

Report on the

# Winston County Board of Education

Winston County, Alabama

October 1, 2010 through September 30, 2011

Filed: December 7, 2012



## Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: [www.examiners.alabama.gov](http://www.examiners.alabama.gov)

*Ronald L. Jones, Chief Examiner*





Ronald L. Jones  
Chief Examiner

State of Alabama  
Department of  
**Examiners of Public Accounts**

P.O. Box 302251, Montgomery, AL 36130-2251  
50 North Ripley Street, Room 3201  
Montgomery, Alabama 36104-3833  
Telephone (334) 242-9200  
FAX (334) 242-1775

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the Winston County Board of Education, Winston County, Alabama, for the period October 1, 2010 through September 30, 2011.

Sworn to and subscribed before me this  
the 19<sup>th</sup> day of November, 2012.

Ellen Hays-Whiteaker  
Notary Public

Respectfully submitted,

Robin V. Lakey

Robin V. Lakey  
Examiner of Public Accounts

rb



---

---

## *Table of Contents*

---

---

	<i>Page</i>
<b>Summary</b>	A
<p>Contains items pertaining to federal, state and local legal compliance, Board operations, and other matters.</p>	
<b>Independent Auditor's Report</b>	B
<p>Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).</p>	
<b>Management's Discussion and Analysis</b>	E
<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Board introducing the basic financial statements and providing an analytical overview of the Board's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
<b><u>Basic Financial Statements</u></b>	1
<p>Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Board's financial position and results of operations in accordance with GAAP.</p>	
Exhibit #1	2
Exhibit #2	3
Exhibit #3	5
Exhibit #4	7
Exhibit #5	8
Exhibit #6	10
Exhibit #7	12



---

---

## *Table of Contents*

---

---

	<i>Page</i>
<b>Notes to the Financial Statements</b>	13
<b><u>Required Supplementary Information</u></b>	36
Provides information required by the GASB to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #8     Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	37
Exhibit #9     Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	41
<b><u>Supplementary Information</u></b>	45
Contains financial information and notes relative to federal financial assistance.	
Exhibit #10    Schedule of Expenditures of Federal Awards	46
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	50
<b><u>Additional Information</u></b>	51
Provides basic information related to the Board, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits.	
Exhibit #11 <b>Board Members and Administrative Personnel</b> – a listing of the Board members and administrative personnel.	52
Exhibit #12 <b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b> – a report on internal controls related to the financial statements and on whether the Board complied with laws and regulations which could have a direct and material effect on the Board’s financial statements.	53





---

---

## *Table of Contents*

---

---

	<i>Page</i>
Exhibit #13 <b>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</b> – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the Board complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.	55
Exhibit #14 <b>Schedule of Findings and Questioned Costs</b> – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133.	58

---





Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Winston County Board of Education  
October 1, 2010 through September 30, 2011**

The Winston County Board of Education (the "Board") is governed by a five-member body elected by the citizens of Winston County. The members and administrative personnel in charge of governance of the Board are listed on Exhibit 11. The Board is the governmental agency that provides general administration and supervision for Winston County public schools, preschool through high school, with the exception of schools administered by the Haleyville City Board of Education.

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

An unqualified opinion was issued on the financial statements, which means that the Board's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2011.

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

The following officials/administrative personnel were invited to an exit conference to discuss the contents of this report: Sue Reed, Superintendent; and Board Members: Larry Yancey, Greg Batchelor, Joey Boteler, Joe Laseter, and Ralph Williams; Cassandra Tingle, Former Chief School Financial Officer; and Andrew McCay, Chief School Financial Officer. The following individuals attended the exit conference, held at the offices of the Winston County Board of Education: Sue Reed, Superintendent; Andrew McCay, Chief School Financial Officer; Cassandra Tingle, Former Chief School Financial Officer; and representatives of the Department of Examiners of Public Accounts: Suzy Berryman, Audit Manager; and Robin V. Lakey, Examiner of Public Accounts.

---

*This Page Intentionally Blank*

---

---

*Independent Auditor's Report*

## **Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Winston County Board of Education, as of and for the year ended September 30, 2011, which collectively comprise the Winston County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 7. These financial statements are the responsibility of the Winston County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

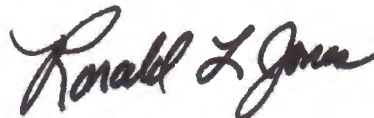
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Winston County Board of Education, as of September 30, 2011, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Winston County Board of Education implemented GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fiscal year ended September 30, 2011. This resulted in a change in the format and method of reporting fund balance in the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012 on our consideration of the Winston County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 8 and 9) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Winston County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 10) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

November 14, 2012

---

*This Page Intentionally Blank*

---



---

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

**Winston County Board of Education  
Management's Discussion and Analysis (MD&A)  
For the Year Ended September 30, 2011**

Our discussion and analysis of the Winston County Board of Education's (the "Board's") financial performance provides an overview of the Board's financial activities for the fiscal year ended September 30, 2011. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Please read it in conjunction with the Board's financial statements and notes to the financial statements, which immediately follow this analysis.

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

**Financial Highlights: Significant Items to Note**

Our financial statements provide the following insight into the results of this year's operations:

- The Board's total net assets increased by approximately 7.79 %, or \$940,880 over the course of the 2011 fiscal year. This increase is primarily attributable to an improvement in the General Fund fund balance, a reduction of salaries and benefits payable (due to school starting later than usual and consequently having fewer employee contract days prior to October 1, 2012), accompanied by continued conservative fiscal management of expenditures by the Board.
- The assets of the Board exceeded its liabilities at the close of the 2011 fiscal year by \$13,026,170.80. Of this amount \$8,713,244.06 was invested in capital assets net of related debt. This provides the Board with \$1,048,477.30 unrestricted reserves; \$2,489,833.37 restricted for debt service; and, \$279,827.07 restricted for capital projects.
- The total cost of the Board's programs for the year, not including debt service and capital outlay, was \$26,460,612.24. Just over 4.31 million of this amount was financed by Winston County taxpayers. The state's Foundation Program provided \$14,550,893 towards the cost of the programs after 3% proration. of which \$2,594,120 was local money required by the 10 mill match. The 10 mill match is local tax revenues which are required to be coded as state revenues. The original allocation for which the Board based all 2011 fiscal year plans upon was \$14,920,690. This was a decrease of \$369,797 in anticipated and actual Foundation Program revenues. The capital purchase allocation was \$575,467 which required a \$242,975 local match of local tax revenues which are to be coded as capital purchase revenues.
- For the General Fund, total revenues received during the year exceeded expenditures by \$1,120,062.62. This is mainly due to the Board maintaining a very conservative approach toward expenditures.

- Accountability legislation took effect in FY 07 that requires a one-month's reserve which results in a \$1,699,824.59 requirement for the General Fund which is a decrease of \$59,980.07 from the previous year. Additional legislation in FY 09 provided flexibility for local Boards to fall below the one-month reserve in years when proration is declared by the Governor. The Board does not have one-month's reserve according to Exhibit #5, but does have a positive fund balance of \$423,112.92 on September 30, 2011. However, if you exclude assets of \$2,042,410.52 for "Property Taxes Receivable", and if you exclude liabilities of \$2,042,410.52 for "Deferred Revenue" and \$1,410,043.02 for "Salaries and Benefits Payable", then the unreserved fund balance in the General Fund would be approximately 1.83 million. This figure is approximately the amount reported in the end-of-year financial statements to the State Department of Education, and is an accurate representation of funds available for use in subsequent periods. Please note the following:
  - "Property Taxes Receivable" represents the amount of property taxes owed on September 30, 2011, but paid by taxpayers in fiscal year 2012.
  - "Deferred Revenue" includes taxes received in fiscal year 2011, but actually owed by taxpayers in fiscal year 2012.
  - "Salaries & Benefits Payable" presents the amount of salaries and benefits earned by Board employees as of September 30, 2011, but paid in fiscal year 2012
  - According to accounting guidelines, the Board cannot include as funds due from the State of Alabama the amount owed to the Board for the portion of the 2011-2012 school year that occurred prior to October 1, 2011. All state funds for the 2011-2012 school year will be received and recognized as revenue during fiscal year 2012.
- Capital outlays during the audit period were \$107,976.83.
- The Board continued to pay debt service payments for the following:
  - Special Tax School Warrants – Series 1996
  - Special Tax School Warrants – Series 1998
  - Special Tax School Warrants – Series 1998-B
  - Special Tax School Warrants – Series 2007
  - PSCA Capital Improvement - Series 2001-A
  - PSCA Capital Improvement – Series 2008-A
  - PSCA Capital Improvement – Series 2009-B
  - QZAB Capital Improvement – Series 2001-B
  - Lease Purchase Agreements – 42 buses
- The PEEHIP employer match was \$752 per employee per month.
- The retirement employer match remained at 12.51% .
- The unemployment rate employer match increased from .08% to .11%.

**Using the Financial Statements - An Overview for the User**

The financial section of this report now consists of five parts - *Management's Discussion and Analysis* (this section), the *Independent Auditors' Report*, the *Basic Financial Statements*, *Required Supplementary Information*, and *other Supplementary Information*.

The Board's basic financial statements are comprised of three components: 1) *Government-Wide Financial Statements*, 2) *Fund Financial Statements*, and 3) *Notes to the Basic Financial Statements*.

