

SARALAND BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**Saraland Board of Education
Financial Statements
September 30, 2015**

TABLE OF CONTENTS

	<u>Page</u>
 FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION & ANALYSIS	3-13
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet	16
Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Statement of Fiduciary Net Position	20
Notes to the Financial Statements	21-40
 REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual General Fund	41
Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual Special Revenue Fund	42
Notes to Required Supplementary Information	43
Schedule of the Proportionate Share of the Net Pension Liability-Teacher's Retirement Plan of Alabama	44
Schedule of Board Contributions-Teacher's Retirement Plan of Alabama	45
 COMPLIANCE SECTION	
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	46-47
Report on Compliance with Requirements that Could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	48-49
Schedule of Expenditures of Federal Awards	50
Note to the Schedule of Expenditures of Federal Awards	51
Schedule of Findings and Questioned Costs	52

FINANCIAL SECTION

Shareholders

J. Earl Blackmon, Jr., CPA
B. Vance Kilgore, CPA
Dennis E. Sherrin, CPA

Principals

Rachel M. Godwin, CPA
G. Allen Cave, CPA

Of Counsel

Xavier A. Hartmann, III, CPA
Rucker T. Taylor, III, CPA
Sally S. Wagner, CPA



Certified Public Accountants & Consultants

Hartmann, Blackmon & Kilgore, P.C.

311 Sowell Street

P.O. Box 1379

Brewton, Alabama 36427

hbkcpas.com

1

INDEPENDENT AUDITORS' REPORT

Members of the Board
Saraland Board of Education
Saraland, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saraland Board of Education, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Saraland Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Saraland Board of Education, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13, budgetary comparison information on pages 41-43, schedule of proportionate share of the net pension liability and schedule of Board contributions on pages 44-45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Restatement of Prior Periods

The financial statements of the Board as of September 30, 2014, dated December 16, 2014, expressed an unmodified opinion on the financial statements. As discussed in Note 9 to the financial statements, the Board has adjusted its September 30, 2014, financial statements to retrospectively apply the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

As part of our audit, we also audited the adjustments to the September 30, 2014, financial statements to retroactively apply the change in accounting principle as described in Note 9. In our opinion, such adjustments are appropriate and have been properly applied.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2016 on our consideration of Saraland Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saraland Board of Education's internal control over financial reporting and compliance.

Hartmann, Blackmon & Kilgore, P.C.
Certified Public Accountants

January 13, 2016
Brewton, Alabama

**SARALAND BOARD OF EDUCATION
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2015**

The Saraland Board of Education's (the "Board") discussion and analysis presents the overall financial position and operating results of the fiscal year that ended September 30, 2015. Readers are encouraged to read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which follow this analysis. The Management's Discussion and Analysis (MD&A) reflects an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Financial Highlights

The Board's Net Position increased by \$680,960 in FY 2015. The activities revenues overall were \$27,222,177 in FY 2015 and \$24,490,058 in FY 2014, resulting in an increase of \$2,732,119 or 11.16% over the prior year. The Board's continual rise of student enrollment has resulted in annual increases in state allocations for our system. Local ad valorem tax increased by 5.28%, and local sales tax increased by 26.11%. Also, Miscellaneous Revenue increased by 53.77% largely due to the receipt of our BP Oil Spill Settlement. Overall, there was an increase in Net Position for the year. Refer to Table 2 for specific details of each category.

The General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$833,466. Overall, the Board's revenues and other financing sources exceeded expenditures and other financing uses by \$16,337,245 largely due to the issuance of the Series 2015-A Capital Outlay Warrants used for refunding prior warrant issuances and for funding two capital projects.

Overview of the Financial Statement and Use of This Report

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

- Independent Auditor's Report
- Required Supplementary Information (RSI), including the MD&A
- Basic Financial Statements (Governmental-Wide and Fund Financial Statements)
- Supplemental Information

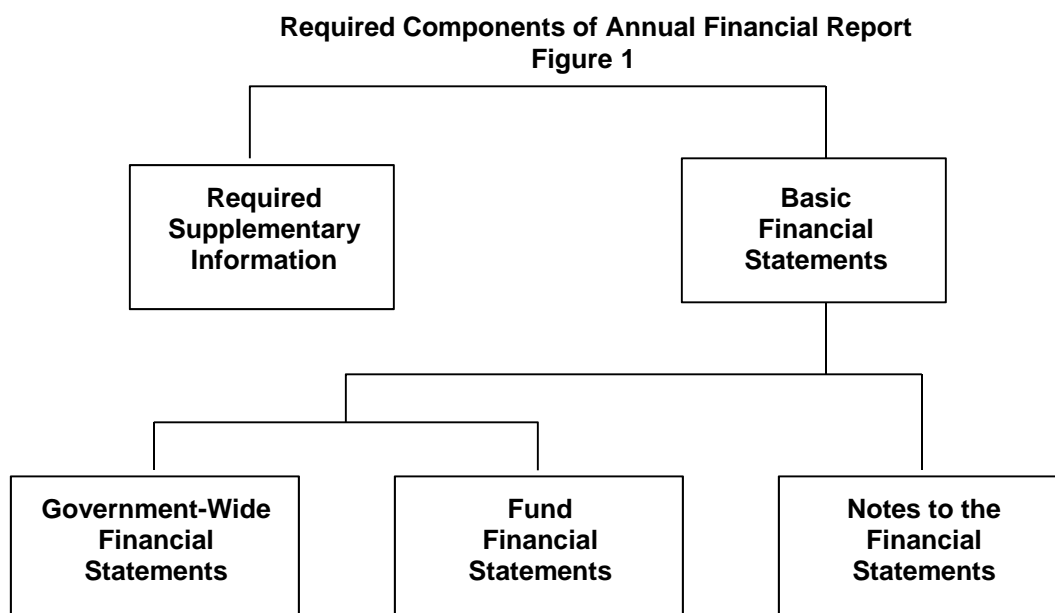


Figure 1 depicts the major features of the Board's financial statements. The focus of the financial statements is on the Board as a whole and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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 are an integral part of the basic financial statements.

Required Supplementary Information

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

Financial Analysis of the Board as a Whole

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to Table 1 when reading the following analysis of net position. The Board's total assets exceeded liabilities by \$2,835,487 at September 30, 2015.

- ◆ Of this figure, \$14,030,392 reflects the Board's Net Investment in Capital Assets. Since these capital assets represent investment in land, buildings, school buses, furniture and equipment, this portion of net position is not available for future spending or funding of operations.
- ◆ Restricted net position is reported separately to show the external legal constraints from debt covenants and enabling legislation that limit the Board's ability to use this net position for day-to-day operations. \$1,104,038 is restricted for education and \$15,233,752 is restricted for construction.
- ◆ The balance of unrestricted net position is \$(27,532,695).

The following table reflects a Summary of Net Position compared to the prior year. For more detailed information see the Statement of Net Position.

