

Report on the

Cherokee County Board of Education

Cherokee County, Alabama

October 1, 2014 through September 30, 2015

Filed: June 3, 2016



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



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Ronald L. Jones
Chief Examiner

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, we submit this report on the results of the audit of the Cherokee County Board of Education, Cherokee County, Alabama, for the period October 1, 2014 through September 30, 2015.

Sworn to and subscribed before me this
the 20th day of May, 2016.

Jan E Hall
Notary Public

Sworn to and subscribed before me this
the 28th day of April, 2016.

Greckel Helsey
Notary Public

Respectfully submitted,

Brittany Parker

Brittany Parker
Examiner of Public Accounts

Cade Burk

Cade Burk
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Cherokee County Board of Education
October 1, 2014 through September 30, 2015**

The Cherokee County Board of Education (the “Board”) is governed by a five-member body elected by the citizens of Cherokee County. The members and administrative personnel in charge of governance of the Board are listed on Exhibit 14. The Board is the governmental agency that provides general administration and supervision for Cherokee County Public Schools, preschool through high school.

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 unmodified 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, 2015.

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: Mitchell Guice, Superintendent; Robin Cunningham, Chief School Financial Officer; and Board Members: Mark Gossett, Lynn Rochester, Suzanne Bishop, Mark Green, Lisa McKissick and Brian Jennings. The following individuals attended the exit conference, held at the Board’s offices: Mitchell Guice, Superintendent; Robin Cunningham, Chief School Financial Officer; Board Members: Mark Gossett, Lynn Rochester, Suzanne Bishop, and Mark Green; and representatives of the Department of Examiners of Public Accounts: Gwyn M. Griggs, Audit Manager; and Cade Burk, Examiner of Public Accounts.

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Independent Auditor's Report

Independent Auditor's Report

To: Members of the Cherokee County Board of Education, Superintendent and Chief School Financial Officer

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee County Board of Education, as of and for the year ended September 30, 2015, and the related notes to the financial statements which collectively comprise the Cherokee County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, in the fiscal year ended September 30, 2015, the Cherokee County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions*** – an amendment of GASB Statement Number 27. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Net Pension Liability, Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, (Exhibits 9 through 12) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Cherokee County Board of Education has not presented a Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cherokee County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13) 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 the purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated April 21, 2016, on our consideration of the Cherokee 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*** in considering the Cherokee County Board of Education's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

April 21, 2016

Basic Financial Statements

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Statement of Net Position
September 30, 2015

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 14,713,116.91
Investments	9,000.00
Ad Valorem Property Taxes Receivable	5,668,214.32
Receivables (Note 4)	1,349,412.22
Inventories	184,067.89
Prepaid Items	2,675.32
Capital Assets (Note 5):	
Nondepreciable	1,449,077.79
Depreciable, Net	36,791,232.76
Total Assets	<u>60,166,797.21</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contribution	2,339,184.46
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	45,000.00
Total Deferred Outflows of Resources	<u>2,384,184.46</u>
<u>Liabilities</u>	
Accounts Payable	903,406.04
Unearned Revenue	30,171.10
Salaries and Benefits Payable	2,460,729.46
Accrued Interest Payable	207,968.71
Long-Term Liabilities:	
Portion Due or Payable Within One Year	776,549.12
Portion Due or Payable After One Year	48,237,681.51
Total Liabilities	<u>52,616,505.94</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	5,668,214.32
Revenue Received in Advance - Motor Vehicle Taxes	326,623.28
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	2,172,000.00
Total Deferred Inflows of Resources	<u>8,166,837.60</u>
<u>Net Position</u>	
Net Investment in Capital Assets	21,096,074.05
Restricted for:	
Debt Service	131,144.45
Capital Projects	1,064,558.05
Other Purposes	799,855.58
Unrestricted	<u>(21,323,994.00)</u>
Total Net Position	<u>\$ 1,767,638.13</u>

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

Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities</u>			
Instruction	\$ 21,528,149.52	\$ 567,226.30	\$ 16,321,994.31
Instructional Support	5,957,178.45	289,338.84	4,387,265.70
Operation and Maintenance	2,841,262.36	250,873.26	1,569,377.42
Auxiliary Services:			
Student Transportation	2,663,711.98	95,195.50	2,191,768.06
Food Service	2,974,709.27	2,214,809.46	209,459.10
General Administrative	1,548,602.99	12,509.63	413,383.92
Interest and Fiscal Charges	203,579.83		
Other Expenses	929,426.35	276,466.97	493,454.66
Total Governmental Activities	<u>\$ 38,646,620.75</u>	<u>\$ 3,706,419.96</u>	<u>\$ 25,586,703.17</u>

General Revenues:

Taxes:

Property Taxes for General Purposes

Sales Tax

Alcohol Beverage Tax

Other Taxes

Grants and Contributions Not Restricted for
Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Changes in Net Position

Net Position - Beginning of Year, as Restated (Note 13)

Net Position - End of Year

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

		Net (Expenses) Revenues and Changes in Net Position	
Capital Grants and Contributions		Total Governmental Activities	
\$	1,059,953.12	\$	(3,578,975.79)
	85,237.58		(1,280,573.91)
	246,000.00		(935,774.10)
			(130,748.42)
			(550,440.71)
			(1,122,709.44)
			(203,579.83)
			(159,504.72)
\$	1,391,190.70		(7,962,306.92)

5,896,689.76
2,637,732.25
12,616.30
16,528.61
54,415.00
88,565.12
961,373.95
<u>9,667,920.99</u>
1,705,614.07
62,024.06
<u><u>\$ 1,767,638.13</u></u>

