's offices: Ryan Hollingsworth, Superintendent; Clint Green, Chief School Financial Officer; and representatives of the Department of Examiners of Public Accounts: Suzy Berryman, Audit Manager; and Brian P. Wray, Examiner of Public Accounts.

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Independent Auditor's Report

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marion County Board of Education, as of and for the year ended September 30, 2009, which collectively comprise the Marion County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the Marion County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

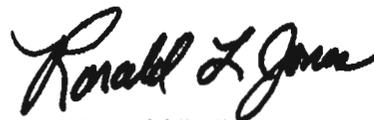
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marion County Board of Education, as of September 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2010 on our consideration of the Marion County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 11) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marion County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 12) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

May 25, 2010

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Management's Discussion and Analysis
(Required Supplementary Information)

**Marion County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2009
(Required Supplementary Information)**

Introduction

The Management's Discussion and Analysis (MD&A) of the Marion County 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, 2009. The MD&A is intended to further clarify and enhance the user's understanding of the Board's financial performance as a whole. Please use it in conjunction with the Board's financial statements and notes to the financial statements, which immediately follow this analysis.

The MD&A is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. This MD&A will include prior year comparative information as required by GASB Statement No.34.

User's Overview of the Financial Statements

As a result of the implementation of the new GASB 34 reporting model, the financial section of this year's annual report will look slightly different from the Board's previous annual reports published prior to the Fiscal Year 2003 report. The financial section now consists of the Management's Discussion and Analysis (MD&A), the Independent Auditor's Report, the Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information.

This discussion and analysis serves as an introduction to the Board's basic financial statements which are comprised of three components including, *government-wide financial statements, fund financial statements, and notes to the basic financial statements.*

The first two statements are *government-wide financial statements.* The *Statement of Net Assets* and the *Statement of Activities* provide both long-term and short-term information about the Board's overall financial status. These statements report all assets and liabilities 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 of the Board closer to the financial reporting methods used in the private sector.

The **Statement of Net Assets** (Exhibit 1) presents information on all of the Board's assets (what it owns) less liabilities (what it owes), which results in net assets. The net assets reported in this statement represent the accumulation of changes in net assets for the current fiscal year and all fiscal years in the past combined. Over time, the increases and decreases in net assets reported in this statement may serve as a useful indicator of whether the Board's financial position is improving or deteriorating.

The **Statement of Activities** (Exhibit 2) is most clearly related to an income statement. The statement uses the accrual basis of accounting where revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board, primarily local taxes, or is financed through charges for services, such as meals sold, and intergovernmental aid, such as federal, state, and municipal appropriations. By showing the change in net assets 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 fund financial statements provide more detailed information about the Marion County Board of Education's most significant funds, not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The Board uses fund accounting to ensure and demonstrate fiscal accountability. All of the funds of the Board can be classified into two categories: governmental funds and fiduciary funds.

Governmental funds statements report most of the Board's activities and focus on how money flows into and out of those funds and the expendable balances left at the end of the year. The governmental funds statements include the **Balance Sheet - Governmental Funds** (Exhibit 3) and the **Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds** (Exhibit 5). These statements are reported using the modified accrual method which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view that helps the user determine whether there are more or less financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that reconciles them (Exhibit 4 and Exhibit 6).

The fiduciary funds statements include the **Statement of Fiduciary Net Assets** (Exhibit 7) and the **Statement of Changes in Fiduciary Net Assets** (Exhibit 8). These statements report on the activities of those funds in which the Marion County Board of Education serves only as a trustee or fiduciary. These funds are not available to the Board to finance its operations, and therefore, are 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 purpose. As exhibits 7 and 8 demonstrate, the activity is extremely small and attributed to the *Edward L. Pearce Scholarship Fund for Marion County High School* and the *Ann Ruble Needy Children Fund*.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements and should be considered an integral part of the statements, not an appendage to them.

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

Financial Analysis of the Board as a Whole

The Marion County Board of Education has no business-type activities, therefore, all of the Board's net assets are reported as Governmental Activities.

Marion County Board of Education Net Assets

	Governmental Activities	
	FY 2008	FY 2009
Current and other assets	\$ 7,344,266.01	\$ 6,795,868.63
Capital Assets	<u>\$14,806,934.27</u>	<u>\$16,150,229.12</u>
Total assets	\$22,151,200.28	\$22,946,097.75
Current and other liabilities	\$ 4,431,807.94	\$ 4,471,283.35
Long-term liabilities	<u>\$ 3,520,494.64</u>	<u>\$ 3,193,871.98</u>
Total liabilities	\$ 7,952,302.58	\$ 7,665,155.33
Net assets:		
Invested in capital assets, net of related debt	\$11,014,358.43	\$12,629,866.07
Restricted	\$ 1,311,885.88	\$ 1,291,403.02
Non-restricted	<u>\$ 1,872,653.39</u>	<u>\$ 1,359,673.33</u>
Total Net Assets	\$14,198,897.70	\$15,280,942.42

The Marion County Board of Education's assets exceeded liabilities by \$15,280,942.42 at the close of the fiscal year. The majority of the Board's net assets are invested in capital assets (land, buildings, busses, and equipment) owned by the Board. These assets are not available for future expenditures since they will not be sold in the foreseeable future. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements. There was a decrease in non-restricted net-assets during the fiscal year largely due to the financial burden created when the State declared proration leaving funding commitments to the Board unpaid. These unpaid commitments necessitated the Board using unrestricted assets it had previously set aside in an attempt to gain the State mandated one month's operating balance. Unrestricted net assets were \$1,359,673.33 at the end of the fiscal year.

The Marion County Board of Education's total revenues and expenditures are reflected in the following chart:

Marion County Board of Education Changes in Net Assets

	Governmental Activities	
	FY 2008	FY 2009
Revenues		
Program Revenues:		
Charges for services	\$ 3,354,285.53	\$ 3,151,095.92
Operating grants and contributions	\$25,443,359.98	\$22,649,808.85
Capital grants and contributions	\$ 1,660,845.66	\$ 3,258,336.76
General Revenues:		
Property taxes	\$ 1,670,358.64	\$ 1,736,050.24
Sales tax	\$ 1,428,463.56	\$ 1,289,637.17
Miscellaneous taxes	\$ 131,230.41	\$ 131,059.10
Non-restricted grants and contributions	\$ 180,340.66	\$ 182,044.98
Interest	\$ 33,410.06	\$ 36,617.63
Gain on Capital Asset Disposition	\$ 131,205.84	\$ 0.00
Miscellaneous	<u>\$ 1,408,804.98</u>	<u>\$ 1,059,299.54</u>
Total Revenues	\$35,442,305.32	\$33,493,950.19
Expenses		
Instructional services	\$19,719,294.55	\$19,309,517.18
Instructional support services	\$ 4,377,029.73	\$ 4,526,866.08
Operations & maintenance services	\$ 2,170,647.15	\$ 2,223,659.13
Student transportation services	\$ 2,364,691.34	\$ 2,163,126.25
Food services	\$ 2,311,519.76	\$ 2,102,895.85
General administrative services	\$ 1,093,691.56	\$ 1,077,778.29
Interest and fiscal charges	\$ 230,071.82	\$ 108,845.26
Other expenses	<u>\$ 983,981.61</u>	<u>\$ 899,217.43</u>
Total expenses	\$33,250,927.52	\$32,411,905.47
Change in net assets	\$ 2,191,377.80	\$ 1,082,044.72
Net assets, beginning	\$12,007,519.90	\$14,198,897.70
Net assets, ending	\$14,198,897.70	\$15,280,942.42

Program revenues are the largest component of total revenues (87%).