Table 1 Summary of Net Position September 30, 2015			
	FY 2015	FY 2014	Variance
<u>Assets</u>			
Current and Other Assets	\$19,979,617	\$3,865,032	416.93%
Capital Assets, Net of Depreciation	72,048,621	71,368,905	0.95%
Total Assets	92,028,238	75,233,937	22.32%
Deferred Outflows of Resources	3,758,754		100.00%
<u>Liabilities</u>			
Current and Other Liabilities	1,844,183	1,788,931	3.09%
Long-Term Liabilities	89,921,322	57,548,479	56.25%
Total Liabilities	91,765,505	59,337,410	54.65%
Deferred Inflows of Resources	1,186,000		100.00%
<u>Net Position</u>			
Net Investment in Capital Assets	14,030,392	13,820,426	1.52%
Restricted for:			
Education	1,104,038	753,854	46.45%
Construction	15,233,752	492,334	2994.19%
Unrestricted	(27,532,695)	829,913	-3417.54%
Total Net Position	\$ 2,835,487	\$15,896,527	-82.16%

Factors attributing to the significant variances in Current and Other Assets and Net Position Restricted for Construction resulted from unspent proceeds from the Series 2015-A Warrants. The significant decrease in Total Net Position and Unrestricted Net Position, along with the addition of Deferred Outflows and Inflows of Resources is due to the first year implementation of GASB Statement No. 68. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

The following table reflects the Changes in Net Position compared to the prior year. For more detailed information see the Statement of Activities.

Table 2 Changes in Net Position For the Year Ended September 30, 2015			
	FY 2015	FY 2014	Variance
<u>Revenues</u>			
Program Revenues:			
Charges for Services	\$2,695,462	\$ 2,537,067	6.24%
Operating Grants and Contributions	15,104,984	13,992,790	7.95%
Capital Grants and Contributions	1,234,346	788,392	56.57%
General Revenues:			
Property Taxes for General Purposes	2,549,084	2,676,546	-4.76%
Property Taxes for Specific Purposes	1,820,372	1,473,872	23.51%
Sales Tax	2,800,129	2,220,312	26.11%
Alcohol Beverage Tax	114,432	107,809	6.14%
Other Taxes	80,206	79,430	0.98%
Grants and Contributions Not Restricted for Specific Programs	680	500	36.00%
Investment Earnings	74,529	126,931	-41.28%
Miscellaneous	747,953	486,409	53.77%
Total Revenues	<u>27,222,177</u>	<u>24,490,058</u>	<u>11.16%</u>
<u>Expenditures</u>			
Governmental Activities:			
Instructional	13,485,651	12,595,433	7.07%
Instructional Support	3,705,568	3,607,323	2.72%
Operation and Maintenance	2,126,657	2,088,742	1.82%
Student Transportation	1,242,951	1,188,893	4.55%
Food Service	1,568,234	1,522,268	3.02%
General Administrative	1,752,033	1,233,572	42.03%
Interest and Fiscal Charges	2,386,058	2,434,239	-1.98%
Other Expenses	274,065	302,517	-9.41%
Total Expenditures	<u>26,541,217</u>	<u>24,972,987</u>	<u>6.28%</u>
Changes in Net Position	680,960	(482,929)	241.01%
Net Position - Beginning of Year, as Restated	2,154,527	16,379,456	
Prior Period Adjustment Due to GASB 68		(13,742,000)	
Net Position - End of Year	<u>\$2,835,487</u>	<u>\$ 2,154,527</u>	<u>31.61%</u>

The significant variances reflected on Table 2 are described below:

Revenues

- ♦ Capital Grants and Contributions – Increase due to a significant donation of land for the future site of our Saraland Early Education Center.
- ♦ Sales Tax – Increase appears to be due to the growth in Mobile County and the City of Saraland.
- ♦ Grants and Contributions Not Restricted for Specific Programs – Increase is not material and appears to be due to one-time miscellaneous contributions.
- ♦ Investment Earnings – Decrease appears to be due to contributions received from 16th Section Land Proceeds in the prior year.
- ♦ Miscellaneous – As mentioned in Financial Highlights, increase due to the receipt of our BP Oil Spill Settlement.

Expenditures

- ♦ General Administrative – Increase due to Debt Issuance Costs, other than prepaid insurance, associated with the Series 2015-A Capital Outlay Warrants.
- ♦ The overall increase in expenditures is primarily due to the employment of additional faculty and staff as a result of a growing school system. Funds will not be received for the FY 2015 growth until FY 2016 therefore placing the financial burden on our local revenue.

The land acquisition and BP Oil Spill Settlement are major contributions towards to increase in Net Position.

Net Cost of Services

Total cost of services was \$26,541,217. As shown in Table 3, the net cost of governmental activities was a negative \$7,506,425. This means that the local funds portion of revenue was used to fund the amount not covered from various program revenues.

Table 3 Net Cost of Services For the Year Ended September 30, 2015				
	FY 2015		FY 2014	
	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>
Governmental Activities:				
Instructional	\$13,485,651	\$(1,618,720)	\$12,595,433	\$(1,914,514)
Instructional Support	3,705,568	(623,124)	3,607,323	(588,142)
Operation and Maintenance	2,126,657	(1,470,021)	2,088,742	(1,569,322)
Student Transportation	1,242,951	(250,951)	1,188,893	(381,311)
Food Service	1,568,234	(145,089)	1,522,268	(153,741)
General Administrative	1,752,033	(951,251)	1,233,572	(548,099)
Interest and Fiscal Charges	2,386,058	(2,386,058)	2,434,239	(2,434,239)
Other Expenses	274,065	(61,211)	302,517	(65,371)
	<u>\$26,541,217</u>	<u>\$(7,506,425)</u>	<u>\$24,972,987</u>	<u>\$(7,654,739)</u>

Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$18,001,177. Of the combined ending fund balances, \$1,663,379 of this amount constitutes unassigned fund balance of the General Fund that is available as of the end of the fiscal year for spending on future operations. The remaining combined fund balances are classified as nonspendable, restricted, and assigned for various purposes as constituted by GASB No. 54.

- ♦ **General Fund** – The General Fund is the primary operating fund of the Board in providing educational services to students from kindergarten through 12th grade including pupil transportation.

Table 4 reflects a summary of General Fund Revenues for the most recent two-year period:

Table 4 General Fund Revenues For the Year Ended September 30, 2015			
	FY 2015	FY 2014	Variance
State	\$13,819,481	\$12,572,820	9.92%
Federal	85,202	88,859	-4.12%
Local	5,417,204	4,559,805	18.80%
Other	569,809	142,600	299.59%
Total Revenues	\$19,891,696	\$17,364,084	14.56%

The significant increase in other revenues was due to largely due to the receipt of our BP Oil Spill Settlement.

It should be noted that each school system is required to provide a minimum equivalent of ten mills of ad valorem tax to participate in the Foundation Program. The ten mill equivalent match for Saraland was \$1,589,680 in fiscal year 2015.

Table 5 reflects a summary of General Fund Expenditures for the most recent two-year period:

Table 5 General Fund Expenditures For the Year Ended September 30, 2015			
	FY 2015	FY 2014	Variance
Current:			
Instructional	\$10,947,116	\$10,327,491	6.00%
Instructional Support	2,967,874	2,743,580	8.18%
Operation and Maintenance	2,064,065	2,031,059	1.63%
Auxiliary Services:			
Student Transportation	1,027,344	1,026,602	0.07%
General Administrative	1,256,995	1,092,186	15.09%
Other	94,252	91,342	3.19%
Capital Outlay	481,330	210,704	128.44%
Debt Service:			
Principal Retirement		4,128	-100.00%
Total Expenditures	\$18,838,976	\$17,527,092	7.48%

The significant increase in capital outlay was due to the school board's approval of purchasing five new school buses in the current fiscal year.