Balance Sheet
Governmental Funds
September 30, 2015

	General Fund	Special Revenue Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 9,109,212.78	\$ 1,277,690.07
Investments		9,000.00
Ad Valorem Property Taxes Receivable	5,668,214.32	
Receivables, Net	493,270.28	795,378.43
Interfund Receivables	87,165.06	
Inventories	86,365.22	97,702.67
Prepaid Items	2,675.32	
Total Assets	<u>15,446,902.98</u>	<u>2,179,771.17</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	456,561.31	439,200.79
Interfund Payables		87,165.06
Unearned Revenues		30,171.10
Salaries and Benefits Payable	2,350,641.63	110,087.83
Total Liabilities	<u>2,807,202.94</u>	<u>666,624.78</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	5,668,214.32	
Revenue Received in Advance - Motor Vehicle Taxes	326,623.28	
Total Deferred Inflows of Resources	<u>5,994,837.60</u>	
<u>Fund Balances</u>		
Nonspendable:		
Inventories	86,365.22	97,702.67
Prepaid Items	2,675.32	
Restricted for:		
Debt Service		
Capital Projects	23,319.00	
Child Nutrition		588,251.70
Fleet Renewal		
Other Purposes	16,913.92	
Assigned to:		
Encumbrances	21,729.00	
Local Schools		700,882.03
Capital Projects	71,787.00	
Other Purposes	292,159.03	126,309.99
Unassigned	6,129,913.95	
Total Fund Balances	<u>6,644,862.44</u>	<u>1,513,146.39</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,446,902.98</u>	<u>\$ 2,179,771.17</u>

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

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,987,100.90	\$ 339,113.16	\$ 14,713,116.91
		9,000.00
		5,668,214.32
60,763.51		1,349,412.22
		87,165.06
		184,067.89
		2,675.32
<u>4,047,864.41</u>	<u>339,113.16</u>	<u>22,013,651.72</u>
7,643.94		903,406.04
		87,165.06
		30,171.10
		2,460,729.46
<u>7,643.94</u>		<u>3,481,471.66</u>
		5,668,214.32
		326,623.28
		<u>5,994,837.60</u>
		184,067.89
		2,675.32
	339,113.16	339,113.16
3,943,233.18		3,966,552.18
		588,251.70
96,987.29		96,987.29
		16,913.92
		21,729.00
		700,882.03
		71,787.00
		418,469.02
		6,129,913.95
<u>4,040,220.47</u>	<u>339,113.16</u>	<u>12,537,342.46</u>
<u>\$ 4,047,864.41</u>	<u>\$ 339,113.16</u>	<u>\$ 22,013,651.72</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2015***

Total Fund Balances - Governmental Funds \$ 12,537,342.46

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

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

The Cost of Capital Assets is	\$ 55,145,345.64	
Accumulated Depreciation is	<u>(16,905,035.09)</u>	38,240,310.55

Deferred outflows and inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. 212,184.46

Long-term liabilities, including bonds/warrants payable, are not due and payable in the
current period and therefore are not reported as liabilities in the funds.

Current Portion of Long-Term Debt	\$ 776,549.12	
Noncurrent Portion of Long-Term Debt	<u>48,237,681.51</u>	(49,014,230.63)

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

Accrued Interest Payable	<u>\$ 207,968.71</u>	<u>(207,968.71)</u>
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Total Net Position - Governmental Activities \$ 1,767,638.13

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, 2015

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 22,682,834.52	\$ 5,015.00
Federal	152,034.68	4,151,901.45
Local	8,728,183.55	2,779,903.37
Other	307,074.50	114,474.77
Total Revenues	31,870,127.25	7,051,294.59
<u>Expenditures</u>		
Current:		
Instruction	17,979,315.75	2,601,996.71
Instructional Support	4,971,100.96	997,706.51
Operation and Maintenance	2,453,115.19	284,317.67
Auxiliary Services:		
Student Transportation	2,353,021.81	50,408.65
Food Service		3,055,303.14
General Administrative	1,250,150.87	322,267.55
Other	362,172.59	558,206.50
Capital Outlay	1,113,252.70	23,831.11
Debt Service:		
Principal Retirement		7,108.83
Interest and Fiscal Charges		255.24
Total Expenditures	30,482,129.87	7,901,401.91
Excess (Deficiency) of Revenues Over Expenditures	1,387,997.38	(850,107.32)
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	200,930.61	
Long-Term Debt Issued	1,076,711.40	8,846.11
Premiums on Long-Term Debt Issued		
Transfers In	179,464.20	643,154.60
Other Financing Sources	37,915.95	1,230.00
Sale of Capital Assets	46,781.50	
Transfers Out	(1,654,474.60)	(179,464.20)
Total Other Financing Sources (Uses)	(112,670.94)	473,766.51
Net Changes in Fund Balances	1,275,326.44	(376,340.81)
Fund Balances - Beginning of Year	5,369,536.00	1,889,487.20
Fund Balances - End of Year	\$ 6,644,862.44	\$ 1,513,146.39