***Government-wide financial statements*** - The focus of these statements is to provide readers with a broad overview of the Board's finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Board's overall financial status. It is important to note that all of the activities of the board reported in the *Government-Wide Financial statements* are classified as governmental activities. These activities include, but are not limited to, student transportation, school food services, facility maintenance, local school organizations, interest and fiscal charges on long-term debt, and student instruction.

*Government-Wide Statements* report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations, which has not been the case in the past. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Board's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector. The following *Government-Wide Financial Statements* report on all of the governmental activities of the Board as a whole.

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

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

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

*Governmental Funds* - Governmental *Fund Financial Statements* account for basically the same governmental activities reported in the *Government-Wide Financial Statements*. Until now, fund information has been reported in the aggregate by type of fund. As required under the new reporting model, the new *Fund Financial Statements* presented herein display information on each of the Board's most important governmental funds or *major funds*. This is required in order to better assess the Board's accountability for significant governmental programs or certain dedicated revenue. The Board's *major funds* are the General Fund, the Special Revenue Fund and the Debt Service fund.

The *Fund Financial Statements* are still measured on the modified-accrual basis of accounting as reported in the previous fiscal years, where revenues and expenditures are recorded when they become measurable and available. As a result, the *Fund Financial Statements* focus more on the near term use and availability of spendable resources. The information provided in these statements is useful in determining the Board's immediate financial needs. This is in contrast to the accrual-based *Government-Wide Financial Statements* which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the *Government-Wide Financial Statements* and the governmental funds reported in the *Fund Financial Statements* are reconciled in Exhibits #4 and #6. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financing decisions.

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

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

### **Analysis of the School Board's Overall Financial Position**

As indicated earlier, net assets may serve over time as a useful indicator of a government's financial position. Refer to *Table 1* below when reading the following analysis of net assets. The Board's assets exceeded liabilities by \$13.03 million at September 30, 2011.

- Of this figure, 66.89 percent or \$8.71 million reflects the Board's investment in capital assets (e.g., land, buildings, improvements other than buildings, furniture and equipment, and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net assets is not available for future spending or funding of operations.

- Unrestricted net assets of \$ 1.05 million may be used at the Board’s discretion to meet ongoing obligations to citizens and creditors and for future operations.

**Table 1: Summary of Net Assets**  
Fiscal Year Ended September 30, 2011

	9/30/2011 Governmental Activities	9/30/2010 Governmental Activities
Current and other assets	\$ 8,065,211.72	\$ 8,196,005.27
Capital assets	<u>\$19,326,851.00</u>	<u>\$20,155,315.18</u>
Total assets	\$27,392,062.72	\$28,351,320.45
Current and other liabilities	\$ 3,655,439.85	\$ 4,390,850.60
Long-term liabilities	<u>\$10,710,452.07</u>	<u>\$11,875,179.17</u>
Total liabilities	\$14,365,891.92	\$16,266,029.77
Net assets:		
Invested in capital assets, net of <u>related debt</u>	\$ 8,713,244.06	\$ 8,581,214.46
Restricted	\$ 3,264,449.44	\$ 3,349,458.00
Unrestricted	<u>\$ 1,048,477.30</u>	<u>\$ 154,618.22</u>
Total net assets	<u>\$13,026,170.80</u>	<u>\$12,085,290.68</u>

At the end of the current fiscal year, the Board is able to report positive balances in all three categories of net assets: invested in capital assets-net of related debt, restricted, and unrestricted. This means that the Board has enough available resources to cover all outstanding obligations, including non-capital liabilities (such as compensated absences) as of September 30, 2011, with resources left over to use for next year’s operations.

The Board’s improved financial position is the product of many factors. But most significantly, it is the result of controlling expenditures.

The result of this fiscal year’s operations as a whole are reported in detail in the *Statement of Activities*. *Table 2* below condenses the results of operations for the fiscal year into format where the reader can easily see the total revenues of the Board for the year. It also shows the impact the operations had on changes in net assets as of September 30, 2011.

**Table 2: Summary of Changes in Net Assets from Operating Results**  
Fiscal Year Ended September 30, 2011

	9/30/2011 Governmental Activities	9/30/2010 Governmental Activities
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 2,333,261.58	\$ 2,534,146.90
Operating grants and contributions	\$18,819,256.49	\$17,458,162.16
Capital grants and contributions	\$ 874,769.00	\$ 990,497.00
General revenues:		
Property taxes	\$ 2,570,053.23	\$ 2,566,393.05
Sales tax	\$ 1,717,902.46	\$ 1,830,777.90
Other taxes	\$ 23,256.28	\$ 19,448.66
Specific programs	\$ 79,391.31	\$ 83,179.86
Investment income	\$ 111,207.57	\$ 262,781.19
Other general revenues	\$ 872,394.44	\$ 794,796.66
<b>Total revenues</b>	<u>\$27,401,492.36</u>	<u>\$26,540,183.38</u>
<b>Expenses</b>		
Instructional services	\$13,619,832.35	\$14,215,305.69
Instructional support services	\$ 4,133,753.52	\$ 4,144,681.98
Operation & maintenance services	\$ 1,780,024.07	\$ 1,963,514.60
Student transportation services	\$ 2,644,161.71	\$ 2,752,733.49
Food services	\$ 2,091,561.39	\$ 2,060,693.24
General administrative services	\$ 1,189,762.58	\$ 1,201,488.09
Interest on long-term debt	\$ 298,362.46	\$ 435,897.97
Other expenses	\$ 703,154.16	\$ 749,797.67
<b>Total expenses</b>	<u>\$26,460,612.24</u>	<u>\$27,524,112.73</u>
<b>Increase (Decrease) in net assets</b>	\$ 940,880.12	\$( 983,929.35)
<b>Net assets, beginning</b>	<u>\$12,085,290.68</u>	<u>\$13,069,220.03</u>
<b>Net assets, ending</b>	<u>\$13,026,170.80</u>	<u>\$12,085,290.68</u>

The Board's net assets increased by \$940,880.12 during the fiscal year. Again, this mainly attributable to an improvement in the General Fund fund balance, a reduction of salaries and benefits payable (due to school starting later than usual and consequently having fewer employee contract days prior to October 1, 2012), accompanied by continued conservative fiscal management of expenditures by the Board.

Governmental Activities – As show in *Table 2*, the cost of services rendered from the Board's governmental activities for the fiscal year ended September 30, 2011 was \$26.46 million. It is important to note that not all of these costs were borne by taxpayers of Winston County:

- Some of the cost, \$2.33 million, was paid by users who benefited from services provided during the year.
- State and federal governments subsidized certain programs with grants and contributions totaling \$19.69 million.
- Other general revenue sources, such as interest earning, sales of surplus property, donations, business privilege tax, and helping school tags provided for \$983,602.01.

- \$4.31 million of the Board’s total costs of \$26.46 million was financed by Winston County taxpayers, as follows: \$2.57 million in property taxes, \$1.72 million in sales and use taxes, and \$23 thousand in miscellaneous taxes.

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

**Table 3: Net Cost of Governmental Activities**

Fiscal Year Ended September 30, 2011

	9/30/2011		9/30/2010	
	Total Cost Of Services	Net Cost Of Services	Total Cost Of Services	Net Cost Of Services
<b>Expenses</b>				
Instructional services	\$13,619,832.35	\$ 2,007,681.59	\$14,215,305.69	\$2,516,186.70
Instructional support services	\$ 4,133,753.52	\$ 573,153.51	\$ 4,144,681.98	\$ 720,354.26
Operation & maintenance services	\$ 1,780,024.07	\$ 715,785.30	\$ 1,963,514.60	\$1,466,607.90
Auxiliary Services:				
Student transportation services	\$ 2,644,161.71	\$ (34,105.46)	\$ 2,752,733.49	\$ 288,094.90
Food services	\$ 2,091,561.39	\$ 459,266.05	\$ 2,060,693.24	\$ 168,147.00
General administrative services	\$ 1,189,762.58	\$ 255,674.63	\$ 1,201,488.09	\$ 779,888.35
Interest on long-term debt	\$ 298,362.46	\$ 298,362.46	\$ 435,897.97	\$ 435,897.97
Other expenses	\$ 703,154.16	\$ 157,507.09	\$ 749,797.67	\$ 166,129.59
<b>Total expenses</b>	<u>\$26,460,612.24</u>	<u>\$4,433,325.17</u>	<u>\$27,524,112.73</u>	<u>\$6,541,306.67</u>

### Performance of School Board Funds

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

**Governmental Funds** - The focus of the Board’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board’s financial requirements (note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled in Exhibits #4 and #6). 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 \$4.48 million.



**General Fund** - The General Fund is the primary operating fund of the Board. The fund had a positive net change of \$840,056.64, leaving a fund balance on September 30, 2011 of \$423,112.92. (Please see the fourth and fifth bullet of the “Financial Highlights” section of this Management’s Discussion for information on the General Fund unreserved fund balance.)

**Special Revenue Fund** - The Special Revenue Fund had a negative net change of \$228,521.01, leaving a fund balance of \$1,172,373.66 on September 30, 2011.

**Debt Service Fund** – The Debt Service Fund had a positive net change of \$82,945.76, leaving a fund balance of \$2,602,237.28 on September 30, 2011.

Overall, the Board’s governmental funds had an increase of \$596,066.80 in fund balances at the end of the fiscal year.