- ♦ ***Special Revenue Fund*** – The Special Revenue Fund accounts for all of the federal programs that flow through the State Department of Education which includes the Child Nutrition Program. In addition, this fund includes Public Local School source of funds. The beginning fund balance was \$753,854. Recognizing an excess of \$350,184 for the fiscal year, the ending fund balance for FY 2015 was \$1,104,038.
- ♦ ***Capital Projects Fund*** – The Capital Projects Fund accounts for all financial resources to be used for the acquisition or construction of major capital facilities. The beginning fund balance was \$80,165. Recognizing an excess of \$15,153,587 for the fiscal year, the ending fund balance for FY 2015 was \$15,233,752.

Overall, the Board's governmental funds reflected an excess of Revenues/Other Financing Sources over Expenditures/Other Financing Uses.

Budgetary Highlights

The FY 2015 Budget, adopted on September 4, 2014, was based on known sources at the time of adoption. The budget reflected only guaranteed revenues and necessary expenditures as some of the state-funded programs had not been authorized at this point. The Board complied with State Department of Education requirements for budget amendments. The Board submitted Amendment #1 on June 4, 2015, to make final budgetary adjustments to all funds and programs.

The comparisons of the General Fund and Special Revenue Fund original budgets to the final amended budgets are reflected in the required supplemental information in the report. The two budgets were amended to correct beginning fund balances and account for changes in state, federal and local sources.

Capital Assets and Debt Administration

- ♦ **Capital Assets** – As of September 30, 2015, the Board had \$72,048,621 invested in capital assets including land and land improvements, construction in progress, buildings and building improvements, equipment and furniture and vehicles costing \$5,000 or more. This amount is net of accumulated depreciation, as of September 30, 2015. (Additional information on the Board's Capital Assets is presented in the notes to the financial statements.)

Table 6 below reflects a summary of Capital Assets, Net of Depreciation for the most recent two-year period:

Table 6 Capital Assets, Net of Depreciation September 30, 2015			
	FY 2015	FY 2014	Variance
Land and Land Improvements	\$ 3,877,090	\$ 3,383,090	14.60%
Construction in Progress	835,942	1,571,090	-46.79%
Buildings	61,307,535	60,664,335	1.06%
Building Improvements	4,397,866	4,399,032	-0.03%
Equipment and Furniture	284,787	355,872	-19.97%
Vehicles	1,345,401	995,486	35.15%
Total Capital Assets, Net of Depreciation	\$72,048,621	\$71,368,905	0.95%

The significant decrease in construction in progress is due to the completion of ongoing capital projects from the prior year. The significant increase in vehicles was due to the school board's approval of purchasing five new school buses in the current fiscal year.

- ◆ **Long-Term Debt** – As of September 30, 2015, the Board had \$89,921,322 in General Long-Term Debt outstanding. The Board made debt service payments as reflected on Table 7. (Additional information on the Board's long-term debt is presented in the notes to the financial statements.)

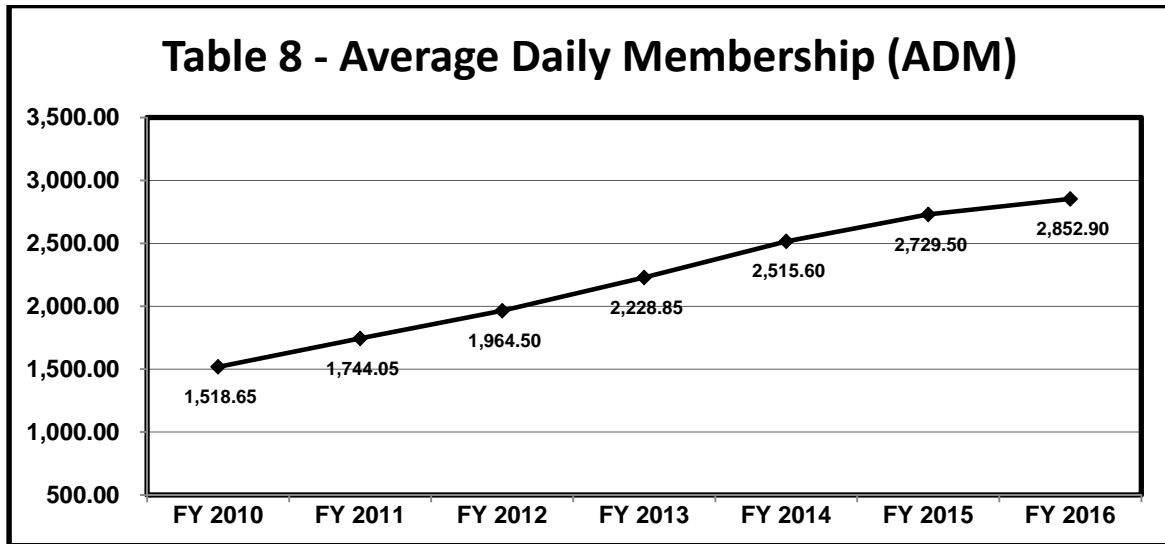
<p align="center">Table 7 Summary of Long-Term Debt September 30, 2015</p>					
	Debt Outstanding 10/1/2014	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 9/30/2015	Amounts Due within One Year
<u>Governmental Activities:</u>					
Capital Leases Payable	\$55,670,051	\$	\$ (8,406,936)	\$47,263,115	\$ 787,674
Warrants Payable	1,878,428	26,606,766	(1,643,987)	26,841,207	(1,661)
Net Pension Liability	14,993,000	824,000		15,817,000	
Governmental Activities Long-Term Debt	\$72,541,479	\$27,430,766	\$(10,050,923)	\$89,921,322	\$ 786,013

Economic Factors and Next Year's Budget

The following are currently known Saraland economic factors considered going into the 2015-2016 fiscal year:

- ◆ A new 7.5 mill municipal property tax has been levied for the 2015-2016 fiscal year.
- ◆ A reduction of federal funds for the 2015-2016 fiscal year is foreseeable.
- ◆ The funding formula to appropriate state funds to each public school system requires the equivalent of ten mills of ad valorem tax to be provided locally to participate in the Foundation Program. The match will increase from \$1,589,680 in FY 2015 to \$1,598,960 for FY 2016. The match for FY 2016 is 10.96% of the total State Foundation Program funds earned by the system.
- ◆ Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs will remain \$780 for FY 2016 per employee per month. In addition, the employer contribution to the Teachers' Retirement System (TRS) for employees hired prior to January 1, 2013, will be 11.94% for FY 2016. Employer contribution for employees hired on or after January 1, 2013, will be 10.84% for FY 2016. The Board uses local funds to pay the salary-related benefits costs not paid by state and federal funds.
- ◆ State Funding for Alabama school systems is based on average daily membership (ADM) for the first 20 days after Labor Day of the preceding school year. For every year since inception, average daily membership for the school system has increased. This increase places an additional financial burden on the Board's local funds. Funding for earned teacher units is based on prior year ADM, rather than current year ADM. In a growing system, funding for salaries and benefits will always be a year behind and will not catch up until enrollment levels off or starts to decline.