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

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,379,518.90	\$ 8,802.80	\$ 24,076,171.22
		4,303,936.13
	3,345.33	11,511,432.25
		421,549.27
<u>1,379,518.90</u>	<u>12,148.13</u>	<u>40,313,088.87</u>
122,795.27		20,704,107.73
50,548.11		5,968,807.47
		2,787,980.97
		2,403,430.46
		3,055,303.14
7,629.40	1,483.92	1,581,531.74
		920,379.09
406,109.74		1,543,193.55
264,621.44	390,000.00	661,730.27
86,907.15	634,572.83	721,735.22
<u>938,611.11</u>	<u>1,026,056.75</u>	<u>40,348,199.64</u>
<u>440,907.79</u>	<u>(1,013,908.62)</u>	<u>(35,110.77)</u>
		200,930.61
2,570,054.95		3,655,612.46
339,568.58		339,568.58
	1,011,320.00	1,833,938.80
		39,145.95
		46,781.50
		<u>(1,833,938.80)</u>
<u>2,909,623.53</u>	<u>1,011,320.00</u>	<u>4,282,039.10</u>
3,350,531.32	(2,588.62)	4,246,928.33
689,689.15	341,701.78	8,290,414.13
<u>\$ 4,040,220.47</u>	<u>\$ 339,113.16</u>	<u>\$ 12,537,342.46</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, 2015

Net Changes in Fund Balances - Total Governmental Funds \$ 4,246,928.33

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

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

Capital Outlays	\$ 1,543,193.55	
Depreciation Expense	<u>(1,347,989.79)</u>	
		195,203.76

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (8,846.11)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 661,730.27

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (3,646,766.35)

Premiums on debt issuance are reported as other financing sources in the governmental funds, but are amortized in the Statement of Activities. (339,568.58)

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

Proceeds from Sale of Capital Assets	\$ (46,781.50)	
Loss on Disposition of Capital Assets	<u>(11,625.60)</u>	
		(58,407.10)

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.

Accrued Interest Payable, Current Year Increase/(Decrease)	\$	52,075.21	
Amortization of Premiums/Loss on Refunding		(570,230.60)	
Pension Expense, Current Year Increase/Decrease		<u>(137,184.46)</u>	
			<u>655,339.85</u>
Change in Net Position of Governmental Activities			<u>\$ 1,705,614.07</u>

Statement of Fiduciary Net Position
September 30, 2015

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 5,912.33	\$ 103,888.97
Investments	32,930.04	
Total Assets	<u>38,842.37</u>	<u>103,888.97</u>
<u>Liabilities</u>		
Due to External Organizations		103,888.97
Total Liabilities		<u>\$ 103,888.97</u>
Net Position	<u>\$ 38,842.37</u>	

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

***Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2015***

	Private-Purpose Trust Funds
<u>Additions</u>	
Earnings on Investments	\$ 171.44
Other Sources	5,550.00
Total Additions	<u>5,721.44</u>
<u>Deductions</u>	
Instructional Support	4,314.61
Auxiliary Services:	
Other	1,750.00
Total Deductions	<u>6,064.61</u>
Changes in Net Position	(343.17)
Net Position - Beginning of Year	<u>39,185.54</u>
Net Position - End of Year	<u>\$ 38,842.37</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, 2015

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Cherokee 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 Position 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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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 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 Funds** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expend 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 funding sources include the federal funds that are received for Special Education, Title I, 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.
- ◆ **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 fund type in the Other Governmental Funds' column:

Governmental Fund Type

- ◆ **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, 2015

The Board reports the following fiduciary fund types:

Fiduciary Fund Types

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

- ◆ **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, which is recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

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

Notes to the Financial Statements
For the Year Ended September 30, 2015

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledged of the three-mill school tax and certificates of deposit.

The Board also has some investments in non-negotiable certificates of deposits. These investments are reported at cost, which approximates fair value.

2. Receivables

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

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

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

Account receivables are amounts due from external parties.

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, 2015

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both 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, are considered as restricted assets because they are maintained separately and their use is limited. The Public School Capital Projects, Fleet Renewal, Bond Issue Payments, and Bonds and Warrants fund 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 is used to report resources set aside to pay the principal and interest on debt as it become due.

6. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements	\$50,000	20 years
Buildings	\$50,000	25 – 50 years
Building Improvements	\$50,000	7 – 30 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 – 10 years
Equipment Under Capital Lease	\$ 5,000	5 – 20 years

Notes to the Financial Statements
For the Year Ended September 30, 2015

7. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

8. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as an expense in the period incurred.

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

9. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and the fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

10. Pensions

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

11. Net Position/Fund Balances

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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 form or (b) legally or contractually required to be maintained intact. 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.

Notes to the Financial Statements
For the Year Ended September 30, 2015

- D. Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorized the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- 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.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Also, motor vehicle ad valorem taxes and sales taxes are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The 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, with the exception of the Capital Projects Fund which adopts 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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 3 – Deposits and Investments

A. 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 Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

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

B. Cash with Fiscal Agent

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by pledge of the three-mill school tax and other obligations as outlined in the *Code of Alabama 1975*, Section 19-3-120 and Section 19-3-120.1.

As of September 30, 2015, the Board had the following investments and maturities, reported with cash and cash equivalents in the government-wide and fund financial statements:

Investment of the Fiscal Agent	Maturities	Fair Value
Fidelity Institutional Money Market Treasury Only	Less than 180 Days	<u>\$233,013.80</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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Credit Risk – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Board invests in be rated in the highest rating category of Standard & Poor’s Corporation and Moody’s Investors Service, Inc. The Board does not have a formal investment policy that limits the amount of exposure to credit risk. The Standard & Poor’s rating of the Board’s Fidelity Institutional Money Market Treasury Only Fund is AAAM and the Moody’s rating is Aaa-mf.

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 cover 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, which limits the amount of securities that can be held by counterparties. The funds transferred to meet the Board’s need for construction projects are invested until payments are made.

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 policy that places limits on the amount the Board may invest in any one issuer.