### **Budgetary Highlights of Major Funds**

On or before October 1 of each year, the Board is mandated by State law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The State Department of Education required such budget to be submitted by September 15, 2010. The original 2011 fiscal year budget, adopted on August 31, 2010, was based on a conservative approach that reflected only expected revenues and necessary expenditures. The original budget figures were amended to reflect significant changes to the budget and to include all fund sources used during the year. Over the course of the year, the Board revised the annual operating budget two times, on December 17, 2010 and May 24, 2011. For purposes of this budgetary analysis, only the General Fund and the Special Revenue Fund are discussed in accordance with the reporting model.

**General Fund** - The comparison of the General Fund original budget to the final amended budget is found in Exhibit #8. The differences between the original budget and the final amended budget of the Board can be briefly summarized as follows:

Amendment #1 was necessary to amend the budgeted beginning balance to reflect the actual ending fund balance from fiscal year 2010, to budget new grants received since September 2010, and to include state and federal carry-over amounts.

Amendment #2 was necessary to add new grants and fund sources, to adjust state allocations and expenditures due to 3% proration, and to decrease General Fund expenditures due to a reduction in the Child Nutrition Program (CNP) pass-through funds approved by the Alabama State Department of Education.

Overall, the final amended budget is reflective of the actual operating activity for the year. Actual revenues (including Other Financing Sources) were greater than budgetary estimates by \$96,661.09. Expenditures (including Other Financing Uses) were lower than budgetary estimates by \$1.16 million, primarily in the instruction, instructional support, operation/maintenance, and miscellaneous areas.

**Special Revenue Fund** - The comparison of the Special Revenue Fund original budget to the final amended budget is found in Exhibit #9. Changes to this fund in Amendment #1 were for budgeting new grants and funds carried over from FY 2010. The primary change in Amendment #2 was to reduce CNP revenues passed through from the General Fund.

Actual revenues and expenditures for the Special Revenue Fund were significantly lower than budgeted, primarily because all federal funds allocated for FY 2011 were budgeted in FY 2011, but some were not spent and were carried over to FY 2012.

**Capital Assets and Debt Administration**

**Capital Assets** - The Board’s investment in capital assets for its governmental activities for the year ended September 30, 2011, amounted to \$19.33 million, net of accumulated depreciation. The Board’s investment in capital assets includes: land/land improvements at estimated historical cost, buildings and improvements at estimated historical cost, equipment and furniture at estimated historical cost, buildings under capital lease, and construction in progress (shown in *Table 4*).

**Table 4: Capital Assets**  
Fiscal Year Ended September 30, 2011

	9/30/2011 Governmental Activities	9/30/2010 Governmental Activities
	_____	_____
Land and Land Improvements	\$ 284,857.95	\$ 284,857.95
Construction in Progress	\$ 0.00	\$ 0.00
Buildings and Improvements	\$ 26,261,829.92	\$ 26,261,829.92
Land Improvements – Exhaustible	\$ 191,586.00	\$ 191,586.00
Equipment and Furniture	\$ 3,663,904.32	\$ 3,530,083.99
Equipment Under Capital Leases	\$ 2,149,166.85	\$ 2,210,352.85
Less: Accumulated Depreciation	<u>\$(13,224,494.04)</u>	<u>\$(12,323,395.53)</u>
<b>Total Capital Assets</b>	<u>\$ 19,326,851.00</u>	<u>\$ 20,155,315.18</u>

Net capital assets decreased by \$828,464.18 for the 2011 fiscal year, mainly due to greater accumulated depreciation of assets. Additional information on the Board’s capital assets is presented in the notes to the basic financial statements.

**Long-Term Debt** - At year-end, the Board had \$10,658,232 in warrants, notes, capital lease contracts payable, and other long-term debt outstanding as detailed in Table 5. This is a decrease of 9% in debt from last year.

**Table 5: Long-Term Debt**  
 Fiscal Year Ended September 30, 2011  
 (rounded to nearest dollar)

	Principal Balance 10/01/10	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 9/30/11
Governmental Activities				
Special Tax School Warrants				
Series 1996	\$ 295,000	\$ 0	\$ 295,000	\$ 0
Series 1998	\$ 1,425,000	\$ 0	\$ 130,000	\$ 1,295,000
Series 1998-B	\$ 765,000	\$ 0	\$ 60,000	\$ 705,000
Series 2001-A	\$ 903,517	\$ 0	\$ 903,517	\$ 0
Series 2001-B	\$ 2,000,000	\$ 0	\$ 0	\$ 2,000,000
Series 2007	\$ 2,090,000	\$ 0	\$ 0	\$ 2,090,000
Series 2008	\$ 2,781,140	\$ 0	\$ 111,070	\$ 2,670,070
Series 2009-B	\$ 738,011	\$ 0	\$ 6,235	\$ 731,776
Series 2011-B	\$ 0	\$ 712,850	\$ 0	\$ 712,850
Capital Leases				
22 Buses- 2001	\$ 245,458	\$ 0	\$ 119,748	\$ 125,710
5 Buses - 2004	\$ 119,761	\$ 0	\$ 27,551	\$ 92,210
8 Buses - 2006	\$ 171,783	\$ 0	\$ 84,195	\$ 87,588
6 Buses - 2007	\$ 216,848	\$ 0	\$ 68,820	\$ 148,028
1 Bus - 2007	\$ 21,137	\$ 0	\$ 21,137	\$ 0
Governmental Activity				
Long-Term Liabilities	<u>\$11,772,655</u>	<u>\$ 712,850</u>	<u>\$1,827,273</u>	<u>\$10,658,232</u>

Long-term debt activity for the year consisted of the following:

- The Board retired its bonded debt issued in 1996 and 2001-A, and continued to pay down its bonded debt issued in 1998, 2007, and 2008 during the fiscal year 2011. Series 2001-B (QZAB) payments are made as an investment for which the yield at maturity will repay the \$2 million debt.
- The Board issued Capital Improvement Pool Series 2011B in the amount of \$712,850. The purpose of this issue was to refund its Capital Improvement Pool Series 2001-A.
- The Board continued to make lease payments on its existing capital lease agreements resulting in a reduction of \$321,451 in capital lease contracts payable.

**Economic Factors and Next Year's Budget**

The following are currently known Winston County economic factors considered in going into the 2011 fiscal year.

- The unemployment rate in Winston County for September 2010 is 13.8 percent, which is down from last year's rate of 17.6 percent in September 2009. Winston County's unemployment rate compares unfavorably to the state's average unemployment rate of 9.1 percent, and unfavorably to the national rate of 9.6 percent for September 2009. These statistics were stated on the Department of Industrial Relations website.

- The population in Winston County as of the year 2000 census rose slightly since the last ten-year census taken in 1990. The population rose by approximately 2,800 people or 12.7 percent over a ten-year period for a total estimated population of 24,843. However, the latest annual population estimate published by the Census Bureau for Winston County is 24,445 for 2005, and 23,733 for 2010.
- During fiscal year 2001, proration of 6.2% was declared. In fiscal year 2002, the Board's K-12 state fund budget was cut by \$276,944. In fiscal year 2003, all personnel received a 3 percent pay raise. While the state provided funds for teachers and some other personnel, the state did not provide enough funds to cover all raises mandated by law. The state's economy has taken a turn for the better with a surplus in the Education Trust Fund for fiscal year 2008. Proration of 9%, then an additional 2%, for a total of 11% greatly impacted FY 2009 as evidenced in these financial statements. FY 2010 began on October 1, 2009, at a 7.5% prorated level of state funding, then an additional 2% was declared. FY 2011 had 3% proration declared in early spring.
- A one-mill ad valorem tax was renewed on May 9, 2006, for thirty years which is the maximum presently allowed by law. This one-mill tax means approximately \$200,000 for the students of Winston County. Our present millage rate is 12.
- A few new small businesses have opened in the last year in Winston County. Our sales tax may likely see an increase due to this factor.
- The Board will work to retain a one month's operating reserve.
- Winston County Board of Education has weathered the economic recession well with conservative spending and allocation of resources. However, uncertainty does remain in the area of state and federal funding in the 2012 fiscal year, due to increased expenditures primarily in the areas of required matches and increasing utility costs. This uncertainty will cause the Board to budget for continued cautious spending for the 2012 fiscal year.

At the time these financial statements were prepared and audited, the Board was aware of several circumstances that could significantly affect the Board's financial health in the future.

**Student Enrollment** - The latest student enrollment figure for the 2011-2012 school year is 2,648.80 which is a decrease in enrollment of 74.45 students for the 2012 fiscal year. Below are historical enrollment figures for the Board.

<b>Enrollment</b>	<b>Fiscal Year</b>
2,648.80	2012
2,723.25	2011
2,732.00	2010
2,747.00	2009
2,745.65	2008
2782.90	2007
2771.35	2006
2759.04	2005
2821.28	2004
2802.36	2003
2839.46	2002

**Medical and Retirement Costs** - Retirement costs will decrease 2.51% for the 2012 fiscal year while medical costs will remain constant. Historical medical costs are listed below.

	<b>Retirement Percentage</b>	<b>PEEHIP Per Month</b>
FY 2003	5.02%	\$433.00
FY 2004	6.56%	\$479.00
FY 2005	7.03%	\$583.00
FY 2006	8.17%	\$668.00
FY 2007	9.36%	\$717.00
FY 2008	11.75%	\$775.00
FY 2009	12.07%	\$752.00
FY 2010	12.51%	\$752.00
FY 2011	12.51%	\$752.00
FY 2012	10.00%	\$752.00

**CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Andrew McCay, Chief School Financial Officer, Winston County Schools, P.O. Box 9, Double Springs, AL 35553, or by calling (205) 489-5018 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:00 p.m., central standard time.