Table 8 summarizes ADM by year since FY 2010:



Financial Contact

The Board's financial statements are designed to present users (citizens, taxpayers, investors and creditors) with a general overview of the Board's finances and to demonstrate the Board's accountability for public funds received. If you have questions about the report or need additional financial information, contact Dr. Aaron Milner, Superintendent, 943 Hwy 43 South Saraland, Alabama 36571, or by calling (251) 375-5420.

14
Saraland Board of Education
Statement of Net Position
September 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 17,996,327
Investments	1,424,041
Receivables, Net	367,698
Inventories	39,339
Unearned Charges	134,257
Other Assets	17,955
Capital Assets:	
Nondepreciable	4,713,032
Depreciable, Net	67,335,589
Total Assets	<u>92,028,238</u>
Deferred Outflows of Resources	
Loss on Refunding of Debt	735,946
Employer Pension Contribution	1,347,808
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	<u>1,675,000</u>
Total Deferred Outflows of Resources	<u>3,758,754</u>
Liabilities	
Accounts Payable	208,020
Unearned Revenue	28,525
Salaries and Benefits Payable	1,607,638
Long-Term Liabilities:	
Portion Due or Payable Within One Year	786,013
Portion Due or Payable After One Year	89,135,309
Total Liabilities	<u>91,765,505</u>
Deferred Inflows of Resources	
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	<u>1,186,000</u>
Total Deferred Inflows of Resources	<u>1,186,000</u>
Net Position	
Net Investment in Capital Assets	14,030,392
Restricted for:	
Education	1,104,038
Construction	15,233,752
Unrestricted	(27,532,695)
Total Net Position	<u>\$ 2,835,487</u>

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

15
Saraland Board of Education
Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instructional	\$ 13,485,651	\$ 393,572	\$ 10,314,164	\$ 1,159,195	\$ (1,618,720)
Instructional Support	3,705,568	514,456	2,565,928	2,060	(623,124)
Operation and Maintenance	2,126,657	119,145	530,400	7,091	(1,470,021)
Student Transportation	1,242,951	98,651	827,349	66,000	(250,951)
Food Service	1,568,234	1,359,884	63,261	-	(145,089)
General Administrative	1,752,033	44,237	756,545	-	(951,251)
Interest and Fiscal Charges	2,386,058	-	-	-	(2,386,058)
Other Expenses	274,065	165,517	47,337	-	(61,211)
Total Governmental Activities	<u>\$ 26,541,217</u>	<u>\$ 2,695,462</u>	<u>\$ 15,104,984</u>	<u>\$ 1,234,346</u>	<u>(7,506,425)</u>

General revenues:

Taxes:

Property Taxes for General Purposes	2,549,084
Property Taxes for Specific Purposes	1,820,372
Sales Tax	2,800,129
Alcohol Beverage Tax	114,432
Other Taxes	80,206
Grants and Contributions Not Restricted for Specific Programs	680
Investment Earnings	74,529
Miscellaneous	747,953
Total General Revenues	<u>8,187,385</u>
Changes in Net Position	680,960
Net Position - Beginning of Year, as Previously Stated	15,896,527
Prior Period Adjustment Due to GASB Statement No. 68	(13,742,000)
Net Position - Beginning of Year, as Restated	<u>2,154,527</u>
Net Position - End of Year	<u>\$ 2,835,487</u>

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

16
Saraland Board of Education
Balance Sheet
Governmental Funds
September 30, 2015

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 1,633,750	\$ 1,146,229	\$ 15,216,340	\$ 8	\$ 17,996,327
Investments	1,424,041	-	-	-	1,424,041
Receivables, Net	242,305	107,531	17,862	-	367,698
Due from Other Funds	34,030	-	-	-	34,030
Inventories	-	39,339	-	-	39,339
Other Assets	17,955	-	-	-	17,955
Total Assets	<u>\$ 3,352,081</u>	<u>\$ 1,293,099</u>	<u>\$ 15,234,202</u>	<u>\$ 8</u>	<u>\$ 19,879,390</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 139,955	\$ 67,615	\$ 450	\$ -	\$ 208,020
Due to Other Funds	-	34,030	-	-	34,030
Unearned Revenues	-	28,525	-	-	28,525
Salaries and Benefits Payable	1,548,747	58,891	-	-	1,607,638
Total Liabilities	<u>1,688,702</u>	<u>189,061</u>	<u>450</u>	<u>-</u>	<u>1,878,213</u>
Fund Balances					
Nonspendable	-	39,339	-	-	39,339
Restricted for:					
Education	-	1,064,699	-	-	1,064,699
Construction	-	-	15,233,752	-	15,233,752
Unassigned	1,663,379	-	-	8	1,663,387
Total Fund Balances	<u>1,663,379</u>	<u>1,104,038</u>	<u>15,233,752</u>	<u>8</u>	<u>18,001,177</u>
Total Liabilities and Fund Balances	<u>\$ 3,352,081</u>	<u>\$ 1,293,099</u>	<u>\$ 15,234,202</u>	<u>\$ 8</u>	<u>\$ 19,879,390</u>

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

17
Saraland Board of Education
Reconciliation of the Governmental Fund Balances to Net Position of Governmental Activities
September 30, 2015

Total Fund Balances - Governmental Funds		\$ 18,001,177
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
The Cost of Capital Assets is	\$ 78,892,193	
Accumulated Depreciation is	<u>(6,843,572)</u>	
		72,048,621
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred on the Statement of Net Position.		
		134,257
Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current-period expenditures and, therefore, are deferred on the Statement of Net Position.		
		735,946
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
		1,836,808
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Current Portion of Long-Term Liabilities	786,013	
Noncurrent Portion of Long-Term Liabilities	<u>89,135,309</u>	
		<u>(89,921,322)</u>
Total Net Position - Governmental Activities		<u>\$ 2,835,487</u>

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

18
Saraland Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2015

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
State	\$ 13,819,481	\$ 3,449	\$ 734,837	\$ -	\$ 14,557,767
Federal	85,202	1,988,232	-	-	2,073,434
Local	5,417,204	1,769,439	2,304,413	14	9,491,070
Other	569,809	30,339	-	-	600,148
Total Revenues	19,891,696	3,791,459	3,039,250	14	26,722,419
Expenditures					
Current:					
Instructional	10,947,116	1,174,918	-	-	12,122,034
Instructional Support	2,967,874	615,275	-	-	3,583,149
Operation and Maintenance	2,064,065	13,126	7,091	-	2,084,282
Auxiliary Services:					
Student Transportation	1,027,344	56,682	-	-	1,084,026
Food Service	-	1,596,581	-	-	1,596,581
General Administrative	1,256,995	159,861	286,893	-	1,703,749
Other	94,252	178,406	-	-	272,658
Capital Outlay	481,330	-	889,766	-	1,371,096
Debt Service:					
Principal Retirement	-	-	2,424,909	-	2,424,909
Interest and Fiscal Charges	-	-	2,182,973	6	2,182,979
Debt Issuance Costs/Other Debt Service	-	-	320,292	-	320,292
Total Expenditures	18,838,976	3,794,849	6,111,924	6	28,745,755
Excess (Deficiency) of Revenues					
Over Expenditures	1,052,720	(3,390)	(3,072,674)	8	(2,023,336)
Other Financing Sources (Uses)					
Indirect Cost	128,563	-	-	-	128,563
Long-Term Debt Issued	-	-	27,420,000	-	27,420,000
Transfers In	-	353,574	-	-	353,574
Other Financing Sources	5,757	-	-	-	5,757
Transfers Out	(353,574)	-	-	-	(353,574)
Discounts on Long-term Debt Issued	-	-	(813,234)	-	(813,234)
Payments to Refunding Escrow Agent	-	-	(8,380,505)	-	(8,380,505)
Total Other Financing Sources (Uses)	(219,254)	353,574	18,226,261	-	18,360,581
Net Changes in Fund Balances	833,466	350,184	15,153,587	8	16,337,245
Fund Balances - Beginning of Year	829,913	753,854	80,165	-	1,663,932
Fund Balances - End of Year	\$ 1,663,379	\$ 1,104,038	\$ 15,233,752	\$ 8	\$ 18,001,177