Note 4 – Receivables

On September 30, 2015, receivables for the Board’s individual major funds and other governmental funds in the aggregate are as follows:

	Accounts Receivable	Due from Other Governments	Sales Tax Receivable	Total Receivables
General Fund	\$ 507.43	\$ 27,515.40	\$465,247.45	\$ 493,270.28
Special Revenue Fund	2,850.00	792,528.43		795,378.43
Other Governmental Funds		60,763.51		60,763.51
Total	\$3,357.43	\$880,807.34	\$465,247.45	\$1,349,412.22

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 5 – Capital Assets

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

	Balance 10/01/2014	Additions	Retirements	Balance 09/30/2015
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,090,222.09	\$ 243,075.98	\$ (1,612.50)	\$ 1,331,685.57
Construction in Progress	548,391.61	90,439.32	(521,438.71)	117,392.22
Total Capital Assets, Not Being Depreciated	1,638,613.70	333,515.30	(523,051.21)	1,449,077.79
Capital Assets Being Depreciated:				
Land Improvements	282,687.06			282,687.06
Buildings	35,700,611.49	521,438.71	(3,679.64)	36,218,370.56
Buildings Improvements	9,634,165.51	69,746.01	(7,997.47)	9,695,914.05
Equipment and Furniture	2,647,467.85	49,374.73	(58,436.00)	2,638,406.58
Vehicles	4,221,753.33	1,076,711.40	(463,031.73)	4,835,433.00
Equipment Under Capital Leases	20,420.49	13,846.11	(8,810.00)	25,456.60
Total Capital Assets Being Depreciated	52,507,105.73	1,731,116.96	(541,954.84)	53,696,267.85
Less Accumulated Depreciation for:				
Land Improvements	(219,343.35)	(9,068.33)		(228,411.68)
Buildings	(7,277,460.98)	(635,752.29)	2,119.51	(7,911,093.76)
Buildings Improvements	(4,130,365.07)	(306,787.94)	6,089.21	(4,431,063.80)
Equipment and Furniture	(1,474,917.90)	(129,651.52)	55,280.51	(1,549,288.91)
Vehicles	(2,934,026.39)	(265,506.50)	416,728.60	(2,782,804.29)
Equipment Under Capital Lease	(6,091.85)	(1,223.21)	4,942.41	(2,372.65)
Total Accumulated Depreciation	(16,042,205.54)	(1,347,989.79)	485,160.24	(16,905,035.09)
Total Capital Assets Being Depreciated, Net	36,464,900.19	383,127.17	(56,794.60)	36,791,232.76
Total Governmental Activities Capital Assets, Net	\$ 38,103,513.89	\$ 716,642.47	\$(579,845.81)	\$ 38,240,310.55

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	\$ 911,628.87
Instructional Support Services	12,870.18
Operation and Maintenance	56,898.87
Auxiliary Services:	
Food Service	77,979.97
Transportation	267,903.62
General Administration and Central Support	9,159.56
Other	11,548.72
Total Depreciation Expense - Governmental Activities	\$1,347,989.79

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, 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 the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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

Notes to the Financial Statements
For the Year Ended September 30, 2015

C. Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2015, was 11.71% of annual pay for Tier 1 members and 11.05% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$2,339,184.46 for the year ended September 30, 2015.

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

At September 30, 2015, the Board reported a liability of \$28,968,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the Board's proportion was 0.318874%, which was an increase of 0.000518% from its proportion measured as of September 30, 2013.

Notes to the Financial Statements
For the Year Ended September 30, 2015

For the year ended September 30, 2015, the Board recognized pension expense of \$2,202,000.00. At September 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		2,172,000.00
Changes in proportion and differences between Employer contributions and proportionate share of contributions	45,000.00	
Employer contributions subsequent to the measurement date	2,339,184.46	
Total	<u>\$2,384,184.46</u>	<u>\$2,172,000.00</u>

\$2,339,184.46 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2016	\$(532,000.00)
2017	\$(532,000.00)
2018	\$(532,000.00)
2019	\$(532,000.00)
2020	\$ 1,000.00
Thereafter	\$

E. Actuarial Assumptions

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

Inflation	3.00%
Investment Rate of Return (*)	8.00%
Projected Salary Increases	3.50% - 8.25%
(*) Net of Pension Plan Investment Expense	

Notes to the Financial Statements

For the Year Ended September 30, 2015

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

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

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

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

(*) Includes assumed rate of inflation of 2.50%

F. Discount Rate

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

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

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

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
The Board's proportionate share of collective net pension liability	\$39,464	\$28,968	\$20,073
(Dollar amounts in the thousands)			

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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 Educations Employees' Health Insurance Plan website, <http://www.rsa-al.gov> under the Employers' Financial Reports section.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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 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 2015
Individual Coverage – Non-Medicare Eligible	\$151.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$391.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$250.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$250.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$700.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$934.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$907.00
Surviving Spouse – Medicare Eligible	\$354.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$595.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$568.00

For employees that retire other than for disability on or after October 1, 2005, and before January 1, 2012, 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. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is \$28.00 per month for retired members that smoke.

Notes to the Financial Statements
For the Year Ended September 30, 2015

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
2015	\$780.00	\$180.76	23.17%	\$1,055,637.25	100%
2014	\$714.00	\$220.09	30.83%	\$1,312,075.72	100%
2013	\$714.00	\$216.90	30.38%	\$1,281,291.81	100%

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

Note 8 – Lease Obligations

Capital Leases

The Board is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$25,456.60 at September 30, 2015. 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. Until that time, the leased equipment will be identified separately on the balance sheet. 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, 2015.