---

*This Page Intentionally Blank*

---

---

# *Basic Financial Statements*

---

*This Page Intentionally Blank*

---



**Statement of Net Assets**  
**September 30, 2011**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 2,613,580.90
Cash with Fiscal Agent	2,543,984.38
Investments	8,327.44
Receivables (Note 4)	728,106.67
Property Taxes Receivable	2,042,410.52
Inventories	59,797.90
Deferred Charges - Issuance Costs	44,624.85
Prepaid Items	24,379.06
Capital Assets (Note 5):	
Nondepreciable	284,857.95
Depreciable, Net	19,041,993.05
Total Assets	<u>27,392,062.72</u>
<b>Liabilities</b>	
Payables	3,545.36
Deferred Revenue	2,042,410.52
Salaries and Benefits Payable	1,497,080.06
Accrued Interest Payable	112,403.91
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Capital Lease Contracts Payable	314,610.61
Warrants Payable	519,182.46
Add: Unamortized Premiums	13,209.97
Less: Deferred Charges on Refunding	(6,975.19)
Compensated Absences	52,220.28
Portion Due or Payable After One Year:	
Capital Lease Contracts Payable	138,925.19
Certificates of Participation Payable	2,000,000.00
Warrants Payable	7,645,507.05
Add: Unamortized Premiums	71,554.00
Less: Deferred Charges on Refunding	(37,782.30)
Total Liabilities	<u>14,365,891.92</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	8,713,244.06
Restricted for:	
Capital Projects	279,827.07
Debt Service	2,489,833.37
Other Purposes	494,789.00
Unrestricted	<u>1,048,477.30</u>
Total Net Assets	<u>\$ 13,026,170.80</u>

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

***Statement of Activities***  
***For the Year Ended September 30, 2011***

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b><u>Governmental Activities</u></b>			
Instruction	\$ 13,619,832.35	\$ 288,821.17	\$ 10,923,283.78
Instructional Support	4,133,753.52	156,625.52	3,403,974.49
Operation and Maintenance	1,780,024.07	94,882.20	944,542.03
Auxiliary Services:			
Student Transportation	2,644,161.71	50,977.32	2,329,881.85
Food Services	2,091,561.39	1,531,520.69	100,774.65
General Administration and Central Support	1,189,762.58	393.31	783,087.99
Interest and Fiscal Charges	298,362.46		
Other	703,154.16	210,041.37	333,711.70
Total Governmental Activities	<u>\$ 26,460,612.24</u>	<u>\$ 2,333,261.58</u>	<u>\$ 18,819,256.49</u>

**General Revenues:**

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

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

		<b>Net (Expenses) Revenues and Changes in Net Assets</b>	
<b>Capital Grants and Contributions</b>		<b>Total Governmental Activities</b>	
\$	400,045.81	\$	(2,007,681.59)
	24,814.54		(573,153.51)
	297,408.00		(715,785.30)
	150,606.65		34,105.46
	1,894.00		(459,266.05)
			(255,674.63)
			(298,362.46)
			(157,507.09)
<b>\$</b>	<b>874,769.00</b>		<b>(4,433,325.17)</b>

2,570,053.23
1,717,902.46
23,256.28
79,391.31
111,207.57
872,394.44
<u>5,374,205.29</u>
940,880.12
<u>12,085,290.68</u>
<u><u>\$ 13,026,170.80</u></u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2011***

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b><u>Assets</u></b>		
Cash	\$ 1,213,135.72	\$ 1,062,544.46
Cash with Fiscal Agent		
Investments		8,327.44
Receivables (Note 4)	215,798.99	512,128.43
Property Taxes Receivable	2,042,410.52	
Due from Other Funds	381,265.63	
Inventories		59,797.90
Prepaid Items	24,379.06	
Total Assets	<u>3,876,989.92</u>	<u>1,642,798.23</u>
<b><u>Liabilities and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Payables	1,423.46	2,121.90
Due to Other Funds		381,265.63
Deferred Revenue	2,042,410.52	
Salaries and Benefits Payable	1,410,043.02	87,037.04
Total Liabilities	<u>3,453,877.00</u>	<u>470,424.57</u>
<b><u>Fund Balances</u></b>		
Nonspendable:		
Inventories		59,797.90
Prepaid Items	24,379.06	
Restricted for:		
Child Nutrition Program		434,991.10
Debt Service		
Capital Projects		
Assigned to:		
Local Schools		677,584.66
Unassigned	398,733.86	
Total Fund Balances	<u>423,112.92</u>	<u>1,172,373.66</u>
Total Liabilities and Fund Balances	<u>\$ 3,876,989.92</u>	<u>\$ 1,642,798.23</u>

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

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 58,073.65	\$ 279,827.07	\$ 2,613,580.90
2,543,984.38		2,543,984.38
		8,327.44
179.25		728,106.67
		2,042,410.52
		381,265.63
		59,797.90
		24,379.06
<u>2,602,237.28</u>	<u>279,827.07</u>	<u>8,401,852.50</u>
		3,545.36
		381,265.63
		2,042,410.52
		1,497,080.06
		<u>3,924,301.57</u>
		59,797.90
		24,379.06
		434,991.10
2,602,237.28		2,602,237.28
	279,827.07	279,827.07
		677,584.66
		398,733.86
<u>2,602,237.28</u>	<u>279,827.07</u>	<u>4,477,550.93</u>
<u>\$ 2,602,237.28</u>	<u>\$ 279,827.07</u>	<u>\$ 8,401,852.50</u>

---

*This Page Intentionally Blank*

---

***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets  
September 30, 2011***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 4,477,550.93

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

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

Land	\$ 284,857.95	
Buildings	26,261,829.92	
Land Improvements	191,586.00	
Equipment and Furniture	3,663,904.32	
Equipment Under Capital Leases	2,149,166.85	
Less: Accumulated Depreciation	<u>(13,224,494.04)</u>	
Total Capital Assets		19,326,851.00

Deferred issuance costs are reported as current expenditures in the funds. However,  
deferred issuance costs are amortized over the life of the bonds and are included  
in the governmental activities in the Statement of Net Assets. 44,624.85

Certain liabilities are not due and payable in the current period and therefore are not  
reported as liabilities in the funds. These liabilities at year-end consist of:

	Current Liabilities	Noncurrent Liabilities	
Accrued Interest Payable	\$ 112,403.91	\$	
Estimated Liability for Compensated Absences	52,220.28		
Capital Lease Contracts Payable	314,610.61	138,925.19	
Certificates of Participation Payable		2,000,000.00	
Warrants Payable	519,182.46	7,645,507.05	
Unamortized Premiums	13,209.97	71,554.00	
Less: Deferred Charges on Refunding	<u>(6,975.19)</u>	<u>(37,782.30)</u>	
Total Long-Term Liabilities	\$ 1,004,652.04	\$ 9,818,203.94	<u>(10,822,855.98)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 13,026,170.80

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

***Statement of Revenues, Expenditures and Changes in Fund Balances***  
***Governmental Funds***  
***For the Year Ended September 30, 2011***

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b><u>Revenues</u></b>		
State	\$ 14,895,884.10	\$
Federal	1,515,878.75	3,425,047.07
Local	4,223,558.40	2,024,082.04
Other	90,345.87	26,628.13
Total Revenues	20,725,667.12	5,475,757.24
<b><u>Expenditures</u></b>		
Current:		
Instruction	10,957,198.88	2,187,775.80
Instructional Support	3,597,380.44	511,941.46
Operation and Maintenance	1,568,567.84	165,091.69
Auxiliary Services:		
Student Transportation	2,343,667.73	23,802.44
Food Services		2,175,479.86
General Administration and Central Support	1,010,456.56	198,141.49
Other	101,785.05	575,101.03
Capital Outlay	26,548.00	81,428.83
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs		
Total Expenditures	19,605,604.50	5,918,762.60
Excess (Deficiency) of Revenues Over Expenditures	1,120,062.62	(443,005.36)
<b><u>Other Financing Sources (Uses)</u></b>		
Indirect Cost	184,023.46	
Long-Term Debt Issued		
Premium on Long-Term Debt Issued		
Transfers In	140,962.79	354,557.14
Other Financing Sources	22,014.71	890.00
Transfers Out	(627,006.94)	(140,962.79)
Payment to Refunding Escrow Agent		
Total Other Financing Sources (Uses)	(280,005.98)	214,484.35
Net Changes in Fund Balances	840,056.64	(228,521.01)
Fund Balances - Beginning of Year	(416,943.72)	1,400,894.67
Fund Balances - End of Year	\$ 423,112.92	\$ 1,172,373.66

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



Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 482,094.90	\$ 390,780.10	\$ 15,768,759.10
		4,940,925.82
306,181.56		6,553,822.00
		116,974.00
<u>788,276.46</u>	<u>390,780.10</u>	<u>27,380,480.92</u>
	15.30	13,144,989.98
	2,242.00	4,111,563.90
	35,213.66	1,768,873.19
		2,367,470.17
		2,175,479.86
		1,208,598.05
		676,886.08
		107,976.83
763,558.63	267,912.89	1,031,471.52
214,221.87	183,810.84	398,032.71
	3,687.95	3,687.95
<u>977,780.50</u>	<u>492,882.64</u>	<u>26,995,030.24</u>
(189,504.04)	(102,102.54)	385,450.68
		184,023.46
	712,850.00	712,850.00
	95,319.49	95,319.49
272,449.80		767,969.73
		22,904.71
		(767,969.73)
	(804,481.54)	(804,481.54)
<u>272,449.80</u>	<u>3,687.95</u>	<u>210,616.12</u>
82,945.76	(98,414.59)	596,066.80
2,519,291.52	378,241.66	3,881,484.13
<u>\$ 2,602,237.28</u>	<u>\$ 279,827.07</u>	<u>\$ 4,477,550.93</u>

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2011***

---

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 596,066.80

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

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

Capital Outlays	\$	107,976.83	
Depreciation Expense		<u>(936,087.59)</u>	
Total Difference			(828,110.76)

Repayment of debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 1,031,471.52

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balances by the book value of assets disposed. (353.42)

Payments to refunding escrow agent are recorded as other financing uses in the governmental funds, but reduce long-term liabilities in the Statement of Net Assets and do not affect the Statement of Activities. 804,481.54

Governmental funds report the proceeds of entering into long-term debt as an increase in financial resources. However, in the Statement of Activities, the proceeds are not reflected. (712,850.00)

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

---

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.