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

Saraland Board of Education
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2015

Net Changes in Fund Balances - Total Governmental Funds \$ 16,337,245

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

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

Capital Outlays	\$ 1,371,096	
Depreciation Expense	<u>(1,597,550)</u>	(226,454)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		2,424,909
---	--	-----------

Discounts and issuance costs (prepaid insurance) on debt issuance are recorded as financing uses/expenditures in the governmental funds, but are deferred and amortized in the Statement of Activities.		948,991
---	--	---------

Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		8,380,505
--	--	-----------

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.		(27,420,000)
--	--	--------------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Donated Assets		494,000

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.

Amortization of Bond Discounts, Loss on Refunding, and Issuance Costs (Prepaid Insurance)	(20,044)	
Pension Expense, Current Year Increase/Decrease	<u>(238,192)</u>	(258,236)

Change in Net Position of Governmental Activities		<u><u>\$ 680,960</u></u>
---	--	--------------------------

20
Saraland Board of Education
Statement of Fiduciary Net Position
September 30, 2015

	Agency Funds
	<hr/>
Assets	
Cash and Cash Equivalents	\$ 195,879
	<hr/>
Total Assets	<u><u>\$ 195,879</u></u>
Liabilities	
Accounts Payable	\$ 5,995
Due to External Organizations	<u>189,884</u>
	<hr/>
Total Liabilities	<u><u>\$ 195,879</u></u>

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

21
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

For financial reporting purposes and in conformance with the criteria set forth by GASB Statement No. 61, the Board includes those funds, account groups, agencies, boards, commissions and authorities for which the Board has the ability to exercise its oversight responsibility and provides financial and managerial assistance.

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

Government-wide

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

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

Fund Level

The government fund level financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented

22
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

to explain adjustments necessary to reconcile fund level statements to the government-wide presentation.

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

Governmental Funds:

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

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

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

Fiduciary Fund:

Agency Fund—This fund is used to report assets held by the Board in a purely custodial capacity. The Board collects these assets and transfers them to the proper individual, private organizations, or other governments.

C. CAPITAL ASSETS

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

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

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

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

23
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

D. BASIS OF ACCOUNTING

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

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

E. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued and Adopted Accounting Principles

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

On October 1, 2012, the Board implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Balance Sheet

24
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The Board has determined that they have no deferred outflows or inflows of resources at September 30, 2015, under the requirements of GASB Statement No. 63.

As of October 1, 2014, the Board implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 requires certain items that were previously reported as assets and liabilities to be reclassified as deferred outflows of resources, deferred inflows of resources, or current-period outflows (expenses) and inflows (revenues). These determinations are based on the following definitions of those elements in Concepts Statement No. 4 *Elements of Financial Statements*:

Deferred outflows of resources are consumptions of net position by the Board that are applicable to a future reporting period.

Deferred inflows of resources are acquisitions of net position by the Board that are applicable to a future reporting period.

Outflows of resources are consumptions of net position by the Board that are applicable to the reporting period.

Inflows of resources are acquisitions of net position by the Board that are applicable to the reporting period.

During the year ended September 30, 2015, the Board implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements create disclosure and reporting requirements that may or may not be consistent with the basis used for funding the plan. As a result, a net pension liability equal to the difference between the actuarial present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position was recognized. Additionally, pension expense and deferred outflows of resources and deferred inflows of resources were recognized from changes in the components of the net pension liability. See Notes 8 and 9 for more information.

25
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. CASH AND INVESTMENTS

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

G. INVENTORIES

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

H. USE OF ESTIMATES

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

I. NET ASSET AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

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

- Net investment in capital assets—Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of the related debt. Rather, that portion of the debt or deferred inflows of resources is included in the same net position as the unspent proceeds.

26
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Restricted net position—Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position—The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

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

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

- Nonspendable fund balance—Consists of amounts that are not in a spendable form or are required to be maintained intact.
- Restricted fund balance—Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the Board's own laws through its enabling legislation and other provisions of its laws and regulations.
- Committed fund balance—Consists of fund balances that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- Assigned fund balance—Consists of fund balances that are intended to be used by the school system for specific purposes. The Board authorized the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- Unassigned fund balance—All other fund balances that do not meet the definition of "restricted, committed or assigned fund balances." This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

27
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

of the Board that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

J. ENCUMBRANCES

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

K. DEFERRED OUTFLOWS OF RESOURCES

Represent deferred losses associated with the issuance of long-term debt and is amortized on the straight-line method over the term of the debt. It also represents the pension plan contributions made between the measurement date of the pension plan and the end of the Board's fiscal year end and is amortized over twelve months.

L. DEFERRED INFLOWS OF RESOURCES

Represent deferred losses on the net difference between projected and actual earnings on the pension plan investments which is amortized on the straight-line method over a five year period.

M. PENSIONS

The Teachers' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

N. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through January 13, 2016, the date which the financial statements were available to be issued. There were no material

28
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

subsequent events which require disclosure at September 30, 2015 other than the following:

On November 18, 2015, the Board approved the Early Education Center construction bid in the amount of \$10,033,808.

NOTE 2 DEPOSITS AND INVESTMENTS

Interest Rate Risk

The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

Custodial Credit Risk

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

NOTE 3 COMPENSATED ABSENCES

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

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

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

29
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 3 COMPENSATED ABSENCES (continued)

All personnel who are employed full-time on a 12-month basis are entitled to 15 days vacation leave per year. No more than 25 days can be carried over to the next year. Due to the intensity of summer work, the Superintendent may carry over days and must use all carry-over vacation according to the terms of his/her negotiated contract. Any vacation taken during the school year must be approved by the Superintendent.

Vacation days shall be earned by the month and accountable by the year, July 1 through June 30. One point two five (1.25) vacation days will be earned for each month employment up to 15 days, unless the employee is under a contract with specific terms for vacation.

All vacation days must be used prior to effective resignation date. The Board shall not make cash payments for unused vacation days, unless specified in a negotiated contract and approved by the Board. Because employees do not receive compensation for unused vacation leave at termination, no liability is recorded on the financial statements.

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

NOTE 4 RISK MANAGEMENT

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

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The Board has insurance for its building and contents through an insurance company. The insurance company provides coverage up to \$91,519,532. Errors and omissions insurance is purchased from the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for fidelity bonds and vehicle fleet. Settled claims in the past three years have not exceeded the amounts of commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), a public entity risk pool, administered by the Public Education Employees' Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually by the Alabama Legislature based on the amounts necessary to fund coverage. The Board contributes the specified monthly amount to the PEEHIF for each employee.