Fiscal Year Ending	Governmental Activities
September 30, 2016	\$ 4,708.92
2017	4,285.72
2018	1,572.90
Total Minimum Lease Payments	10,567.54
Less: Amount Representing Interest	(242.96)
Present Value of Net Minimum Lease Payments	\$10,324.58

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 9 – Long-Term Debt

During fiscal year 2008, the Board issued tax anticipation warrants entitled Capital Outlay Warrants, Series 2007, to provide funds for the acquisition, construction and renovation of school facilities. Also, the Board issued tax anticipation warrants entitled Capital Outlay Warrants, Series 2008 to provide funds for the acquisition and construction of public school improvements (including buses) in the County and to pay the expenses of issuing the warrants.

On December 16, 2009, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bonds, (QSCB) Series 2009-D (Tax Credit Bonds), with a tax credit rate of 5.76% and interest rate of 1.865% on behalf of various Boards of Education in the State. The Board had a 0.32% participation in the bonds resulting in the Board's share of principal, issuance costs and net proceeds of \$472,000.00, \$4,154.82 and \$467,845.18, respectively. The Board is required to make sinking fund deposits of \$24,563.44 on December 15 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds.

During fiscal year 2012, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Bonds to replace the Capital Improvement Pool Bonds that was issued in fiscal year 2004. As with the previous issue the Alabama Department of Education will withhold the required debt service payments from the Board's Public School Fund allocation.

During the 2013 fiscal year, the Board entered into a capital lease for Gaylesville High School for the purchase of a tractor. This capital lease will be liquidated with local school funds.

During the 2013 fiscal year, the Board entered into a note payable for the purchase of school buses. This note payable will be liquidated with Fleet Renewal Funds.

During the 2015 fiscal year, the Board entered into a capital lease for Cherokee County High School for the purchase of a lawn tractor. The capital lease has a 0% interest rate for 48 months and will be liquidated with local school funds.

On November 17, 2014, the Board financed 12 school buses with Regions Bank in the amount of \$1,076,711.40 with an interest rate of 2.72%. The note will be liquidated with Fleet Renewal Funds over 120 months.

Notes to the Financial Statements
For the Year Ended September 30, 2015

On May 5, 2015, the Alabama Public School and College (PSCA) issued a Capital Outlay Pool Warrant, Series 2015-C, with various Boards of Education in the State. The Board's share of the \$52,816,293.25 gross proceeds is \$2,901,994.13 or 5.49%. The Board is required to make payments on June 1 and December 1 each year, beginning December 1, 2015. The principal and interest payments are secured by a pledge of the Board's allocable share of the Public School Capital Outlay Funds.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2015:

	Debt Outstanding 10/01/2014	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2015	Amounts Due Within One Year
Governmental Activities:					
Bonds/Warrants Payable:					
Capital Outlay Warrants, Series 2007	\$ 6,550,000.00		\$ (160,000.00)	\$6,390,000.00	\$170,000.00
Capital Outlay Warrants, Series 2008	8,535,000.00		(230,000.00)	8,305,000.00	240,000.00
QSCB, Series 2009-D	472,000.00			472,000.00	
Capital Outlay Warrants, Series 2015-C		2,570,054.95		2,570,054.95	72,802.20
School Tax Refunding Bonds:					
Capital Outlay Bonds Series 2012-A	1,290,689.85		(126,994.67)	1,163,695.18	132,009.83
Deferred Amounts:					
Unamortized Premium	259,312.81	339,568.58	(598,881.39)		
Total Bonds/Warrants Payable	17,107,002.66	2,909,623.53	(1,115,876.06)	18,900,750.13	614,812.03
Notes Payable	196,071.29	1,076,711.40	(137,626.77)	1,135,155.92	157,177.17
Capital Leases Payable	8,587.30	8,846.11	(7,108.83)	10,324.58	4,559.92
Net Pension Liability	31,184,000.00		(2,216,000.00)	28,968,000.00	
Total Governmental Activities					
Long-Term Debt	<u>\$48,495,661.25</u>	<u>\$3,995,181.04</u>	<u>\$(3,476,611.66)</u>	<u>\$49,014,230.63</u>	<u>\$776,549.12</u>

Payments on the Capital Outlay Warrants, Series 2007 are made by the debt service fund with sales taxes. Payments on the Capital Outlay Warrants, Series 2008, are made by the debt service fund with county-wide ad valorem taxes. Payments on the Capital Outlay Warrants Series 2015-C, Capital Outlay Warrants, Series 2012-A, and Qualified School Construction Bonds, Series 2009-D, are made with Public School Funds withheld from the Board's allocation from the Alabama Department of Education. The school bus notes payable are paid using Fleet Renewal funds. Obligations under capital leases are paid using Local School funds.

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

Fiscal Year Ending	Bonds/Warrants Payable		Capital Lease Contracts Payable		Notes Payable		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	Principal	Interest	
September 30, 2016	\$ 614,812.03	\$ 798,495.30	\$ 4,559.92	\$149.00	\$ 157,177.17	\$ 29,148.71	\$ 1,604,342.13
2017	646,490.33	764,672.27	4,205.74	79.98	161,475.33	24,850.54	1,601,774.19
2018	677,746.88	735,700.66	1,558.92	13.98	118,370.27	20,681.92	1,554,072.63
2019	704,663.86	705,206.46			105,417.20	17,681.44	1,532,968.96
2020	741,952.03	1,073,048.46			108,320.53	14,778.11	1,938,099.13
2021-2025	3,758,909.16	2,868,445.94			484,395.42	28,515.58	7,140,266.10
2026-2030	4,645,791.21	2,010,517.39					6,656,308.60
2031-2035	5,260,384.63	1,029,632.22					6,290,016.85
2036-2038	1,850,000.00	98,787.50					1,948,787.50
Total	\$18,900,750.13	\$10,084,506.20	\$10,324.58	\$242.96	\$1,135,155.92	\$135,656.30	\$30,266,636.09

Pledged Revenues

The Board issued its Capital Outlay Pool Warrant, Series, 2012-A, which is pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$1,389,941.64 are pledged to repay the principal and interest on the bonds at September 30, 2015. Pledged funds in the amount of \$185,455.66 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2015. This amount represents 18.92% percent of the pledged funds received by the Board. The Series 2012-A bonds will mature in fiscal year 2024.