Net Decrease in Accrued Interest Payable	\$	13,030.02	
Amortization of Premiums		13,209.97	
Amortization of Deferred Charges on Refunding		(21,889.23)	
Amortization of Deferred Charges - Issuance Costs		(2,939.77)	
Compensated Absences, Current Year (Increase)/Decrease		<u>50,303.30</u>	
Total			51,714.29

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Accrued Interest Receivable, Current Year Increase/(Decrease)		<u>(1,539.85)</u>
Change in Net Assets of Governmental Activities (Exhibit 2)	\$	<u><u>940,880.12</u></u>

---

*This Page Intentionally Blank*

---

---

***Statement of Fiduciary Net Assets***  
***September 30, 2011***

---

	<b>Agency Funds</b>
<b><u>Assets</u></b>	
Cash	\$ 62,442.31
Total Assets	<u>62,442.31</u>
<b><u>Liabilities</u></b>	
Due to External Organizations	62,442.31
Total Liabilities	<u>\$ 62,442.31</u>

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

---

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

---

#### **Note 1 – Summary of Significant Accounting Policies**

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

#### **A. Reporting Entity**

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

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

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

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

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

---

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

---

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

#### **Fund Financial Statements**

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

The Board reports the following major governmental funds:

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

---

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

---

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

#### *Governmental Fund Type*

- ◆ *Capital Projects Fund* – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Board reports the following fiduciary fund type:

#### *Fiduciary Fund Type*

- ◆ *Agency Funds* – These funds are used to report assets held by the Board in a purely custodial capacity. The Board collects these assets and transfers them to the proper individual, private organizations, or other government.

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

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

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

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



---

---

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

---

---

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

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

**D. Assets, Liabilities and Net Assets/Fund Balances**

**1. Deposits and Investments**

Cash includes cash on hand and demand deposits.

Investments, which consist only of certificates of deposits, are reported at cost.

**2. Receivables**

All ad valorem and sales tax receivables are shown net of an allowance for uncollectibles. Sales tax receivables are based on the amounts collected within 60 days after year-end. The allowance for uncollectibles for ad valorem taxes is based on past collection experience.

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and amounts at local schools.

**3. Inventories**

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

---

---

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

---

---

**4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**5. Restricted Assets**

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

**6. Capital Assets**

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

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

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

---

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

---

#### **7. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Warrant premiums, as well as issuance costs, are deferred and amortized over the life of the bonds. Warrants payable are reported net of the applicable warrant premium. Warrant issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

#### **8. Compensated Absences**

The Board's vacation leave policy consists of the following: All administrative and supervisory personnel who are employed for twelve months are entitled to earn one day vacation leave per month up to a maximum of ten days per school year. A maximum of two unused leave days may be carried over to the next school year. All vacation days must be used prior to an effective resignation date. No cash payments will be made for unused vacation days.

#### **9. Net Assets/Fund Equity**

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

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

---

---

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

---

---

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

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable for or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the school system for specific purposes. The Board or its designee makes the determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

---

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

---

#### *Note 2 – Stewardship, Compliance, and Accountability*

##### *Budgets*

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

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

#### *Note 3 – Deposits and Investments*

##### *Deposits*

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

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

---

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

---

**Investments with Fiscal Agents**

As of September 30, 2011, the Board had the following investments and maturities in cash with fiscal agents accounts:

Investments	Maturities	Fair Value
First American U. S. Treasury Money Market Repurchase Agreements	Less than 1 year	\$ 909.64
U. S. Treasury Note	10/01/2011	389,000.00
U. S. Department of Housing and Urban Development Government Guaranteed	10/15/2012	24,445.90
	08/01/2014	1,826,257.85
Total		<u>\$2,240,613.39</u>

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

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. GASB Statement Number 40 requires that governments provide information about the credit risk associated with their investments by disclosing the credit quality ratings of investment in debt securities as described by nationally recognized statistical rating organizations such as Standard & Poor’s, Moody’s Investors Service, and Fitch Ratings, rating agencies, as of the date of the financial statements. The Winston County Board of Education has funds invested in U. S. Department of Housing and Urban Development Guaranteed which are unrated. The securities underlying the U. S. Treasury Note are rated AAA by Moody’s Investors Service and are unrated by Standard & Poor’s. The securities underlying the Repurchase Agreements are in Federal National Mortgage Association and Government National Mortgage Association and are unrated.

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

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

---

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

---

**Note 4 – Receivables**

On September 30, 2011, receivables for the Board’s individual major funds are as follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
<b>Receivables:</b>				
Sales Tax	\$196,579.03	\$	\$	\$196,579.03
Intergovernmental	1,456.70	512,128.43	179.25	513,764.38
Accounts	17,763.26			17,763.26
<b>Total Receivables</b>	<b>\$215,798.99</b>	<b>\$512,128.43</b>	<b>\$179.25</b>	<b>\$728,106.67</b>

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At September 30, 2011, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable
Ad Valorem Taxes Receivable	\$2,042,410.52
<b>Total Deferred/Unearned Revenue for Governmental Funds</b>	<b>\$2,042,410.52</b>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance 10/01/2010	Additions/ Reclassifications (*)	Deletions/ Reclassifications (*)	Balance 09/30/2011
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 284,857.95	\$	\$	\$ 284,857.95
Total Capital Assets, Not Being Depreciated	284,857.95			284,857.95
<b>Capital Assets Being Depreciated:</b>				
Building and Building Improvements	26,261,829.92			26,261,829.92
Land Improvements – Exhaustible	191,586.00			191,586.00
Equipment and Furniture	3,530,083.99	169,162.83	(35,342.50)	3,663,904.32
Assets Under Capital Lease	2,210,352.85		(61,186.00)	2,149,166.85
Total Capital Assets Being Depreciated	32,193,852.76	169,162.83	(96,528.50)	32,266,487.09
<b>Less Accumulated Depreciation for:</b>				
Building and Building Improvements	(8,287,163.86)	(488,166.85)		(8,775,330.71)
Land Improvements – Exhaustible	(23,536.09)	(8,621.38)		(32,157.47)
Equipment and Furniture	(2,769,942.45)	(261,429.77)	34,989.08	(2,996,383.14)
Assets Under Capital Lease	(1,242,753.13)	(217,242.76)	39,373.17	(1,420,622.72)
Total Accumulated Depreciation	(12,323,395.53)	(975,460.76)	74,362.25	(13,224,494.04)
Total Capital Assets Being Depreciated, Net	19,870,457.23	(806,297.93)	(22,166.25)	19,041,993.05
Total Governmental Activities Capital Assets, Net	\$ 20,155,315.18	\$(806,297.93)	\$(22,166.25)	\$ 19,326,851.00
(*) Additions and Deletions above include reclassifications of assets of \$61,186.00.				

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
Instruction	\$525,145.67
Instructional Support	22,189.62
Operation and Maintenance	11,150.88
<b>Auxiliary Services:</b>	
Food Service	16,603.94
Student Transportation	327,278.26
General Administration and Central Support	7,451.14
Other	26,268.08
Total Depreciation Expense – Governmental Activities	<u>\$936,087.59</u>



---

---

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

---

---

**Note 6 – Defined Benefit Pension Plan**

**A. Plan Description**

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

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

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

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

---



---

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

---



---

**B. Funding Policy**

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

Fiscal Year Ended September 30,	2011	2010	2009
Total Percentage of Covered Payroll	17.51%	17.51%	17.07%
<b>Contributions:</b>			
Percentage Contributed by the Board	12.51%	12.51%	12.07%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by the Board	\$1,785,634.87	\$1,837,295.43	\$1,793,948.94
Contributed by Employees	713,683.01	734,330.96	743,143.73
Total Contributions	<u>\$2,499,317.88</u>	<u>\$2,571,626.39</u>	<u>\$2,537,092.67</u>

**Note 7 – Other Postemployment Benefits (OPEB)**

**A. Plan Description**

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

---

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

---

**B. Funding Policy**

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

	Fiscal Year 2011
Individual Coverage – Non-Medicare Eligible	\$146.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$381.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$245.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$245.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$701.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$890.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$859.00
Surviving Spouse – Medicare Eligible	\$369.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$558.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$527.00

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. A tobacco surcharge is \$27.00 per month for retired members that smoke.