30
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 4 RISK MANAGEMENT (continued)

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

NOTE 5 PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES

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

NOTE 6 CONTINGENT LIABILITIES

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

NOTE 7 INTERFUND TRANSACTIONS

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

31
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 7 INTERFUND TRANSACTIONS (continued)

Interfund Receivables and Payables

	Interfund Receivables
	General Fund
<hr/>	
<u>Interfund Payables</u>	
Special Revenue Fund	\$ 34,030
Totals	<u><u>\$ 34,030</u></u>
	Transfers Out
	General Fund
<hr/>	
<u>Transfers In</u>	
Special Revenue Fund	\$ 353,574
Totals	<u><u>\$ 353,574</u></u>

NOTE 8 DEFINED BENEFIT PENSION PLAN

Plan Description

The Board contributes to the Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan for the various state-supported educational agencies and institutions. The TRS was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years

32
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the members' age, service credit, employment status and eligibility for retirement.

Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers and firefighters are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2014 was 11.71% of annual pay for Tier 1 members and 11.08% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$1,347,808 for the fiscal year ended September 30, 2015.

33
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the System reported a liability of \$15,817,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the Board's proportion was 0.174104%, which was an increase of 0.021039% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the Board recognized pension expense of \$1,347,808. At September 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,186,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,675,000	-
Employer contributions subsequent to the measurement date	1,347,808	-
Total	<u>\$ 3,022,808</u>	<u>\$ 1,186,000</u>

\$1,347,808 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

34
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

Year ended September 30:		
2016	\$	93
2017		93
2018		93
2019		93
2020		117
Thereafter		-

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2013 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment rate of return*	8.00%
Projected salary increases	3.5%-8.25%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2013, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

35
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Board's proportionate share of collective net pension liability	\$ 21,547,000	\$ 15,817,000	\$ 10,960,000

36
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014, along with supporting schedules is also available. The additional financial actuarial information is available at www.rsa-al.gov.

NOTE 9 PRIOR PERIOD ADJUSTMENT

Effective October 1, 2014, the Board implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* effective by recording a prior period adjustment in the amount of \$13,742,000. The prior period adjustment increased deferred outflow of resources by \$1,251,000 for the employer pension plan contributions made from the measurement date (September 30, 2014) through September 30, 2015, and established a net pension liability in the amount \$14,993,000.

37
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 10 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Retirements/ reclassifications	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 3,383,090	\$ 494,000	\$ -	\$ 3,877,090
Construction in Progress	1,571,090	865,648	1,600,796	835,942
Total Capital Assets, Not Being Depreciated	4,954,180	1,359,648	1,600,796	4,713,032
Capital Assets Being Depreciated:				
Buildings	65,431,800	1,417,855	-	66,849,655
Building Improvements	4,683,756	182,940	-	4,866,696
Equipment and Furniture	677,297	-	-	677,297
Vehicles	1,280,064	505,449	-	1,785,513
Total Capital Assets Being Depreciated	72,072,917	2,106,244	-	74,179,161
Less Accumulated Depreciation for:				
Buildings	4,355,296	1,186,824	-	5,542,120
Building Improvements	284,722	184,108	-	468,830
Equipment and Furniture	321,425	71,085	-	392,510
Vehicles	284,579	155,533	-	440,112
Total Accumulated Depreciation	5,246,022	1,597,550	-	6,843,572
Total Capital Assets Being Depreciated, Net	66,826,895	508,694	-	67,335,589
Total Governmental Activities Capital Assets, Net	\$ 71,781,075	\$ 1,868,342	\$ 1,600,796	\$ 72,048,621

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

Instructional	\$ 1,201,863
Instructional Support	81,912
Operation and Maintenance	40,607
Student Transportation	148,135
Food Service	79,919
General Administrative	45,114
Total Depreciation Expense - Governmental Activities	<u>\$ 1,597,550</u>

38
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 11 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Warrants Payable	\$ 1,878,428	\$ 27,420,000	\$ 1,652,973	\$ 27,645,455	\$ 25,297
Warrant Anticipation Notes					
Unamortized Discount	-	(813,234)	(8,986)	(804,248)	(26,958)
Total Bonds and Notes Payable	1,878,428	26,606,766	1,643,987	26,841,207	(1,661)
Other Liabilities:					
Capital Leases	55,670,051	-	8,406,936	47,263,115	787,674
Net Pension Liability	14,993,000	824,000	-	15,817,000	-
Total Other Liabilities	70,663,051	824,000	8,406,936	63,080,115	787,674
Governmental Activities Long-Term Liabilities	\$ 72,541,479	\$ 27,430,766	\$ 10,050,923	\$ 89,921,322	\$ 786,013

Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 11 LONG-TERM LIABILITIES (CONTINUED)

Bonds and Warrants Payable at September 30, 2015, were comprised of the following:

Note payable for capital outlay purposes dated September 6, 2013, due in 120 monthly installments of \$2,647, including interest at 2.98%	\$ 225,455
Series 2015-A Warrants payable in annual installments of \$325,000 to \$3,365,000 through August 1, 2045, with interest at 2.50 to 4.00% payable on February 1 and August 1.	<u>27,420,000</u>
Total Bonds and Warrants Payable	<u><u>\$ 27,645,455</u></u>

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

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 25,297	\$ 1,070,083
2017	26,072	1,069,308
2018	26,870	1,068,509
2019	27,694	1,067,686
2020	28,542	1,066,838
2021-2025	745,980	5,314,273
2026-2030	1,805,000	5,129,158
2031-2035	2,140,000	4,796,913
2036-2040	7,695,000	4,162,938
2041-2045	<u>15,125,000</u>	<u>1,900,000</u>
	<u><u>\$ 27,645,455</u></u>	<u><u>\$ 26,645,706</u></u>

40
Saraland Board of Education
Notes to the Financial Statements
September 30, 2015

NOTE 11 LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

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

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

	Governmental Activities
Land	\$ 874,147
Buildings & building improvements, net of \$2,839,672 accumulated depreciation	48,433,994
Vehicles, net of \$142,522 accumulated depreciation	807,626
Total	<u>\$ 50,115,767</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of September 30, 2015, were as follows:

	Governmental Activities
Year ending September 30,	
2016	\$ 2,660,877
2017	2,652,215
2018	2,655,946
2019	2,661,592
2020	2,662,554
2021-2025	15,594,556
2026-2030	16,428,705
2031-2035	16,792,991
2036-2040	12,556,866
2041	1,803,525
Total minimum lease payments	<u>76,469,827</u>
Less amount representing interest	<u>(29,206,712)</u>
Present value of minimum lease payments	<u>\$ 47,263,115</u>