- Charges for services include USDA reimbursements for meals served; lunch, breakfast and À la carte sales; and local school revenues.
- Operating grants and contributions contribute 78% of program revenues and 68% of total revenues. The major sources of revenues in this category are State Foundation Program funds, State Transportation Operations funds, and State and Federal funds restricted for specific programs.
- Capital grants and contributions include State Capital Outlay funds, and State Fleet Renewal funds.

General revenues of \$4,434,708.66 consist mainly of local property taxes and sales taxes and are used to cover expenses not covered by program revenues.

Instructional services, primarily salaries and benefits for classroom teachers, are the largest expenditure function of the Board representing 60% of total expenditures.

- In addition to teacher salaries and benefits, instructional services include teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- In addition to bus driver salaries and benefits, student transportation services include mechanics, bus aides, vehicle maintenance and repair expenses, tires, vehicle fuel, depreciation of buses and bus shops, and fleet insurance.
- Food services include salaries and benefits for cooks, servers, lunchroom assistant managers, and managers, as well as USDA donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- General administrative services include salaries and benefits for the superintendent, supervisory staff, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Debt service includes interest and principal payments on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefits for adult and continuing education programs, preschool teachers and aides, extended day personnel, and community education programs. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in kindergarten through the twelfth grade.

Financial Analysis 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 contained in exhibits 3 through 8.

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. 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 Marion County Board of Education's governmental funds reported combined ending fund balances of \$2,720,666.10.

General Fund – The General Fund is the primary operating fund of the Board. During Fiscal Year 2009, expenditures in the General Fund exceeded revenues by \$427,956.49. The excess of expenditures over revenues resulted primarily from the State declaring proration after personnel contracts had been entered into by the Board based on expected State revenue. The loss of promised State revenue necessitated that the Board use Amendment 778 Ad Valorem taxes that had been set aside in previous years as part of the Board's "Fiscal Accountability Plan". After Other Financing Sources were taken into account, the General Fund balance increased by \$284,262.03 during the course of the fiscal year. This increase in the General Fund balance can primarily be attributed to reversing a transfer made to a local school at the close of Fiscal Year 2008.

Child Nutrition Program Fund - This fund accounts for all transactions related to student meal services with the exception of lunchroom building repairs and construction. FY2009 expenditures, including all payroll expenditures, exceeded program revenues, primarily meal sales and USDA reimbursements, by \$535,781.50. This deficiency was offset by the General Fund transfer of \$572,671.07 to cover CNP payroll fringe benefits and raises as mandated by the State. The net effect of operations and the transfer in from the General Fund was to increase the CNP fund balance by \$36,889.57.

Local School Fund – This fund is comprised of the operating funds of Brilliant Elementary, Brilliant High, Hackleburg Elementary, Hackleburg High, Hamilton Elementary, Hamilton Middle, Hamilton High, Guin Elementary, Marion County High, Phillips Elementary and Phillips High. The total assets of the Local Schools Fund are primarily cash and short term investments held by Hackleburg School and Brilliant High School. Total Assets for FY2009 were \$727,601.83 while liabilities were zero. Total revenues exceeded total expenditures by \$292,672.71 during FY2009. The Local School Fund balance decreased by \$754,732.99. This decrease in fund balance was due largely to the FY2009 operating transfers out.

Capital Asset and Debt Administration

Capital Assets – As of September 30, 2009 the Marion County Board of Education had invested \$16,150,229.12 in a broad range of capital assets. Capital Assets are any land, buildings, school furniture or fixtures, buses, instructional equipment, computer equipment, vehicles, custodial equipment, lunchroom equipment and athletic equipment with an acquisition cost of \$5,000.00 or more and a life expectancy exceeding one year. The following table provides additional information of the Board’s capital assets.

Marion County Board of Education
Capital Assets
Fiscal Year Ended September 30, 2009

	FY2008	FY2009
Land	\$ 223,160.50	\$ 223,160.50
Land Improvements	\$ 105,784.67	\$ 338,544.61
Construction in Progress	\$ 783,789.38	\$ 1,778,718.06
Buildings and Building Improvements	\$22,444,418.96	\$23,397,239.64
Equipment and Furniture	\$ 5,119,110.61	\$ 5,209,507.60
Less: Accumulated Depreciation	(\$13,869,329.85)	(\$14,796,941.29)
Total Capital Assets, Net of Depreciation	\$14,806,934.27	\$16,150,229.12

FY2009 saw the start of several new capital projects and the closing of several projects started in previous years. Through the Public School and College Authority the Board was able to utilize most of the remaining 2007 Construction Bond funds allocated in FY2007 by the State. FY2009 highlights include the following projects:

- Renovations and electrical upgrades to the main building along with a metal roof retrofit of the Vocational Education building at Brilliant High School were started during FY2009. At the close of the year, \$158,363.67 of the estimated \$250,000.00 project had been completed.
- Distance Learning Labs were completed at Brilliant High School and Hamilton High School at a cost of \$85,000 each.
- The FY2008 renovation and bathroom project at Guin Elementary was completed with a final project cost of \$356,421.87.
- Baseball field lighting projects were started at Brilliant High and Phillips High. The projects were still under construction at the end of the year. Brilliant expenditures were \$39,521.50 and Phillips expenditures amounted to \$39,443.79. Each field is expected to cost approximately \$60,000.00 upon completion.
- The metal roof retrofit of Hamilton High School started in FY2007 was finally completed during FY2009. The final cost was \$524,398.81 including \$61,515.65 paid during the fiscal year.
- The bus entrance at Hamilton Middle School was relocated along with drainage improvements at a cost of \$124,772.44.