---

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

---

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid by Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2011	\$752.00	\$198.94	26.45%	\$ 907,996.76	100%
2010	\$752.00	\$241.27	32.08%	\$1,121,772.16	100%
2009	\$752.00	\$205.45	27.32%	\$1,102,599.01	100%

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

**Note 8 – Lease Obligations**

**Capital Leases**

The Board is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$2,149,166.85 at September 30, 2011. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2011.

Fiscal Year Ending	
September 30, 2012	\$336,020.17
2013	112,932.74
2014	33,378.95
Total Minimum Lease Payments	482,331.86
Less: Amount Representing Interest	28,796.06
Present Value of Net Minimum Lease Payments	\$453,535.80

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

#### Note 9 – Long-Term Debt

The Board issued tax anticipation warrants entitled Series 1996, Series 1998, Series 1998-B, and Series 2007 to provide funds for the acquisition, construction and renovation of school facilities.

During fiscal years 2001 and 2008, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Bonds, Series 2001-A and 2008-A in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these bonds provided funds for the acquisition, construction and renovation of school facilities. During the 2010 fiscal year, the Board also, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Warrants, Series 2009-B to provide funds to refund a portion of the Capital Improvement Pool Warrants, Series 2001-A. During the current fiscal year, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Bond Series 2011-B to provide funds for the refunding of the remaining portion of the Capital Improvement Pool Bonds, Series 2001-A.

The Board has entered into various capital leases for the purchase of school buses.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2011:

	Debt Outstanding October 1, 2010	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2011	Amounts Due Within One Year
<u>Warrants Payable:</u>					
Capital Improvement Pool					
Warrant, 2001A	\$ 903,517.50	\$	\$ (903,517.50)	\$	\$
Warrant, 2008A	2,781,140.85		(111,070.72)	2,670,070.13	114,702.46
Warrant, 2009B	691,769.38			691,769.38	
Warrant, 2011B		712,850.00		712,850.00	114,480.00
Unamortized Deferred Loss on Refunding	(51,732.68)	(14,914.04)	21,889.23	(44,757.49)	(6,975.19)
Unamortized Premium	97,973.94		(13,209.97)	84,763.97	13,209.97
Special School Tax Warrants					
Series 1996	295,000.00		(295,000.00)		
Series 1998	1,425,000.00		(130,000.00)	1,295,000.00	135,000.00
Series 1998-B	765,000.00		(60,000.00)	705,000.00	65,000.00
Series 2007	2,090,000.00			2,090,000.00	90,000.00
Sub-Total Warrants Payable	8,997,668.99	697,935.96	(1,490,908.96)	8,204,695.99	525,417.24
Certificates of Participation (QZAB)	2,000,000.00			2,000,000.00	
Capital Leases	774,986.60		(321,450.80)	453,535.80	314,610.61
Compensated Absences	102,523.58		(50,303.30)	52,220.28	52,220.28
Totals	<u>\$11,875,179.17</u>	<u>\$697,935.96</u>	<u>\$(1,862,663.06)</u>	<u>\$10,710,452.07</u>	<u>\$892,248.13</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

Payments on the Series 1996, 1998, 1998-B and 2007 warrants payable are made by the debt service fund with property taxes. Payments on the Capital Improvement Pool Warrants, Series 2001-A, Series 2008-A, and Capital Improvement Pool Refunding Warrants, Series 2009-B, and 2011B are made by the Public School fund with Public School funds withheld from the Board's allocation from the Alabama Department of Education. The obligations under capital leases are paid by the fleet renewal fund.

The compensated absences liability will be liquidated by the general fund or the fund for which the employee worked.

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

Fiscal Year Ending	Capital Improvement Pool Refunding Bonds Series 2011-B		Special School Tax Warrants Series 1998	
	Principal	Interest	Principal	Interest
September 30, 2012	\$114,480.00	\$ 27,279.22	\$ 135,000.00	\$ 60,766.25
2013	117,925.00	27,560.00	145,000.00	54,080.00
2014		24,022.24	150,000.00	46,925.00
2015		24,022.24	155,000.00	39,375.00
2016		24,022.24	165,000.00	31,375.00
2017-2021	480,445.00	98,447.46	545,000.00	41,625.00
2022-2026				
2027-2028				
Totals	\$712,850.00	\$225,353.40	\$1,295,000.00	\$274,146.25

Fiscal Year Ending	Capital Improvement Pool Warrants Series 2008-A		Capital Improvement Pool Refunding Bonds Series 2009-B	
	Principal	Interest	Principal	Interest
September 30, 2012	\$ 114,702.46	\$ 106,778.08	\$	\$ 34,588.46
2013	118,334.20	103,050.24		34,588.46
2014	122,571.23	99,204.38	126,308.81	34,588.46
2015	126,808.25	95,220.82	132,087.48	28,273.02
2016	131,347.93	90,782.52	137,786.61	21,668.66
2017-2021	737,243.22	375,309.68	295,586.48	22,340.62
2022-2026	902,790.02	214,033.58		
2027-2028	416,272.82	28,436.51		
Totals	\$2,670,070.13	\$1,112,815.81	\$691,769.38	\$176,047.68

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

Certificates of Participation Series 2001-B		School Tax Warrants Series 2007		School Tax Warrants Series 1998-B	
Principal	Interest	Principal	Interest	Principal	Interest
\$	\$	\$ 90,000.00	\$ 83,267.50	\$ 65,000.00	\$ 33,125.00
		95,000.00	79,706.25	65,000.00	30,102.50
		95,000.00	76,048.75	70,000.00	26,912.50
2,000,000.00		100,000.00	72,295.00	75,000.00	23,375.00
		105,000.00	68,348.75	80,000.00	19,500.00
		580,000.00	275,762.50	350,000.00	36,250.00
		700,000.00	143,716.25		
		325,000.00	13,755.00		
\$2,000,000.00	\$	\$2,090,000.00	\$812,900.00	\$705,000.00	\$169,265.00

Capital Leases		Total Principal and Interest Requirements to Maturity
Principal	Interest	
\$314,610.61	\$21,409.56	\$ 1,201,007.14
106,508.25	6,424.49	983,279.39
32,416.94	962.01	904,960.32
		2,871,456.81
		874,831.71
		3,838,009.96
		1,960,539.85
		783,464.33
\$453,535.80	\$28,796.06	\$13,417,549.51

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

#### Warrant Issuance Costs

The Board of Education has warrant issuance costs in connection with the issuance of its Special Tax School Warrants, Series 2007. The issuance costs are amortized using the straight-line method over a period of 21 years.

The Board has issuance costs, deferred charges on refunding, as well as a premium in connection with the issuance of its PSCA Series 2009-B Capital Improvement Refunding Warrants. The issuance costs, deferred charges and premium are being amortized using the straight-line method over a period of nine years.

	Issuance Costs	Deferred Charges on Refunding	Premium
Total Issuance Costs, Deferred Charges on Refunding, and Premium	\$55,161.99	\$ 70,715.58	\$105,679.76
Amount Amortized Prior Years	(7,597.37)	(4,068.86)	(7,705.82)
Balance Issuance Costs, Deferred Charges on Refunding, and Premium	47,564.62	66,646.72	97,973.94
Current Amount Amortized	(2,939.77)	(21,889.23)	(13,209.97)
Balance Issuance Costs, Deferred Charges on Refunding, and Premium	<u>\$44,624.85</u>	<u>\$ 44,757.49</u>	<u>\$ 84,763.97</u>

#### Defeased Debt

On May 2, 2011, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued \$26,900,000.00 in Capital Improvement Pool Refunding Bonds Series 2011-B (“Series 2011-B”) with interest rates ranging from 2.00% to 5.00% to refund and retire on a current basis \$29,795,000.00 of outstanding Capital Improvement Pool Bonds Series 2001-A (“Series 2001-A”) with interest rates of 5.00%. The net proceeds of \$30,357,794.00 after a premium of \$3,596,962.00 and payment of \$139,168.00 in underwriting fees and other issuance costs were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2001-A. As a result, the Series 2001-A are considered to be defeased and the liabilities for those bonds has been removed.

The Board had a 2.65% participation in the Series 2001-A. This resulted in the Board being obligated for \$712,850.00 of the total principal of \$26,900,000.00 for the Series 2011-B. The Board’s portion of the net proceeds deposited in an irrevocable trust with an escrow agent was \$804,481.54. The liability removed was \$789,567.50.



---

---

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

---

---

The Board's portion of the refunding resulted in a difference between the reacquisition price and the net carrying amount of the Series 2001-A of \$14,914.04. As a result of the refunding, the Board reduced its total debt service requirements by \$115,734.66, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$33,295.60.

**Certificates of Participation Payable (QZAB Agreement)**

In a prior year, a Trustee issued Certificates of Participation in Qualified Zone Academy Bonds (QZAB's) which were to be sold to one or more commercial banks. The ratable portion of the proceeds of the sale of the Certificates of Participation allocable to the Winston County Board of Education (\$2,000,000 less issuance costs of \$100,000) were deposited in a separate account of the Project Fund and were available for use only for the Winston County Board of Education and its QZAB projects. As also described in the Official Proposal Form, it is contemplated that the Alabama School Finance Cooperative and the Trustee (with written endorsement of each Board of Education) will enter into a guaranteed investment contract that will provide for the investment of moneys sufficient to pay each Board's payment at the maturity date of the QZAB's. The Board of Education will make level annual installment payments of \$133,619.45 that, together with earnings under the guaranteed investment contract, will be sufficient to make the payment at the maturity date, whereupon the Board's obligation will be satisfied. None of the base payment represents the payment of interest. Deposits made into the escrow fund shall remain the property of the Board pledged to the payment of the base payment to the Alabama School Finance Cooperative on the base payment date.