REQUIRED SUPPLEMENTARY INFORMATION

41
Saraland Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual
(11) - General Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance with	Budget to GAAP	Actual Amounts
	Original	Final	(Budgetary Basis)	Final Budget	Differences Over (Under)	GAAP Basis
Revenues						
State	\$ 13,480,267	\$ 13,590,990	\$ 13,819,481	\$ 228,491	\$ -	\$ 13,819,481
Federal	-	-	85,202	85,202	-	85,202
Local	4,415,680	4,415,680	5,417,204	1,001,524	-	5,417,204
Other	47,150	47,150	569,809	522,659	-	569,809
Total Revenues	17,943,097	18,053,820	19,891,696	1,837,876	-	19,891,696
Expenditures						
Current:						
Instructional	10,878,681	10,887,103	10,980,866	(93,763)	(33,750)	10,947,116
Instructional Support	2,810,734	2,810,734	2,962,114	(151,380)	5,760	2,967,874
Operation and Maintenance	1,915,221	1,915,221	2,063,344	(148,123)	721	2,064,065
Auxiliary Services:						
Student Transportation	1,014,622	1,014,622	1,019,473	(4,851)	7,871	1,027,344
General Administrative	998,597	998,597	1,248,368	(249,771)	8,627	1,256,995
Other	89,649	89,649	93,923	(4,274)	329	94,252
Capital Outlay	-	-	481,330	(481,330)	-	481,330
Debt Service:						
Interest and Fiscal Charges	-	7,091	-	7,091	-	-
Total Expenditures	17,707,504	17,723,017	18,849,418	(1,126,401)	(10,442)	18,838,976
Excess (Deficiency) of Revenues Over Expenditures	235,593	330,803	1,042,278	711,475	10,442	1,052,720
Other Financing Sources (Uses):						
Indirect Cost	14,782	15,126	128,563	113,437	-	128,563
Transfers In	3,999	3,999	-	(3,999)	-	-
Other Financing Sources	-	-	5,757	5,757	-	5,757
Transfers Out	(361,996)	(353,574)	(353,574)	-	-	(353,574)
Total Other Financing Sources (Uses)	(343,215)	(334,449)	(219,254)	115,195	-	(219,254)
Net Change in Fund Balances	(107,622)	(3,646)	823,024	826,670	10,442	833,466
Fund Balances - Beginning of Year	1,400,000	2,389,103	2,389,103	-	(1,559,190)	829,913
Fund Balances - End of Year	\$ 1,292,378	\$ 2,385,457	\$ 3,212,127	\$ 826,670	\$ (1,548,748)	\$ 1,663,379

Saraland Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual
(12) - Special Revenue Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance with	Budget to GAAP	Actual Amounts
	Original	Final	(Budgetary Basis)	Final Budget--	Differences Over (Under)	GAAP Basis
Revenues						
State	\$ -	\$ -	\$ 3,449	\$ 3,449	\$ -	\$ 3,449
Federal	1,848,371	1,903,726	1,988,232	84,506	-	1,988,232
Local	1,198,880	1,198,880	1,769,439	570,559	-	1,769,439
Other	33,000	33,000	30,339	(2,661)	-	30,339
Total Revenues	3,080,251	3,135,606	3,791,459	655,853	-	3,791,459
Expenditures						
Current:						
Instructional	1,105,004	1,121,426	1,174,918	(53,492)	-	1,174,918
Instructional Support	429,189	464,453	615,275	(150,822)	-	615,275
Operation and Maintenance	1,050	1,050	13,126	(12,076)	-	13,126
Auxiliary Services:						
Student Transportation	72,241	73,338	56,682	16,656	-	56,682
Food service	1,421,555	1,421,555	1,596,822	(175,267)	(241)	1,596,581
General Administrative	162,587	162,931	159,861	3,070	-	159,861
Other	106,436	108,665	178,406	(69,741)	-	178,406
Capital Outlay	78,316	58,316	-	58,316	-	-
Total Expenditures	3,376,378	3,411,734	3,795,090	(383,356)	(241)	3,794,849
Excess (Deficiency) of Revenues Over Expenditures	(296,127)	(276,128)	(3,631)	272,497	241	(3,390)
Other Financing Sources (Uses):						
Transfers In	374,796	366,374	353,574	(12,800)	-	353,574
Transfers Out	(16,799)	(16,799)	-	16,799	-	-
Total Other Financing Sources (Uses)	357,997	349,575	353,574	3,999	-	353,574
Net Change in Fund Balances	61,870	73,447	349,943	276,496	241	350,184
Fund Balances - Beginning of Year	451,875	812,986	812,986	-	(59,132)	753,854
Fund Balances - End of Year	\$ 513,745	\$ 886,433	\$ 1,162,929	\$ 276,496	\$ (58,891)	\$ 1,104,038

43
Saraland Board of Education
Notes to Required Supplementary Information
September 30, 2015

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

Budgeted amounts are as originally adopted by the Board on September 4, 2014. Final budgeted amounts were adopted by the Board on June 4, 2015.

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

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

	<u>(11) - General Fund</u>	<u>(12) - Special Revenue Fund</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) available for expenditures shown as		
Total Expenditures on the budgetary comparison schedule	\$ 18,849,418	\$ 3,795,090
 Difference--budget to GAAP		
Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are recorded as expenditures on the financial statements	<u>(10,442)</u>	<u>(241)</u>
 Total expenditures are reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	<u>\$ 18,838,976</u>	<u>\$ 3,794,849</u>

Saraland Board of Education
Schedule of the Proportionate Share of the Net Pension Liability
Teacher's Retirement Plan of Alabama
September 30, 2015

	<u>2015</u>
Board's proportion of the net pension liability	0.174104%
Board's proportionate share of the net pension liability	\$ 15,817,000
Board's covered-employee payroll*	\$ 11,061,610
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.99%
Plan fiduciary net position as a percentage of the total pension liability	71.01%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2015, the measurement period is October 1, 2013--September 30, 2014.

Saraland Board of Education
Schedule of Board Contributions Teacher's Retirement Plan of Alabama
September 30, 2015

	<u>2015</u>
Contractually Required Contribution*	\$ 1,347,808
Contributions in relation to the contractually required contribution*	<u>1,347,808</u>
Contribution deficiency (excess)	<u>\$ -</u>
Board's covered employee-payroll**	\$ 11,061,610
Contributions as a percentage of covered- employee payroll	12.18%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*Amount of employer contributions equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. This does not include amounts paid for Pre-retirement Death Benefit, Term Life Insurance or Administrative Expenses. It does include the amounts paid for the Employer's portion of the Normal Cost and Accrued Liability

**Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2015, the measurement period is October 1, 2013--September 30, 2014.

COMPLIANCE SECTION

Shareholders

J. Earl Blackmon, Jr., CPA
B. Vance Kilgore, CPA
Dennis E. Sherrin, CPA

Principals

Rachel M. Godwin, CPA
G. Allen Cave, CPA

Of Counsel

Xavier A. Hartmann, III, CPA
Rucker T. Taylor, III, CPA
Sally S. Wagner, CPA



Certified Public Accountants & Consultants

Hartmann, Blackmon & Kilgore, P.C.

311 Sowell Street

P. O. Box 1379

Brewton, Alabama 36427

hbkcpcas.com

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

Members of the Board
Saraland Board of Education
Saraland, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saraland Board of Education as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Saraland Board of Education's basic financial statements, and have issued our report thereon dated January 13, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency and communicated it in writing to management and those charged with governance on January 13, 2016.