- A major renovation of the Hamilton Middle School Annex was begun during the fiscal year with total expenditures of \$386,166.75. When completed in early FY2010 the project is estimated to cost \$400,000.00.
- The classrooms on the west end of Hamilton High School were under renovation at the close of the year. Expenditure as of September 30, 2009 had reached \$77,233.35 with an estimated completion cost of \$95,000.00.
- A new glass storefront was completed during the year at Marion County High School including renovations to all major entrances of the main building at a cost of \$72,000.00.
- A private donor from Guin, AL paid for a major renovation to the Marion County High School football stadium. The home side bleachers were rebuilt at a cost of \$107,987.50.
- Phillips Elementary and High School were heavily renovated during the summer of 2009. Expenditures at the close of the year were \$1,077,989.00 with the project being approximately 95% completed. When finished in early FY2010, the project will most likely reach \$1,100,000.00.

Long Term Debt – At year end, the Marion County Board of Education had \$3,580,947.23 in long-term debt. The Board’s long term debt consists of a 2007 ten-year bus loan, and two pooled bond issues made through the State in 2001 and 2002.

Marion County Board of Education
 Long-Term Debt
 Fiscal Year Ended September 30, 2009

<u>Description</u>	<u>FY 2008 Debt outstanding</u>	<u>FY 2009 Debt outstanding</u>	<u>Due within within one year</u>
2001A Leveraged Pool Bonds	\$ 138,976.15	\$ 131,222.67	\$ 8,141.15
2002A Leveraged Pool Bonds	\$1,006,352.47	\$ 955,407.29	\$ 53,504.10
Long-Term Notes *	\$2,688,583.92	\$2,433,733.09	\$ 264,845.82
Compensated Absences	<u>\$ 65,376.61</u>	<u>\$ 60,584.18</u>	<u>\$ 60,584.18</u>
Total	\$3,899,289.15	\$3,580,947.23	\$ 387,075.25

* Long-Term Notes includes a 10 year 3.89% fixed rate loan issued by First National Bank of Hamilton, AL, for school bus fleet replacement.

Budgetary Highlights

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 original 2009 fiscal year budget was adopted by the Marion County Board of Education on September 17, 2008 and the amended budget was approved by the Board on January 20, 2009. Generally, a conservative approach is taken toward planning operating revenues. Local tax trends are studied and the state of the local economy is used in the budgeting of local revenues. Expenses are conservatively budgeted based on minimum program requirements and the availability of federal, state, and local revenues.

The General Fund original budget was amended during the fiscal year. State revenues were revised downward a total of 8% from the original budget. This reduction was due to several program allocations not being ready at the time the original budget was submitted, but was most impacted by the initial declaration of 9% proration by the governor. Actual State revenues fell short of budgeted State revenues due to the second proration declaration coming too late in the year for the budget to be amended for a second time. A total of 12.5% proration was called during the fiscal year. Actual total expenditures in the General Fund came in slightly less than budgeted. The largest components of the General Fund, Instruction and Instructional Support, came in only 1% over budget. Operations and Maintenance came in 48% under budget as expenditures for utilities were aggressively budgeted to allow the Board more flexibility in utilizing State funds during proration. During the fiscal year the Child Nutrition Program budget was amended only to revise expected expenditures up slightly. In keeping with the Board's custom of conservative budgeting, actual expenditures in the Child Nutrition Program were 4% under the final budgeted amount at the end of the year. Actual Local revenues were 6% short of expected revenues possibly due to the down turn in the local economy affecting lunch sales.

Economic Factors and Next Year's Budget

The following economic factors are of importance when looking forward to the Board's financial operations in Fiscal Year 2010.

- Employer matching retirement costs will increase from 12.07% to 12.51% of gross payroll next year.
- Employer paid health insurance costs will remain the same at \$9,024 per employee for FY2010.
- Average Daily Membership (ADM) is the main factor in determining State allocations for the following fiscal year. Preliminary information from the State Department of Education indicates allocated teacher units will increase for Marion County in FY2010.

<u>Fiscal Year</u>	<u>Funded Student ADM</u>	<u>Change from Prior Year</u>
1999	3,968.71	
2000	3,952.61	(16.10)
2001	3,868.17	(84.44)
2002	3,838.63	(29.54)
2003	3,831.99	(6.64)
2004	3,777.28	(54.71)
2005	3,668.98	(108.30)
2006	3,657.15	(11.83)
2007	3,717.45	+60.30
2008	3,707.30	(10.15)
2009	3,692.30	(15.00)
2010 Preliminary	3,747.00	+54.70

- The largest single source of local funds, county sales tax, decreased for the first time since FY2003. Sales tax collections decreased by \$138,399.38 during FY2009 due largely to the state-wide economic slow-down that began in 2008. The Board's financial condition is heavily affected by both the local and State economies.

<u>Fiscal Year</u>	<u>Total Sales Tax Revenue *</u>
1999	\$1,370,380.45
2000	\$1,341,337.67
2001	\$1,250,505.52
2002	\$1,170,061.22
2003	\$1,010,132.21
2004	\$1,141,541.10
2005	\$1,280,184.95
2006	\$1,380,895.84
2007	\$1,391,390.87
2008	\$1,439,755.52
2009	\$1,301,356.14

(* Sales tax figures from Alabama Dept. of Education Supplemental Report 2)

Contacting the School Board's Financial Management

This financial report is designated to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clint Green, Chief Financial Officer, Marion County Schools, 188 Winchester Drive, Hamilton, Alabama, 35570 or call (205) 921-3191 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:00 p.m., central time.

Basic Financial Statements

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Statement of Net Assets
September 30, 2009

	Governmental Activities
<u>Assets</u>	
Cash	\$ 4,732,069.96
Investments	12,390.22
Ad Valorem Taxes Receivable	1,483,062.11
Receivables (Note 4)	522,988.24
Accrued Interest Receivable	10.23
Inventories	45,347.87
Capital Assets (Note 5):	
Nondepreciable	2,001,878.56
Depreciable, Net	14,148,350.56
Total Assets	<u>22,946,097.75</u>
<u>Liabilities</u>	
Deferred Revenue	1,727,563.97
Salaries and Benefits Payable	2,347,638.56
Accrued Interest Payable	9,005.57
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Notes Payable	264,845.82
Warrants Payable	61,645.25
Estimated Liability for Compensated Absences	60,584.18
Portion Due or Payable After One Year:	
Notes Payable	2,168,887.27
Warrants Payable	1,024,984.71
Total Liabilities	<u>7,665,155.33</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	12,629,866.07
Restricted for:	
Capital Projects	543,178.63
Other Purposes	748,224.39
Unrestricted	<u>1,359,673.33</u>
Total Net Assets	<u>\$ 15,280,942.42</u>