The Board issued Capital Outlay Warrants, Series 2007, for the purpose of providing funds for the acquisition, construction and renovation of school facilities. The Board pledged to repay the capital outlay warrants from the proceeds of a special sales tax pursuant to Act Number 79-78, Acts of Alabama, as amended by Act Number 80-279, Acts of Alabama, of which the Board receives 50% of the proceeds. Future revenues of \$10,510,126.25 are pledged to repay the principal and interest on the warrants at September 30, 2015. Proceeds of the special sales tax in the amount of \$801,584.08 were received by the Board during the fiscal year ended September 30, 2015, of which \$437,117.50 was used to pay principal and interest on the warrants. This amount represents 54.53% of the pledged funds received by the Board. The Series 2007 Capital Outlay Warrants will mature in fiscal year 2038.

Notes to the Financial Statements
For the Year Ended September 30, 2015

The Board issued Capital Outlay Warrants, Series 2008, for the purpose of providing funds for the acquisition and construction of public school improvements (including buses) in the County. The Board pledged to repay the capital outlay warrants from the proceeds of a thirteen-mill county-wide ad valorem tax. Future revenues of \$12,525,028.18 are pledged to repay the principal and interest on the warrants at September 30, 2015. Proceeds of the county-wide ad valorem tax in the amount of \$3,508,484.73 were received by the Board during the fiscal year ended September 30, 2015, of which \$578,652.53 was used to pay principal and interest on the warrants. This amount represents 16.49% of the pledged funds received by the Board. The Series 2008 Capital Outlay Warrants will mature in fiscal year 2036.

On December 16, 2009, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bonds (QSCB), Series 2009-D (Tax Credit Bonds), on behalf of various Boards of Education in the State. The Board had a 0.32% participation in the bonds, which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$562,228.70 are pledged to repay the principal and interest on the bonds at September 30, 2015. Pledged funds in the amount of \$8,802.80 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2015. This amount represents 0.90% percent of the pledged funds received by the Board. The Series 2009-D bonds will mature in fiscal year 2026.

On May 5, 2015, the Alabama Public School and College Authority issued Capital Outlay Pool Warrants, Series 2015-C, which is 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 \$3,997,931.56 are pledged to repay the principal and interest on the bonds at September 30, 2015. Pledged funds in the amount of \$0.00 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2015. This amount represents 0.00% percent of the pledged funds received by the Board. The Series 2015-C bonds will mature in fiscal year 2035.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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 and errors and omissions insurance are purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE 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, 2015

Note 11 – Interfund Receivables and Payables

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2015, were as follows:

	Interfund Payables	
	Special Revenue Fund	Total
<u>Interfund Receivables</u>		
General Fund	\$87,165.06	\$87,165.06
Total	<u>\$87,165.56</u>	<u>\$87,165.06</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2015, were as follows:

	Transfers In			Total
	General Fund	Special Revenue Fund	Other Governmental Funds	
<u>Transfers Out</u>				
General Fund	\$	\$643,154.60	\$1,011,320.00	\$1,654,474.60
Special Revenue Fund	179,464.20			179,464.20
Totals	<u>\$179,464.20</u>	<u>\$643,154.60</u>	<u>\$1,011,320.00</u>	<u>\$1,833,938.80</u>

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 Fund to service current-year debt requirements.

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 12 – Subsequent Event

On March 1, 2015, the citizens of Cherokee County voted to extend the one-cent sales taxes for educational purposes in perpetuity.

Note 13 – Restatements

In fiscal year 2015, the Cherokee County Board of Education adopted Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions***. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Cherokee County Board of Education’s financial statements. For fiscal year 2015, the Board made prior period adjustments due to the adoption of GASB Statement Number 68 which required the restatement of the September 30, 2014, net position in Governmental Activities. The result is a decrease in net position at October 1, 2014, of \$28,893,000.00

The impact of the restatements on the fund balances/net position as previously reported is as follows:

Governmental Activities Net Position Balance, September 30, 2014, as Previously Reported	\$ 28,955,024.06
Net Pension Liability Due to Adoption of GASB 68	(31,184,000.00)
Deferred Outflows Relating to Net Pension Liability	2,291,000.00
Governmental Activities Net Position, September 30, 2014, as Restated	\$ 62,024.06

Required Supplementary Information

***Schedule of the Employer's Proportionate Share of the
Net Pension Liability
For the Year Ended September 30, 2015
(Dollar amounts in thousands)***

	2015
Employer's proportion of the net pension liability	0.318874%
Employer's proportionate share of the net pension liability	\$ 28,968
Employer's covered-employee payroll during the measurement period (*)	\$ 20,219
Employer's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	143.27%
Plan fiduciary net position as a percentage of the total collective pension liability	71.01%

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

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions
For the Year Ended September 30, 2015
(Dollar amounts in thousands)***