Compliance and Other Matters

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

Purpose of this Report

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

Hartmann, Blackmon & Kilgore, P.C.
Certified Public Accountants

January 13, 2016
Brewton, Alabama

Shareholders

J. Earl Blackmon, Jr., CPA
B. Vance Kilgore, CPA
Dennis E. Sherrin, CPA

Principals

Rachel M. Godwin, CPA
G. Allen Cave, CPA

Of Counsel

Xavier A. Hartmann, III, CPA
Rucker T. Taylor, III, CPA
Sally S. Wagner, CPA



Certified Public Accountants & Consultants

Hartmann, Blackmon & Kilgore, P.C.

311 Sowell Street

P. O. Box 1379

Brewton, Alabama 36427

hbkcpcas.com

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

Members of the Board
Saraland Board of Education
Saraland, Alabama

Compliance

We have audited the compliance of Saraland Board of Education with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015. Saraland Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, Saraland Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Internal Control over Compliance

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

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

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

Restricted Use

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

Hartmann, Blackmon & Kilgore, P.C.

Certified Public Accountants

January 13, 2016
Brewton, Alabama

**Saraland Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u>		
Passed Through Alabama Department of Education:		
Child Nutrition Cluster:		
National School Breakfast Program--Cash Assistance (M)	10.553	\$ 178,581
National School Lunch Program:		
Cash Assistance (M)	10.555	627,182
Non-Cash Assistance (N), (M)	10.555	63,139
National School Lunch Program Sub-Total		<u>690,321</u>
Total U.S. Department of Agriculture		<u><u>868,902</u></u>
<u>U.S. Department of Education</u>		
Passed Through State Department of Education:		
Special Education Cluster:		
Special Education-Grants to States	84.027	454,600
Special Education-Preschool Grants	84.173	4,901
Title I Grants to Local Education Agencies	84.010	626,148
Career and Technical Education Basic Grants to States	84.048A	31,344
Safe and Drug-Free Schools and Communities-National Program	84.184Q	500
Improving Teacher Quality State Grants	84.367	86,360
Total U.S. Department of Education		<u><u>1,203,853</u></u>
Total Expenditures of Federal Awards		<u><u>\$ 2,072,755</u></u>

(M) = Major Program

(N) = Non-Cash Assistance

51
Saraland Board of Education
Note to the Schedule of Expenditures of Federal Awards
September 30, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Saraland Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

SECTION 1-SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of opinion issued:	<u>Unqualified</u>								
Internal control over financial reporting:									
Material weakness(es) identified?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;"><u> </u></td> <td style="width: 33%; text-align: center;">Yes <u> </u></td> <td style="width: 33%; text-align: center;">X <u> </u></td> <td style="width: 33%; text-align: center;">No <u> </u></td> </tr> <tr> <td style="text-align: center;">X</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;"><u> </u></td> <td style="text-align: center;">None reported</td> </tr> </table>	<u> </u>	Yes <u> </u>	X <u> </u>	No <u> </u>	X	Yes	<u> </u>	None reported
<u> </u>	Yes <u> </u>	X <u> </u>	No <u> </u>						
X	Yes	<u> </u>	None reported						
Significant deficiency(ies) identified?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;"><u> </u></td> <td style="width: 33%; text-align: center;">Yes <u> </u></td> <td style="width: 33%; text-align: center;">X <u> </u></td> <td style="width: 33%; text-align: center;">No <u> </u></td> </tr> <tr> <td style="text-align: center;">X</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;"><u> </u></td> <td style="text-align: center;">None reported</td> </tr> </table>	<u> </u>	Yes <u> </u>	X <u> </u>	No <u> </u>	X	Yes	<u> </u>	None reported
<u> </u>	Yes <u> </u>	X <u> </u>	No <u> </u>						
X	Yes	<u> </u>	None reported						
Noncompliance material to financial statements noted?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;"><u> </u></td> <td style="width: 33%; text-align: center;">Yes <u> </u></td> <td style="width: 33%; text-align: center;">X <u> </u></td> <td style="width: 33%; text-align: center;">No <u> </u></td> </tr> <tr> <td style="text-align: center;">X</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;"><u> </u></td> <td style="text-align: center;">None reported</td> </tr> </table>	<u> </u>	Yes <u> </u>	X <u> </u>	No <u> </u>	X	Yes	<u> </u>	None reported
<u> </u>	Yes <u> </u>	X <u> </u>	No <u> </u>						
X	Yes	<u> </u>	None reported						

Federal Awards

Type of auditors' report issued on compliance of major programs:	<u>Unqualified</u>								
Internal control over major programs:									
Material weakness(es) identified?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;"><u> </u></td> <td style="width: 33%; text-align: center;">Yes <u> </u></td> <td style="width: 33%; text-align: center;">X <u> </u></td> <td style="width: 33%; text-align: center;">No <u> </u></td> </tr> <tr> <td style="text-align: center;">X</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;"><u> </u></td> <td style="text-align: center;">None reported</td> </tr> </table>	<u> </u>	Yes <u> </u>	X <u> </u>	No <u> </u>	X	Yes	<u> </u>	None reported
<u> </u>	Yes <u> </u>	X <u> </u>	No <u> </u>						
X	Yes	<u> </u>	None reported						
Significant deficiency(ies) identified?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;"><u> </u></td> <td style="width: 33%; text-align: center;">Yes <u> </u></td> <td style="width: 33%; text-align: center;">X <u> </u></td> <td style="width: 33%; text-align: center;">No <u> </u></td> </tr> <tr> <td style="text-align: center;">X</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;"><u> </u></td> <td style="text-align: center;">None reported</td> </tr> </table>	<u> </u>	Yes <u> </u>	X <u> </u>	No <u> </u>	X	Yes	<u> </u>	None reported
<u> </u>	Yes <u> </u>	X <u> </u>	No <u> </u>						
X	Yes	<u> </u>	None reported						
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;"><u> </u></td> <td style="width: 33%; text-align: center;">Yes <u> </u></td> <td style="width: 33%; text-align: center;">X <u> </u></td> <td style="width: 33%; text-align: center;">No <u> </u></td> </tr> <tr> <td style="text-align: center;">X</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;"><u> </u></td> <td style="text-align: center;">None reported</td> </tr> </table>	<u> </u>	Yes <u> </u>	X <u> </u>	No <u> </u>	X	Yes	<u> </u>	None reported
<u> </u>	Yes <u> </u>	X <u> </u>	No <u> </u>						
X	Yes	<u> </u>	None reported						
Identification of major programs:									

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553	National School Breakfast Program--Cash Assistance
10.555	National School Lunch Program-Cash and Non-cash Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000								
Auditee qualified as low-risk auditee?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;"><u> </u></td> <td style="width: 33%; text-align: center;">X <u> </u></td> <td style="width: 33%; text-align: center;">Yes <u> </u></td> <td style="width: 33%; text-align: center;">No <u> </u></td> </tr> <tr> <td style="text-align: center;">X</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;"><u> </u></td> <td style="text-align: center;">No</td> </tr> </table>	<u> </u>	X <u> </u>	Yes <u> </u>	No <u> </u>	X	Yes	<u> </u>	No
<u> </u>	X <u> </u>	Yes <u> </u>	No <u> </u>						
X	Yes	<u> </u>	No						

SECTION 2-FINANCIAL STATEMENT FINDINGS (GAGAS)

No matters were reportable

SECTION 3-FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.

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