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

Statement of Activities
For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Instruction	\$ 19,309,517.18	\$ 647,388.27	\$ 15,993,448.70
Instructional Support	4,526,866.08	201,866.31	3,749,401.28
Operation and Maintenance	2,223,659.13	239,462.11	407,501.30
Auxiliary Services:			
Student Transportation	2,163,126.25	56,441.24	1,675,853.64
Food Service	2,102,895.85	1,618,673.25	93,830.34
General Administration and Central Support	1,077,778.29	14.04	477,576.88
Other Expenses	899,217.43	387,250.70	252,196.71
Interest and Fiscal Charges	108,845.26		
Total Governmental Activities	<u>\$ 32,411,905.47</u>	<u>\$ 3,151,095.92</u>	<u>\$ 22,649,808.85</u>

General Revenues:

Taxes:
Property Taxes for General Purposes
Sales Tax
Other Taxes
Grants and Contributions Not Restricted for
Specific Programs
Investment Earnings
Miscellaneous
Total General Revenues
Changes in Net Assets
Net Assets - Beginning of Year
Net Assets - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
	<u>Total Governmental Activities</u>
\$ 2,321,205.06	\$ (347,475.15)
	(575,598.49)
668,556.94	(908,138.78)
268,574.76	(162,256.61)
	(390,392.26)
	(600,187.37)
	(259,770.02)
	(108,845.26)
<u>\$ 3,258,336.76</u>	<u>(3,352,663.94)</u>

1,736,050.24
1,289,637.17
131,059.10
182,044.98
36,617.63
<u>1,059,299.54</u>
<u>4,434,708.66</u>
1,082,044.72
<u>14,198,897.70</u>
<u>\$ 15,280,942.42</u>

Balance Sheet
Governmental Funds
September 30, 2009

	General Fund	Child Nutrition Program Fund
<u>Assets</u>		
Cash	\$ 2,562,598.26	\$ 641,081.75
Investments		
Ad Valorem Taxes Receivable	1,483,062.11	
Receivables (Note 4)	133,758.36	131,264.13
Due From Other Funds	242,954.40	
Accrued Interest Receivable		
Inventories		45,347.87
Total Assets	<u>4,422,373.13</u>	<u>817,693.75</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Due To Other Funds		
Deferred Revenues	1,586,063.97	
Salaries and Benefits Payable	2,278,169.20	69,469.36
Total Liabilities	<u>3,864,233.17</u>	<u>69,469.36</u>
<u>Fund Balances</u>		
Reserved for:		
Encumbrances	13,444.22	
Inventories		45,347.87
Capital Projects		
Unreserved, Reported in:		
General Fund	544,695.74	
Special Revenue Funds		702,876.52
Total Fund Balances	<u>558,139.96</u>	<u>748,224.39</u>
Total Liabilities and Fund Balances	<u>\$ 4,422,373.13</u>	<u>\$ 817,693.75</u>

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

Local School Fund	Other Governmental Funds	Total Governmental Funds
\$ 715,201.38	\$ 813,188.57	\$ 4,732,069.96
12,390.22		12,390.22
		1,483,062.11
	257,965.75	522,988.24
		242,954.40
10.23		10.23
		45,347.87
<u>727,601.83</u>	<u>1,071,154.32</u>	<u>7,038,823.03</u>
	242,954.40	242,954.40
	141,500.00	1,727,563.97
		2,347,638.56
	<u>384,454.40</u>	<u>4,318,156.93</u>
100,831.40	17,929.82	132,205.44
		45,347.87
	543,178.63	543,178.63
		544,695.74
<u>626,770.43</u>	<u>125,591.47</u>	<u>1,455,238.42</u>
<u>727,601.83</u>	<u>686,699.92</u>	<u>2,720,666.10</u>
<u>\$ 727,601.83</u>	<u>\$ 1,071,154.32</u>	<u>\$ 7,038,823.03</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2009***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 2,720,666.10

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

Capital assets used in governmental activities are not financial resources and therefore
are not reported as assets in governmental funds (Note 5).

Cost of Capital Assets	\$ 30,947,170.41	
Accumulated Depreciation	(14,796,941.29)	
Total	16,150,229.12	16,150,229.12

Long-term liabilities, including warrants payable, are not due and payable
in the current period and therefore are not reported as liabilities in the funds.
These liabilities at year-end consist of:

Current Portion of Long-Term Debt	\$ 387,075.25	
Noncurrent Portion of Long-Term Debt	3,193,871.98	
Total	(3,580,947.23)	(3,580,947.23)

Interest on long-term debt is not accrued in the funds but rather recognized as an
expenditure when due.

Accrued Interest Payable		(9,005.57)
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Total Net Assets - Governmental Activities (Exhibit 1)		\$ 15,280,942.42
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2009

	General Fund	Child Nutrition Program Fund
<u>Revenues</u>		
State	\$ 20,345,235.72	\$
Federal	177,468.68	1,100,827.25
Local	3,217,952.14	677,460.90
Other	54,167.00	27,858.26
Total Revenues	<u>23,794,823.54</u>	<u>1,806,146.41</u>
<u>Expenditures</u>		
Current:		
Instruction	16,249,923.08	
Instructional Support	3,993,746.36	
Operation and Maintenance	920,548.09	110,139.37
Auxiliary Services:		
Student Transportation	1,808,416.03	
Food Service		2,231,788.54
General Administration and Central Support	801,489.45	
Other	256,786.14	
Capital Outlay	191,870.88	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	<u>24,222,780.03</u>	<u>2,341,927.91</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(427,956.49)</u>	<u>(535,781.50)</u>
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	192,985.30	
Transfers In	1,093,779.45	572,671.07
Other Financing Sources	33,612.68	
Transfers Out	(608,158.91)	
Total Other Financing Sources (Uses)	<u>712,218.52</u>	<u>572,671.07</u>
Net Changes in Fund Balances	284,262.03	36,889.57
Fund Balances - Beginning of Year	<u>273,877.93</u>	<u>711,334.82</u>
Fund Balances - End of Year	<u>\$ 558,139.96</u>	<u>\$ 748,224.39</u>

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

Local School Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 3,255,651.76	\$ 23,600,887.48
	2,044,425.15	3,322,721.08
1,920,261.84	639,028.81	6,454,703.69
		82,025.26
1,920,261.84	5,939,105.72	33,460,337.51
732,946.88	1,833,392.44	18,816,262.40
237,852.24	293,636.71	4,525,235.31
186,036.72	964,637.39	2,181,361.57
1,476.00	11,700.00	1,821,592.03
		2,231,788.54
	296,279.77	1,097,769.22
451,783.89	190,647.40	899,217.43
17,493.40	2,061,542.01	2,270,906.29
	313,549.49	313,549.49
	162,137.84	162,137.84
1,627,589.13	6,127,523.05	34,319,820.12
292,672.71	(188,417.33)	(859,482.61)
		192,985.30
32,475.37	4,900.00	1,703,825.89
		33,612.68
(1,079,881.07)	(15,785.91)	(1,703,825.89)
(1,047,405.70)	(10,885.91)	226,597.98
(754,732.99)	(199,303.24)	(632,884.63)
1,482,334.82	886,003.16	3,353,550.73
\$ 727,601.83	\$ 686,699.92	\$ 2,720,666.10

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2009

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (632,884.63)

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) 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 capital outlay exceeds depreciation expense in the period.