	2015
Contractually required contribution	\$ 2,339
Contributions in relation to the contractually required contribution	<u>\$ 2,339</u>
Contribution deficiency (excess)	\$
School District's covered-employee payroll	\$ 20,072
Contributions as a percentage of covered-employee payroll	11.65%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
State	\$ 22,550,695.00	\$ 22,586,903.00	\$ 22,682,834.52
Federal	1,500.00	1,500.00	152,034.68
Local	7,632,219.73	7,635,431.44	8,725,352.16
Other	80,000.00	162,770.00	307,074.50
Total Revenues	30,264,414.73	30,386,604.44	31,867,295.86
Expenditures			
Current:			
Instruction	17,639,267.47	17,897,983.51	17,868,198.85
Instructional Support	4,647,529.49	4,676,091.24	4,959,917.93
Operation and Maintenance	2,429,505.44	2,429,505.44	2,451,186.39
Auxiliary Services:			
Student Transportation	2,291,500.61	2,375,072.36	2,351,343.55
General Administrative	1,290,743.54	1,130,824.77	1,252,074.15
Other	270,892.00	317,074.86	349,445.52
Capital Outlay	325,000.00	1,424,820.70	1,113,252.70
Total Expenditures	28,894,438.55	30,251,372.88	30,345,419.09
Excess (Deficiency) of Revenues Over Expenditures	1,369,976.18	135,231.56	1,521,876.77
Other Financing Sources (Uses)			
Indirect Cost	206,779.06	212,997.58	200,930.61
Long-Term Debt Issued		1,076,711.40	1,076,711.40
Transfers In	264,339.00	282,495.15	179,464.20
Other Financing Sources			37,915.95
Sale of Capital Assets			46,781.50
Transfers Out	(2,107,954.45)	(2,107,954.45)	(1,654,474.60)
Total Other Financing Sources (Uses)	(1,636,836.39)	(535,750.32)	(112,670.94)
Net Change in Fund Balances	(266,860.21)	(400,518.76)	1,409,205.83
Fund Balances - Beginning of Year	4,739,887.99	7,458,674.07	7,447,674.07
Fund Balances - End of Year	\$ 4,473,027.78	\$ 7,058,155.31	\$ 8,856,879.90

Explanation of differences:

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 22,682,834.52
	152,034.68
2,831.39	8,728,183.55
	307,074.50
<u>2,831.39</u>	<u>31,870,127.25</u>
111,116.90	17,979,315.75
11,183.03	4,971,100.96
1,928.80	2,453,115.19
1,678.26	2,353,021.81
(1,923.28)	1,250,150.87
12,727.07	362,172.59
	1,113,252.70
<u>136,710.78</u>	<u>30,482,129.87</u>
<u>(133,879.39)</u>	<u>1,387,997.38</u>
	200,930.61
	1,076,711.40
	179,464.20
	37,915.95
	46,781.50
	<u>(1,654,474.60)</u>
	<u>(112,670.94)</u>
(133,879.39)	1,275,326.44
<u>(2,078,138.07)</u>	<u>5,369,536.00</u>
<u>\$ (2,212,017.46)</u>	<u>\$ 6,644,862.44</u>
<u>\$ (133,879.39)</u>	

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
State	\$	\$	\$ 5,015.00
Federal	4,248,123.78	4,629,268.24	4,151,901.45
Local	2,436,078.00	2,436,078.00	2,779,903.37
Other	86,362.00	86,362.00	114,474.77
Total Revenues	6,770,563.78	7,151,708.24	7,051,294.59
Expenditures			
Current:			
Instruction	2,108,422.83	2,520,460.14	2,601,996.71
Instructional Support	971,243.24	1,033,625.06	997,706.51
Operation and Maintenance	172,570.00	172,820.00	284,317.67
Auxiliary Services:			
Student Transportation	52,696.00	55,920.16	50,408.65
Food Service	2,968,982.28	3,084,332.28	3,054,262.60
General Administrative	298,485.23	342,094.31	322,267.55
Other	846,828.90	638,984.57	558,206.50
Capital Outlay	4,580.00	39,215.00	23,831.11
Debt Service:			
Principal Retirement	2,500.00	2,500.00	7,108.83
Interest and Fiscal Charges			255.24
Total Expenditures	7,426,308.48	7,889,951.52	7,900,361.37
Excess (Deficiency) of Revenues Over Expenditures	(655,744.70)	(738,243.28)	(849,066.78)
Other Financing Sources (Uses)			
Long-Term Debt Issued			8,846.11
Transfers In	1,060,744.44	1,060,744.44	643,154.60
Other Financing Sources	255.00	255.00	1,230.00
Transfers Out	(232,899.00)	(251,055.15)	(179,464.20)
Total Other Financing Sources (Uses)	828,100.44	809,944.29	473,766.51
Net Change in Fund Balances	172,355.74	71,701.01	(375,300.27)
Fund Balances - Beginning of Year	1,104,505.83	2,079,626.81	1,998,534.49
Fund Balances - End of Year	\$ 1,276,861.57	\$ 2,151,327.82	\$ 1,623,234.22

Explanation of differences:

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 5,015.00
	4,151,901.45
	2,779,903.37
	114,474.77
	<u>7,051,294.59</u>
	2,601,996.71
	997,706.51
	284,317.67
	50,408.65
1,040.54	3,055,303.14
	322,267.55
	558,206.50
	23,831.11
	7,108.83
	255.24
<u>1,040.54</u>	<u>7,901,401.91</u>
<u>(1,040.54)</u>	<u>(850,107.32)</u>
	8,846.11
	643,154.60
	1,230.00
	<u>(179,464.20)</u>
	<u>473,766.51</u>
(1,040.54)	(376,340.81)
(109,047.29)	1,889,487.20
<u>\$ (110,087.83)</u>	<u>\$ 1,513,146.39</u>