**Pledged Revenues**

The Board issued Series 1998 Special Tax School Warrants for the purpose of acquiring, constructing and renovating school facilities. The Board pledged to repay the 1998 Warrants from the proceeds of a special tax levied by the Winston County Commission pursuant to the provisions of the *Code of Alabama 1975*, Section 40-12-4, of which the Board receives 64% of the proceeds. Future revenues in the amount of \$1,569,146.25 are pledged to repay the principal and interest on the warrants at September 30, 2011. Proceeds of the special tax in the amount of \$1,432,958.23 were received by the Board during the fiscal year ended September 30, 2011, of which \$197,027.50 was used to pay principal and interest on the warrants. The Series 1998 Special Tax School Warrants will mature in fiscal year 2019.

---

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

---

The Board issued Series 1998-B Special Tax School Warrants for the purpose of acquiring, constructing and renovating school facilities. The Board pledged to repay the 1998-B Warrants from the proceeds of a special tax levied by the Winston County Commission pursuant to the provisions of the *Code of Alabama 1975*, Section 40-12-4, of which the Board receives 64% of the proceeds. Future revenues in the amount of \$874,265.00 are pledged to repay the principal and interest on the warrants at September 30, 2011. Proceeds of the special tax in the amount of \$1,432,958.23 were received by the Board during the fiscal year ended September 30, 2011, of which \$95,970.00 was used to pay principal and interest on the warrants. The Series 1998-B Special Tax School Warrants will mature in fiscal year 2020.

The Board issued Series 2007 Special Tax School Warrants for the purpose of acquiring, constructing and renovating school facilities. The Board pledged to repay the 2007 Warrants from the proceeds of a special tax levied by the Winston County Commission pursuant to the provisions of the *Code of Alabama 1975*, Section 40-12-4, of which the Board receives 64% of the proceeds. Future revenues in the amount of \$2,902,900.00 are pledged to repay the principal and interest on the warrants at September 30, 2011. Proceeds in the amount of \$1,432,958.23 were received by the Board during the fiscal year ended September 30, 2011. Pledged funds in the amount of \$85,000.00 were used to pay interest on the bonds during the fiscal year ended September 30, 2011. The Series 2007 Special Tax School Warrants will mature in fiscal year 2028.

The Board issued Series 2008-A Capital Improvement Pool Warrants which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$3,782,885.94 are pledged to repay the principal and interest on the bonds at September 30, 2011. Proceeds of public school funds in the amount of \$575,467.00 were received by the Board during the fiscal year ended September 30, 2011, of which \$219,653.70 was used to pay principal and interest on the bonds. This amount represents 38.17 percent of the pledged funds received by the Board. The Series 2008A bonds will mature in fiscal year 2028.

The Board issued Series 2009-B Capital Improvement Pool Refunding Warrants which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds were used to refund a portion of the Series 2001-A Capital Improvement Pool Warrants. Future revenues in the amount of \$867,817.06 are pledged to repay the principal and interest on the bonds at September 30, 2011. Proceeds of public school funds in the amount of \$575,467.00 were received by the Board during the fiscal year ended September 30, 2011, of which \$34,588.46 was used to pay interest on the bonds. This amount represents 6.01 percent of the pledged funds received by the Board. The Series 2009-B bonds will mature in fiscal year 2019.

---

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2011*

---

---

The Board issued Series 2011-B Capital Improvement Pool Refunding Warrants which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds were used to refund the remaining portion of the Series 2001-A Capital Improvement Pool Warrants. Future revenues in the amount of \$938,203.40 are pledged to repay the principal and interest on the bonds at September 30, 2011. Proceeds of public school funds in the amount of \$575,467.00; however, no principal and interest were scheduled to be paid on the bonds during the fiscal year ended September 30, 2011. The Series 2011-B bonds will mature in fiscal year 2021.

#### **Note 10 – Risk Management**

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

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

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

---

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2011***

---

**Note 11 – Interfund Transactions**

**Interfund Receivables and Payables**

The interfund receivables and payables at September 30, 2011, were as follows:

	Interfund Receivables	
	General Fund	Total
<b>Interfund Payables:</b>		
Special Revenue Fund	\$381,265.63	\$381,265.63
<b>Totals</b>	<b>\$381,265.63</b>	<b>\$381,265.63</b>

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2011, were as follows:

	Transfers Out		Total
	General Fund	Special Revenue Fund	
<b>Transfers In:</b>			
General Fund	\$	\$140,962.79	\$140,962.79
Special Revenue Fund	354,557.14		354,557.14
Debt Service Fund	272,449.80		272,449.80
<b>Totals</b>	<b>\$627,006.94</b>	<b>\$140,962.79</b>	<b>\$767,969.73</b>

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on behalf of the local schools, and to transfer the portion from the general fund to the debt service funds to service current-year debt requirements.

**Note 12 – Subsequent Event**

On January 31, 2012, the Board approved the issuance of the Series 2012 Special Tax School Refunding Warrants, dated February 1, 2012 in the principal amount of \$1,875,000.00. This action was taken to refund the Series 1998 Special Tax School Warrants and the Series 1998-B Special Tax School Warrants.

---

*Required Supplementary Information*

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2011***

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues</b>			
State	\$ 14,938,016.00	\$ 14,879,271.00	\$ 14,895,884.10
Federal	1,262,753.00	1,279,852.07	1,515,878.75
Local	4,343,625.00	4,352,625.00	4,223,558.40
Other	62,857.00	78,039.45	90,345.87
Total Revenues	20,607,251.00	20,589,787.52	20,725,667.12
<b>Expenditures</b>			
Current:			
Instruction	11,076,658.19	11,409,320.52	11,217,225.50
Instructional Support	3,640,981.00	3,690,226.87	3,634,939.52
Operation and Maintenance	1,916,624.36	1,944,791.89	1,570,733.00
Auxiliary Services:			
Student Transportation	2,383,190.00	2,346,372.37	2,379,960.85
General Administration and Central Support	1,130,653.00	1,131,316.74	990,355.45
Other	834,229.80	408,733.80	102,377.94
Capital Outlay			26,548.00
Total Expenditures	20,982,336.35	20,930,762.19	19,922,140.26
Excess (Deficiency) of Revenues Over Expenditures	(375,085.35)	(340,974.67)	803,526.86
<b>Other Financing Sources (Uses)</b>			
Indirect Cost	182,041.39	199,896.47	184,023.46
Transfers In	167,984.00	186,323.00	140,962.79
Other Financing Sources			22,014.71
Transfers Out	(1,104,373.33)	(775,863.49)	(627,006.94)
Total Other Financing Sources (Uses)	(754,347.94)	(389,644.02)	(280,005.98)
Net Change in Fund Balances	(1,129,433.29)	(730,618.69)	523,520.88
Fund Balances - Beginning of Year	1,737,092.06	1,309,590.98	1,309,590.98
Fund Balances - End of Year	\$ 607,658.77	\$ 578,972.29	\$ 1,833,111.86

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$ 14,895,884.10
		1,515,878.75
		4,223,558.40
		90,345.87
		<u>20,725,667.12</u>
(1)	260,026.62	10,957,198.88
(1)	37,559.08	3,597,380.44
(1)	2,165.16	1,568,567.84
(1)	36,293.12	2,343,667.73
(1)	(20,101.11)	1,010,456.56
(1)	592.89	101,785.05
		26,548.00
	<u>316,535.76</u>	<u>19,605,604.50</u>
	<u>316,535.76</u>	<u>1,120,062.62</u>
		184,023.46
		140,962.79
		22,014.71
		<u>(627,006.94)</u>
		<u>(280,005.98)</u>
	316,535.76	840,056.64
(2)	<u>(1,726,534.70)</u>	<u>(416,943.72)</u>
	<u>\$ (1,409,998.94)</u>	<u>\$ 423,112.92</u>

---

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2011***

---

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

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

Net Increase in Fund Balance - Budget to GAAP

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



---

---

\$ 316,535.76

\$ 316,535.76

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2011***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<b>Revenues</b>			
Federal	\$ 3,195,968.66	\$ 3,591,971.82	\$ 3,425,047.07
Local	2,829,670.00	2,947,852.00	2,024,082.04
Other	55,600.00	55,600.00	26,628.13
Total Revenues	6,081,238.66	6,595,423.82	5,475,757.24
<b>Expenditures</b>			
Current:			
Instruction	2,217,265.60	2,634,884.49	2,187,775.80
Instructional Support	687,839.40	792,181.75	511,941.46
Operation and Maintenance	154,064.00	176,065.00	165,091.69
Auxiliary Services:			
Student Transportation	53,386.00	54,757.00	23,802.44
Food Service	2,416,546.39	2,416,546.39	2,186,477.57
General Administration and Central Support	179,087.00	204,868.14	198,141.49
Other	695,328.66	754,564.44	575,101.03
Capital Outlay			81,428.83
Total Expenditures	6,403,517.05	7,033,867.21	5,929,760.31
Excess (Deficiency) of Revenues Over Expenditures	(322,278.39)	(438,443.39)	(454,003.07)
<b>Other Financing Sources (Uses)</b>			
Transfers In	779,270.54	451,238.70	354,557.14
Other Financing Sources		1,000.00	890.00
Transfers Out	(249,951.00)	(268,768.00)	(140,962.79)
Total Other Financing Sources (Uses)	529,319.54	183,470.70	214,484.35
Net Change in Fund Balances	207,041.15	(254,972.69)	(239,518.72)
Fund Balances - Beginning of Year	1,201,012.93	1,585,584.17	1,498,929.42
Fund Balances - End of Year	\$ 1,408,054.08	\$ 1,330,611.48	\$ 1,259,410.70