Capital Outlays	\$ 2,270,906.29	
Depreciation Expense	(927,611.44)	
Total	1,343,294.85	1,343,294.85

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.

Repayment of Principal	313,549.49
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest Expense (Net Decrease)	\$ (53,292.58)	
Compensated Absences (Net Decrease)	(4,792.43)	
Total	58,085.01	58,085.01

Change in Net Assets of Governmental Activities (Exhibit 2)	\$ 1,082,044.72
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Fiduciary Net Assets
September 30, 2009

	Private-Purpose Trust Funds
<u>Assets</u>	
Investments	\$ 16,643.48
Total Assets	<u>16,643.48</u>
<u>Liabilities</u>	
Other Payables	<u> </u>
Total Liabilities	<u> </u>
<u>Net Assets</u>	
Held in Trust for Other Purposes	16,643.48
Total Net Assets	<u>\$ 16,643.48</u>

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

***Statement of Changes in Fiduciary Net Assets
For the Year Ended September 30, 2009***

	Private-Purpose Trust Funds
<u>Additions</u>	
Interest	\$ 628.07
Total Additions	<u>628.07</u>
<u>Deductions</u>	
Other	
Changes in Net Assets	628.07
Net Assets - Beginning of Year	<u>16,015.41</u>
Net Assets - End of Year	<u><u>\$ 16,643.48</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2009

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Board is governed by a separately elected board composed of five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County (with the exception of cities having a city board of education).

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Notes to the Financial Statements

For the Year Ended September 30, 2009

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

Fund Financial Statements

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

The Board reports the following major governmental funds:

- ◆ **General Fund** – The general fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
- ◆ **Child Nutrition Program Fund** – This fund is used to account for the expenditures of local and federal monies restricted to lunchroom operations
- ◆ **Local School Fund** – This fund is used to account for the expenditures of revenues and expenditures of individual schools within the system.

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

Governmental Fund Types

- ◆ **Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.
- ◆ **Debt Service Funds** – These funds are used to account for the accumulation of resources for, and the payment of, the Board's principal and interest on governmental bonds.

Notes to the Financial Statements

For the Year Ended September 30, 2009

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

The Board reports the following fiduciary fund type:

Fiduciary Fund Type

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.

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

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

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2009

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

D. Assets, Liabilities and Net Assets/Fund Balances

1. Deposits and Investments

Cash includes cash on hand and demand deposits.

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledged of the three-mill school tax and certificates of deposit. The Board's investments, which consist only of certificates of deposit, are reported at cost.

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end.

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

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

3. Inventories

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

Notes to the Financial Statements
For the Year Ended September 30, 2009

4. Capital Assets

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

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

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

5. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize debt issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Notes to the Financial Statements

For the Year Ended September 30, 2009

6. Compensated Absences

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

7. Net Assets/Fund Equity

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

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

Fund equity is reported in the fund financial statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Also, ad valorem taxes and sales taxes are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The Child Nutrition Program Fund budgets on a basis of accounting consistent with GAAP with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. All other governmental funds adopt budgets on the modified accrual basis of accounting. Capital projects funds adopt project-length budgets. All appropriations lapse at fiscal year-end.

Notes to the Financial Statements
For the Year Ended September 30, 2009

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

Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Note 3 – Deposits and Investments

Deposits

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

All of the Board's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

Notes to the Financial Statements
For the Year Ended September 30, 2009

Note 4 – Receivables

On September 30, 2009, receivables for the Board’s individual major funds and other governmental funds in the aggregate are as follows:

	General Fund	Child Nutrition Program Fund	Other Governmental Funds	Total
Receivables:				
Taxes	\$ 97,790.11	\$	\$	\$ 97,790.11
Due From Other Governments	35,968.25	131,264.13	257,965.75	425,198.13
Total Receivables	<u>\$133,758.36</u>	<u>\$131,264.13</u>	<u>\$257,965.75</u>	<u>\$522,988.24</u>

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2009, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Property Taxes	\$1,460,407.96	\$
Ad Valorem Motor Vehicle Taxes		125,656.01
Grant Drawdowns Prior to Meeting All Eligibility Requirements		141,500.00
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$1,460,407.96</u>	<u>\$267,156.01</u>

Notes to the Financial Statements
For the Year Ended September 30, 2009

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance 10/01/2008	Additions/ Reclassifications (*)	Deletions/ Reclassifications (*)	Balance 09/30/2009
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 223,160.50	\$	\$	\$ 223,160.50
Construction in Progress	783,789.38	1,778,718.06	(783,789.38)	1,778,718.06
Total Capital Assets, Not Being Depreciated	<u>1,006,949.88</u>	<u>1,778,718.06</u>	<u>(783,789.38)</u>	<u>2,001,878.56</u>
Capital Assets Being Depreciated:				
Building and Building Improvements	22,444,418.96	952,820.68		23,397,239.64
Land Improvements – Exhaustible	105,784.67	232,759.94		338,544.61
Equipment and Furniture	5,119,110.61	90,396.99		5,209,507.60
Total Capital Assets Being Depreciated	<u>27,669,314.24</u>	<u>1,275,977.61</u>		<u>28,945,291.85</u>
Less Accumulated Depreciation for:				
Building and Building Improvements	(11,898,574.58)	(514,915.48)		(12,413,490.06)
Land Improvements – Exhaustible	(62,075.17)	(9,294.95)		(71,370.12)
Equipment and Furniture	(1,908,680.10)	(403,401.01)		(2,312,081.11)
Total Accumulated Depreciation	<u>(13,869,329.85)</u>	<u>(927,611.44)</u>		<u>(14,796,941.29)</u>
Total Capital Assets Being Depreciated, Net	<u>13,799,984.39</u>	<u>348,366.17</u>		<u>14,148,350.56</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,806,934.27</u>	<u>\$ 2,127,084.23</u>	<u>\$ (783,789.38)</u>	<u>\$ 16,150,229.12</u>
(*) Additions/Reclassifications and Deletions/Reclassifications include reclassifications in the amount of \$783,789.38. This amount was for Construction in Progress reclassified to Building and Building Improvements.				

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	\$493,254.78
Instructional Support	1,630.77
Operation and Maintenance	42,297.56
Auxiliary Services:	
Food Service	46,246.17
Transportation	341,534.22
General Administration and Central Support	2,647.94
Total Depreciation Expense – Governmental Activities	<u>\$927,611.44</u>

Notes to the Financial Statements
For the Year Ended September 30, 2009

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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

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

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers’ Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Notes to the Financial Statements
For the Year Ended September 30, 2009

B. Funding Policy

Employees are required by statute to contribute 5 percent of their salary to the Teachers' Retirement System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30,	2009	2008	2007
Total Percentage of Covered Payroll	17.07%	16.75%	14.36%
Contributions:			
Percentage Contributed by the Board	12.07%	11.75%	9.36%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by the Board	\$2,128,380.38	\$2,070,739.16	\$1,555,317.44
Contributed by the Employees	881,679.92	881,166.15	830,831.30
Total Contributions	<u>\$3,010,060.30</u>	<u>\$2,951,905.31</u>	<u>\$2,386,148.74</u>

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Board contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab. The provisions of GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, were implemented prospectively.

Notes to the Financial Statements
For the Year Ended September 30, 2009

B. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255, Acts of Alabama, to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

	Fiscal Year 2009
Individual Coverage – Non-Medicare Eligible	\$ 97.54
Individual Coverage – Medicare Eligible	\$ 1.14
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$284.94
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$188.54
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$188.54
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 92.14
Surviving Spouse – Non-Medicare Eligible	\$585.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$717.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$676.00
Surviving Spouse – Medicare Eligible	\$290.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$422.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$381.00

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. A tobacco surcharge is \$23.00 per month retired members that smoke.

Notes to the Financial Statements
For the Year Ended September 30, 2009

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid by Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2009	\$752.00	\$205.45	27.32%	\$1,084,346.10	100%
2008	\$775.00	\$212.35	27.40%	\$1,120,552.32	100%
2007	\$717.00	\$217.25	30.30%	\$1,168,404.81	100%

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

Note 8 – Lease Obligations

Operating Leases

The Board is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected as part of the Board's capital assets. During the fiscal year ended September 30, 2009, the Board paid a total of \$20,548.80 for operating leases.

The following is a schedule by fiscal years of future minimum rental payments required under operating leases for facilities and equipment that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2009:

Fiscal Years	Equipment	Total
2009-2010	\$19,018.71	\$19,018.71
2010-2011	6,439.57	6,439.57
2011-2012	2,174.88	2,174.88
2012-2013	906.20	906.20
Total Minimum Payments Required	<u>\$28,539.36</u>	<u>\$28,539.36</u>

Notes to the Financial Statements

For the Year Ended September 30, 2009

Note 9 – Long-Term Debt

During a prior fiscal year, the Board issued long-term note payable in the amount of \$2,900,000.00 to provide funds for the acquisition of forty-one 2008 model school buses and to refinance a portion of the 2006 note in the amount of \$298,302.50.

During fiscal year 2002, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Bonds, Series 2001A and Series 2002A in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these bonds provided funds for the acquisition, construction and renovation of school facilities.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2009:

	Debt Outstanding October 1, 2008	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2009	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Warrants:</u>					
Series 2001-A Capital Improvement Pool Bonds	\$ 138,976.15	\$	\$ 7,753.48	\$ 131,222.67	\$ 8,141.15
Series 2002-A Capital Improvement Pool Bonds	1,006,352.47		50,945.18	955,407.29	53,504.10
Total Warrants	1,145,328.62		58,698.66	1,086,629.96	61,645.25
<u>Other Liabilities:</u>					
Long-Term Notes Payable	2,688,583.92		254,850.83	2,433,733.09	264,845.82
Compensated Absences	65,376.61		4,792.43	60,584.18	60,584.18
Total Other Liabilities	2,753,960.53		259,643.26	2,494,317.27	325,430.00
Total Governmental Activities	\$3,899,289.15	\$	\$318,341.92	\$3,580,947.23	\$387,075.25

Payments on the Capital Improvement Pool Bonds, Series 2001A and 2002A are made by the bonds and warrants fund with Public School Funds withheld from the Board's allocation from the Alabama Department of Education. The long-term notes payable are paid by the Capital Projects Fund and Fleet Renewal Fund.

The compensated absences liability is being liquidated by the general fund.

Notes to the Financial Statements

For the Year Ended September 30, 2009

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

Fiscal Year Ending	Long-Term Notes Payable		Capital Improvement Pool Bonds Series 2001-A		Capital Improvement Pool Bonds Series 2002-A		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	Principal	Interest	
September 30, 2010	\$ 264,845.82	\$ 96,043.51	\$ 8,141.15	\$ 6,647.15	\$ 53,504.10	\$ 46,444.61	\$ 475,626.34
2011	275,291.42	85,597.91	8,548.71	6,229.90	56,260.19	43,700.50	475,628.63
2012	285,944.22	74,945.11	8,976.14	5,791.79	59,136.11	40,815.60	475,608.97
2013	297,426.71	63,462.62	9,423.46	5,331.79	62,191.77	37,782.40	475,618.75
2014	309,157.30	51,732.03	9,900.60	4,823.95	65,367.27	34,593.42	475,574.57
2015-2019	1,001,067.62	80,224.76	58,349.91	15,052.78	380,640.01	119,115.51	1,654,450.59
2020-2022			27,882.70	1,411.29	278,307.84	21,420.67	329,022.50
Totals	\$2,433,733.09	\$452,005.94	\$131,222.67	\$45,288.65	\$955,407.29	\$343,872.71	\$4,361,530.35

Prior Year Defeasance of Debt

In prior years, the Board defeased the certificates of participation relating to the Qualified Zone Academy Bonds (QZAB), Series 2005. The Board deposited funds into an irrevocable trust with an escrow agent to provide for the future debt service payments on the QZAB certificates when they mature on July 12, 2021. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Board's financial statements. At September 30, 2009, the total of \$1 million of the QZAB certificates outstanding are considered defeased.

Pledged Revenues

The Board issued Series 2001-A Capital Improvement Pool Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds were to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$176,511.32 are pledged to repay the principal and interest on the bonds at September 30, 2009. Pledged funds in the amount of \$14,798.00 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2009. This represents approximately 2 percent of the Board's public school fund allocation. The Series 2001-A bonds will mature in fiscal year 2021.

The Board issued Series 2002-A Capital Improvement Pool Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$1,299,280.00 are pledged to repay the principal and interest on the bonds at September 30, 2009. Pledged funds in the amount of \$100,000.00 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2009. This amount represents approximately 12 percent of the Board's public school fund allocation. The Series 2002-A bonds will mature in fiscal year 2022.