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$ 3,425,047.07
		2,024,082.04
		26,628.13
		<u>5,475,757.24</u>
		2,187,775.80
		511,941.46
		165,091.69
		23,802.44
(1)	10,997.71	2,175,479.86
		198,141.49
		575,101.03
		<u>81,428.83</u>
	10,997.71	<u>5,918,762.60</u>
	10,997.71	<u>(443,005.36)</u>
		354,557.14
		890.00
		<u>(140,962.79)</u>
		<u>214,484.35</u>
	10,997.71	(228,521.01)
(2)	<u>(98,034.75)</u>	<u>1,400,894.67</u>
	<u>\$ (87,037.04)</u>	<u>\$ 1,172,373.66</u>

---

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2011***

---

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

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

Net Increase in Fund Balance - Budget to GAAP

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

---

---

\$ 10,997.71

\$ 10,997.71

---

*This Page Intentionally Blank*

---

---

*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of Education</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Title I, Part A Cluster:		
Title I Grants to Local Educational Agencies	84.010	N/A
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A
Sub-Total Title I, Part A Cluster (M)		
Special Education Cluster:		
Special Education - Grants to States	84.027	N/A
Special Education - Preschool Grants	84.173	N/A
ARRA - Special Education - Grants to States, Recovery Act	84.391	N/A
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	N/A
Sub-Total Special Education Cluster (M)		
Career and Technical Education - Basic Grants to States	84.048	N/A
Tech- Prep Education	84.243	N/A
Twenty-First Century Community Learning Centers	84.287	N/A
Education Technology State Grants Cluster:		
Education Technology State Grants	84.318	N/A
ARRA Education Technology State Grants, Recovery Act	84.386	N/A
Sub-Total Education Technology State Grants Cluster		
Rural Education	84.358	N/A
Improving Teacher Quality State Grants	84.367	N/A
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (M)	84.394	N/A
Education Jobs Fund (M)	84.410	N/A
Hurricane Education Recovery Act	84.938	N/A
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A
Total U. S. Department of Education		
Sub-Total Forward		



Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2010-09/30/2011	\$ 810,871.95	\$ 810,871.95	\$ 803,785.01	\$ 803,785.01
10/01/2010-09/30/2011	118,072.10	118,072.10	118,072.10	118,072.10
	928,944.05	928,944.05	921,857.11	921,857.11
10/01/2010-09/30/2011	701,329.80	701,329.80	621,186.86	621,186.86
10/01/2010-09/30/2011	21,531.10	21,531.10	19,063.23	19,063.23
10/01/2010-09/30/2011	335,683.19	335,683.19	335,683.19	335,683.19
10/01/2010-09/30/2011	13,242.76	13,242.76	13,242.76	13,242.76
	1,071,786.85	1,071,786.85	989,176.04	989,176.04
10/01/2010-09/30/2011	37,198.00	37,198.00	37,198.00	37,198.00
10/01/2010-09/30/2011	3,635.00	3,635.00	3,635.00	3,635.00
10/01/2010-09/30/2011	200,000.00	200,000.00	200,000.00	200,000.00
10/01/2010-09/30/2011	9,995.00	9,995.00	7,863.12	7,863.12
10/01/2010-09/30/2011	17,099.25	17,099.25	17,099.25	17,099.25
	27,094.25	27,094.25	24,962.37	24,962.37
10/01/2010-09/30/2011	102,458.70	102,458.70	70,711.61	70,711.61
10/01/2010-09/30/2011	160,449.00	160,449.00	147,921.08	147,921.08
10/01/2010-09/30/2011	705,851.07	705,851.07	705,851.07	705,851.07
10/01/2010-09/30/2011	582,481.00	582,481.00	572,384.22	572,384.22
10/01/2010-09/30/2011	23,457.00	23,457.00	23,457.00	23,457.00
10/01/2010-09/30/2011	3,948.97	3,948.97	3,948.97	3,948.97
	3,847,303.89	3,847,303.89	3,701,102.47	3,701,102.47
	\$ 3,847,303.89	\$ 3,847,303.89	\$ 3,701,102.47	\$ 3,701,102.47

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Agriculture</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Child Nutrition Cluster:		
National School Lunch Program:		
Cash Assistance	10.555	N/A
Non-Cash Assistance (Commodities)	10.555	N/A
Sub-Total National School Lunch Program		
School Breakfast Program - Cash Assistance	10.553	N/A
Sub-Total Child Nutrition Cluster		
Total Passed Through Alabama Department of Education		
<b><u>Passed Through Winston County Commission</u></b>		
Schools and Roads - Grants to States	10.665	N/A
Total U. S. Department of Agriculture		
<b><u>Social Security Administration</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Social Security - Disability Insurance	96.001	N/A
<b><u>U. S. Department of Health and Human Services</u></b>		
<b><u>Direct Program</u></b>		
Head Start	93.600	N/A
<b><u>General Services Administration</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Donation of Federal Surplus Personal Property (N)	39.003	N/A
<b><u>U. S. Department of Energy</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
ARRA - State Energy Program, Recovery Act	81.041	1 SEP ARRA 35
Total Expenditures of Federal Awards		

(M) = Major Program

(N) = Non-Cash Assistance

N/A = Not Applicable/Not Available

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 3,847,303.89	\$ 3,847,303.89	\$ 3,701,102.47	\$ 3,701,102.47
10/01/2010-09/30/2011	684,565.12	684,565.12	684,565.12	684,565.12
10/01/2010-09/30/2011	91,026.70	91,026.70	91,026.70	91,026.70
	775,591.82	775,591.82	775,591.82	775,591.82
10/01/2010-09/30/2011	301,653.92	301,653.92	301,653.92	301,653.92
	1,077,245.74	1,077,245.74	1,077,245.74	1,077,245.74
	1,077,245.74	1,077,245.74	1,077,245.74	1,077,245.74
10/01/2010-09/30/2011	78,869.31	78,869.31	78,869.31	78,869.31
	1,156,115.05	1,156,115.05	1,156,115.05	1,156,115.05
10/01/2010-09/30/2011	522.00	522.00	522.00	522.00
10/01/2010-09/30/2011	9,747.95	9,747.95	9,747.95	9,747.95
10/01/2010-09/30/2011			1,840.70	1,840.70
07/01/2011-03/31/2012	70,806.36	70,806.36	70,806.36	70,806.36
	\$ 5,084,495.25	\$ 5,084,495.25	\$ 4,940,134.53	\$ 4,940,134.53

---

---

***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2011***

---

---

**Note 1 – Basis of Presentation**

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

---

## *Additional Information*

---

---

***Board Members and Administrative Personnel***  
***October 1, 2010 through September 30, 2011***

---

---

**Board Members**

**Term Expires**

Hon. Larry Yancey	President	2013
Hon. Greg Batchelor	Vice-President	2013
Hon. Joey Boteler	Member	2013
Hon. Joe Laseter	Member	2013
Hon. Ralph Williams	Member	2013

**Administrative Personnel**

Mrs. Sue Reed	Superintendent	2013
Ms. Cassandra Tingle	Chief School Financial Officer	June 2011
Mr. Andrew McCay	Chief School Financial Officer	Indefinite

---

---

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

---

---

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Winston County Board of Education as of and for the year ended September 30, 2011, which collectively comprise the Winston County Board of Education's basic financial statements and have issued our report thereon dated November 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

---

---

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

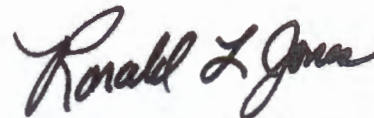
---

---

**Compliance and Other Matters**

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

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



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

November 14, 2012



---

---

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

---

---

**Independent Auditor's Report**

**Compliance**

We have audited the Winston County Board of Education's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Winston County Board of Education's major federal programs for the year ended September 30, 2011. The Winston County Board of Education's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Winston County Board of Education's management. Our responsibility is to express an opinion on the Winston County Board of Education's compliance based on our audit.

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

In our opinion, the Winston County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

---

---

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

---

---

**Internal Control Over Compliance**

Management of the Winston County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Winston County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Winston County 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

---

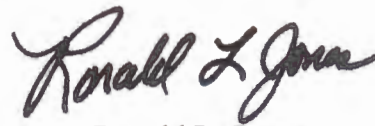
---

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

---

---

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



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

November 14, 2012

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2011***

**Section I – Summary of Examiner's Results**

**Financial Statements**

Type of opinion issued: Unqualified  
 Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ Yes     X  No  
 Significant deficiency(ies) identified? \_\_\_\_\_ Yes     X  None reported  
 Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     X  No

**Federal Awards**

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010 and 84.389	Title I, Part A Cluster
84.027, 84.391, 84.173 and 84.392	Special Education Cluster
84.394	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00  
 Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes     X  No

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2011***

**Section II – Financial Statement Findings (GAGAS)**

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

**Section III – Federal Awards Findings and Questioned Costs**

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