Notes to the Financial Statements
For the Year Ended September 30, 2009

Note 10 – Risk Management

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2009

Note 11 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2009, were as follows:

	Interfund Receivables General Fund	Total
Interfund Payables:		
Other Governmental Funds	\$242,954.40	\$242,954.40
Totals	<u>\$242,954.40</u>	<u>\$242,954.40</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2009, were as follows:

	Transfers In				Total
	General Fund	Child Nutrition Program Fund	Local School Fund	Other Governmental Funds	
Transfers Out:					
General Fund	\$	\$572,671.07	\$30,587.84	\$4,900.00	\$ 608,158.91
Local School Fund	1,079,881.07				1,079,881.07
Other Governmental Funds	13,898.38		1,887.53		15,785.91
Totals	<u>\$1,093,779.45</u>	<u>\$572,671.07</u>	<u>\$32,475.37</u>	<u>\$4,900.00</u>	<u>\$1,703,825.89</u>

The Board typically used transfers to fund ongoing operating subsidies and to recoup certain expenditures paid on behalf of the local schools.

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Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
State	\$ 22,470,009.00	\$ 20,799,353.95	\$ 20,345,235.72
Federal	9,850.00	10,850.00	177,468.68
Local	3,184,225.00	3,224,103.44	3,227,277.48
Other	26,000.00	26,000.00	54,167.00
Total Revenues	<u>25,690,084.00</u>	<u>24,060,307.39</u>	<u>23,804,148.88</u>
<u>Expenditures</u>			
Current:			
Instructional	16,285,804.43	16,104,725.14	16,122,163.73
Instructional Support	3,649,244.83	3,936,691.22	3,976,718.37
Operation and Maintenance	1,604,238.42	1,756,687.29	919,084.82
Auxiliary Services:			
Student Transportation	1,936,637.14	1,847,444.37	1,815,657.32
General Administrative and Central Support	858,399.79	889,140.89	793,244.42
Other	160,164.75	247,516.57	255,636.55
Capital Outlay		218,106.50	191,870.88
Total Expenditures	<u>24,494,489.36</u>	<u>25,000,311.98</u>	<u>24,074,376.09</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,195,594.64</u>	<u>(940,004.59)</u>	<u>(270,227.21)</u>
<u>Other Financing Sources (Uses)</u>			
Indirect Cost	199,162.25	202,288.17	192,985.30
Transfers In	7,982.35	2,476,861.04	1,093,779.45
Other Financing Sources		27,000.00	33,612.68
Transfers Out	(712,977.00)	(2,340,526.76)	(608,158.91)
Total Other Financing Sources (Uses)	<u>(505,832.40)</u>	<u>365,622.45</u>	<u>712,218.52</u>
Net Change in Fund Balances	689,762.24	(574,382.14)	441,991.31
Fund Balances - Beginning of Year	<u>557,975.00</u>	<u>2,386,673.32</u>	<u>2,386,673.32</u>
Fund Balances - End of Year	<u>\$ 1,247,737.24</u>	<u>\$ 1,812,291.18</u>	<u>\$ 2,828,664.63</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 20,345,235.72
		177,468.68
(1) (2)	(9,325.34)	3,217,952.14
		54,167.00
	<u>(9,325.34)</u>	<u>23,794,823.54</u>
(3)	(127,759.35)	16,249,923.08
(3)	(17,027.99)	3,993,746.36
(3)	(1,463.27)	920,548.09
(3)	7,241.29	1,808,416.03
(3)	(8,245.03)	801,489.45
(3)	(1,149.59)	256,786.14
		191,870.88
	<u>(148,403.94)</u>	<u>24,222,780.03</u>
	<u>(157,729.28)</u>	<u>(427,956.49)</u>
		192,985.30
		1,093,779.45
		33,612.68
		<u>(608,158.91)</u>
		<u>712,218.52</u>
	(157,729.28)	284,262.03
(4)	<u>(2,112,795.39)</u>	<u>273,877.93</u>
	<u>\$ (2,270,524.67)</u>	<u>\$ 558,139.96</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2009***

Explanation of differences:

- (1) The Board budgets sales tax revenue as it was received, rather than on the modified accrual basis.
- (2) The Board budgets motor vehicle ad valorem tax revenue as it was received, rather than on the modified accrual basis.
- (3) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.

Net Decrease in Fund Balance - Budget to GAAP

- (4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above. Encumbrances outstanding at year-end are reported only as reservations of fund balances and do not constitute expenditures or liabilities.

\$ (11,718.97)

2,393.63

(148,403.94)

\$ (157,729.28)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Child Nutrition Program Fund
For the Year Ended September 30, 2009***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Federal	\$ 972,600.00	\$ 972,600.00	\$ 1,100,827.25
Local	719,700.00	719,700.00	677,460.90
Other	60,000.00	60,000.00	27,858.26
Total Revenues	1,752,300.00	1,752,300.00	1,806,146.41
Expenditures			
Current:			
Operation and Maintenance	163,320.00	167,320.00	110,139.37
Auxiliary Services:			
Food Service	2,259,480.82	2,269,980.82	2,231,686.22
Total Expenditures	2,422,800.82	2,437,300.82	2,341,825.59
Excess (Deficiency) of Revenues Over Expenditures	(670,500.82)	(685,000.82)	(535,679.18)
Other Financing Sources (Uses)			
Transfers In	711,000.00	572,671.07	572,671.07
Total Other Financing Sources (Uses)	711,000.00	572,671.07	572,671.07
Net Change in Fund Balances	40,499.18	(112,329.75)	36,991.89
Fund Balances - Beginning of Year		725,477.95	780,701.86
Fund Balances - End of Year	\$ 40,499.18	\$ 613,148.20	\$ 817,693.75

Explanation of differences:

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

Net Decrease in Fund Balance - Budget to GAAP

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,100,827.25
	677,460.90
	27,858.26
	<u>1,806,146.41</u>
	110,139.37
(1) (102.32)	2,231,788.54
<u>(102.32)</u>	<u>2,341,927.91</u>
<u>(102.32)</u>	<u>(535,781.50)</u>
	572,671.07
	<u>572,671.07</u>
(102.32)	36,889.57
(2) (69,367.04)	711,334.82
<u>\$ (69,469.36)</u>	<u>\$ 748,224.39</u>
<u>\$ (102.32)</u>	
<u>\$ (102.32)</u>	

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Local School Fund
For the Year Ended September 30, 2009***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Local	\$ 1,539,055.00	\$ 1,539,055.00	\$ 1,920,261.84
Total Revenues	<u>1,539,055.00</u>	<u>1,539,055.00</u>	<u>1,920,261.84</u>
<u>Expenditures</u>			
Current:			
Instructional	577,755.00	577,755.00	732,946.88
Instructional Support	167,250.00	167,250.00	237,852.24
Operation and Maintenance	117,070.00	117,070.00	186,036.72
Auxiliary Services:			
Student Transportation	2,200.00	2,200.00	1,476.00
Other	381,345.00	381,345.00	451,783.89
Capital Outlay	200.00	200.00	17,493.40
Debt Service:			
Interest and Fiscal Charges			
Total Expenditures	<u>1,245,820.00</u>	<u>1,245,820.00</u>	<u>1,627,589.13</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>293,235.00</u>	<u>293,235.00</u>	<u>292,672.71</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In		48,500.00	32,475.37
Transfers Out	(150.00)	(757,505.35)	(1,079,881.07)
Total Other Financing Sources (Uses)	<u>(150.00)</u>	<u>(709,005.35)</u>	<u>(1,047,405.70)</u>
Net Change in Fund Balances	293,085.00	(415,770.35)	(754,732.99)
Fund Balances - Beginning of Year	<u>7,571.00</u>	<u>1,482,334.82</u>	<u>1,482,334.82</u>
Fund Balances - End of Year	<u>\$ 300,656.00</u>	<u>\$ 1,066,564.47</u>	<u>\$ 727,601.83</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,920,261.84
	<u>1,920,261.84</u>
	732,946.88
	237,852.24
	186,036.72
	1,476.00
	451,783.89
	17,493.40
	<u>1,627,589.13</u>
	292,672.71
	32,475.37
	<u>(1,079,881.07)</u>
	<u>(1,047,405.70)</u>
	(754,732.99)
	<u>1,482,334.82</u>
\$	<u>\$ 727,601.83</u>

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number
<u>U. S. Department of Education</u>	
<u>Direct Program</u>	
Impact Aid	84.041
<u>Passed Through Alabama Department of Education</u>	
Career and Technical Education - Basic Grants to States	84.048
Tech-Prep Education	84.243
Title I Grants to Local Educational Agencies (M)	84.010
Special Education Cluster:	
Special Education - Grants to States	84.027
ARRA - Special Education - Grants to States, Recovery Act	84.391
Special Education - Preschool Grants	84.173
Sub-Total Special Education Cluster (M)	
Rural Education	84.358
Improving Teacher Quality State Grants	84.367
Safe and Drug-Free Schools and Communities - State Grants	84.186
Education Technology State Grants	84.318
Total U. S. Department of Education	
<u>U. S. Department of Agriculture</u>	
<u>Passed Through Alabama Department of Education</u>	
Child Nutrition Cluster:	
National School Lunch Program:	
Cash Assistance	10.555
Non-Cash Assistance (Commodities)	10.555
National School Lunch Program Sub-Total	
School Breakfast Program - Cash Assistance	10.553
Total U. S. Department of Agriculture	
<u>U. S. Department of Health and Human Services</u>	
<u>Passed Through Alabama Department of Education</u>	
Child Care and Development Block Grant	93.575
<u>U. S. Department of Social Security Administration</u>	
<u>Passed Through Alabama Department of Education</u>	
Social Security - Disability Insurance	96.001
<u>U. S. General Services Administration</u>	
<u>Passed Through Alabama Department of Economic and Community Affairs</u>	
Donation of Federal Surplus Personal Property (N)	39.003
Total Expenditures of Federal Awards	

(M) = Major Program
(N) = Non-Cash Assistance

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

Assistance Period	Revenue Recognized	Expenditures
10/01/2008-09/30/2009	\$ 12,349.17	\$ 12,349.17
10/01/2008-09/30/2009	55,205.00	55,205.00
10/01/2008-09/30/2009	4,272.00	4,272.00
10/01/2008-09/30/2009	1,121,589.86	1,121,589.86
10/01/2008-09/30/2009	663,684.00	663,684.00
10/01/2008-09/30/2009	11,454.35	11,454.35
10/01/2008-09/30/2009	13,514.00	13,514.00
	<u>688,652.35</u>	<u>688,652.35</u>
10/01/2008-09/30/2009	96,404.48	96,404.48
10/01/2008-09/30/2009	209,033.80	209,033.80
10/01/2008-09/30/2009	16,671.20	16,671.20
10/01/2008-09/30/2009	10,433.00	10,433.00
	<u>2,214,610.86</u>	<u>2,214,610.86</u>
10/01/2008-09/30/2009	811,985.15	811,985.15
10/01/2008-09/30/2009	98,855.47	98,855.47
	<u>910,840.62</u>	<u>910,840.62</u>
10/01/2008-09/30/2009	189,986.63	189,986.63
	<u>1,100,827.25</u>	<u>1,100,827.25</u>
10/01/2008-09/30/2009	5,000.00	5,000.00
10/01/2008-09/30/2009	1,142.00	1,142.00
10/01/2008-09/30/2009	299.87	299.87
	<u>\$ 3,321,879.98</u>	<u>\$ 3,321,879.98</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2009***

Note 1 – Basis of Presentation

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

Additional Information

Board Members and Administrative Personnel
October 1, 2008 through September 30, 2009

Board Members			Term Expires
Hon. Jim Atkinson	President	P. O. Box 624 Guin, AL 35563	2012
Hon. Belinda McRae	Vice-President	P. O. Box 185 Hamilton, AL 35570	2010
Hon. L. C. Fowler	Member	153 Red Ridge Drive Hamilton, AL 35570	2010
Hon. Glendon Gibbs	Member	13785 State Highway 129 Brilliant, AL 35548	2012
Hon. Rodney Fleming	Member	2515 County Highway 62 Haleyville, AL 35565	2014
Hon. Stephen Pike	Member	2521 County Highway 79 Phil Campbell, AL 35581	2008
<u>Administrative Personnel</u>			
Hon. Ryan Hollingsworth	Superintendent	985 County Highway 125 Detroit, AL 35552	2012
Mr. Clint Green	Chief School Financial Officer	P. O. Box 2259 Hamilton, AL 35570	

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marion County Board of Education (the “Board”) as of and for the year ended September 30, 2009, which collectively comprise the Board’s basic financial statements and have issued our report thereon dated May 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

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

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

Compliance and Other Matters

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

May 25, 2010

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the Marion County Board of Education (the “Board”) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2009. The Board’s major federal programs are identified in the Summary of Examiner’s Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Board’s management. Our responsibility is to express an opinion on the Board’s compliance based on our audit.

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

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

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

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

A control deficiency in an entity's internal control over compliance exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

May 25, 2010

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of opinion issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173 and 84.391	Special Education Cluster

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

Auditee qualified as low-risk auditee? X Yes _____ No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	