\$ (1,040.54)

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Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Agriculture</u>		
<u>Passed Through Alabama Department of Education</u>		
Fresh Fruit and Vegetable Program	10.582	N/A
Child Nutrition Cluster:		
School Breakfast Program - Cash Assistance	10.553	N/A
National School Lunch Program		
Cash Assistance	10.555	N/A
Non-Cash Assistance (Commodities)	10.555	N/A
Sub-Total National School Lunch Program		
Sub-Total Child Nutrition Cluster		
Total U. S. Department of Agriculture		
<u>U. S. Department of Education</u>		
<u>Direct Program</u>		
Indian Education - Grants to Local Educational Agencies	84.060	N/A
<u>Passed Through Alabama Department of Education</u>		
Title I Grants to Local Educational Agencies	84.010	N/A
Special Education Cluster:		
Special Education - Grants to States	84.027	N/A
Special Education - Preschool Grants	84.173	N/A
Sub-Total Special Education Cluster (M)		
Career and Technical Education - Basic Grants to States	84.048	N/A
Rural Education	84.358	N/A
Improving Teacher Quality State Grants (M)	84.367	N/A
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A
Education for Homeless Children and Youth	84.196	N/A
Twenty-First Century Community Learning Centers	84.287	N/A
Total U. S. Department of Education		
<u>Social Security Administration</u>		
<u>Passed Through Alabama Department of Education</u>		
Social Security - Disability Insurance	96.001	N/A
<u>U. S. General Services Administration</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Donation of Federal Surplus Personal Property (N)	39.003	N/A

Total Expenditures of Federal Awards

(M) = Major Program

(N) = Non-Cash Assistance

N.A. = Not Available/Not Applicable

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		
10/01/2014-09/30/2015	\$ 78,832.18	\$ 78,832.18	\$ 78,832.18	\$ 78,832.18
10/01/2014-09/30/2015	284,932.35	284,932.35	284,932.35	284,932.35
10/01/2014-09/30/2015	1,160,084.93	1,160,084.93	1,160,084.93	1,160,084.93
10/01/2014-09/30/2015	124,599.58	124,599.58	124,599.58	124,599.58
	<u>1,284,684.51</u>	<u>1,284,684.51</u>	<u>1,284,684.51</u>	<u>1,284,684.51</u>
	<u>1,569,616.86</u>	<u>1,569,616.86</u>	<u>1,569,616.86</u>	<u>1,569,616.86</u>
	<u>1,648,449.04</u>	<u>1,648,449.04</u>	<u>1,648,449.04</u>	<u>1,648,449.04</u>
07/01/2014-06/30/2015	97,719.00	97,719.00	78,215.88	78,215.88
10/01/2014-09/30/2015	1,221,835.68	1,221,835.68	1,164,642.47	1,164,642.47
10/01/2014-09/30/2015	1,273,609.37	1,273,609.37	1,034,533.82	1,034,533.82
10/01/2014-09/30/2015	17,377.54	17,377.54	12,627.30	12,627.30
	<u>1,290,986.91</u>	<u>1,290,986.91</u>	<u>1,047,161.12</u>	<u>1,047,161.12</u>
10/01/2014-09/30/2015	56,618.00	56,618.00	56,618.00	56,618.00
10/01/2014-09/30/2015	84,506.79	84,506.79	65,733.23	65,733.23
10/01/2014-09/30/2015	170,527.58	170,527.58	145,975.30	145,975.30
10/01/2014-09/30/2015	500.00	500.00	164.21	164.21
10/01/2014-09/30/2015	20,000.00	20,000.00	19,629.89	19,629.89
10/01/2014-09/30/2015	125,000.00	125,000.00	68,709.70	68,709.70
	<u>3,067,693.96</u>	<u>3,067,693.96</u>	<u>2,646,849.80</u>	<u>2,646,849.80</u>
10/01/2014-09/30/2015	1,538.00	1,538.00	1,538.00	1,538.00
10/01/2014-09/30/2015			194.47	194.47
	<u>\$ 4,717,681.00</u>	<u>\$ 4,717,681.00</u>	<u>\$ 4,297,031.31</u>	<u>\$ 4,297,031.31</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2015***

Note 1 – Basis of Presentation

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

Additional Information

Board Members and Administrative Personnel
October 1, 2014 through September 30, 2015

Board Members **Term Expires**

Hon. Mark Gossett	President	2016
Hon. Lynn Rochester	Vice-President	2016
Hon. Suzanne Bishop	Member	2018
Hon. Mark Green	Member	2018
Hon. Brian Jennings	Member	2020
Hon. Lisa McKissick	Member	2014

Administrative Personnel

Hon. Mitchell Guice	Superintendent	2016
Robin Cunningham	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***

Independent Auditor's Report

To: Members of the Cherokee County Board of Education, Superintendent and Chief School Financial Officer

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee County Board of Education (the "Board"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated April 21, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

April 21, 2016

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by
OMB Circular A-133***

Independent Auditor's Report

To: Members of the Cherokee County Board of Education, Superintendent and Chief School Financial Officer

Report on Compliance for Each Major Federal Program

We have audited the Cherokee County Board of Education's (the "Board") 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 Board's major federal programs for the year ended September 30, 2015. The Board's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by
OMB Circular A-133***

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

April 21, 2016

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

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified
 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: Unmodified
 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 Numbers	Name of Federal Program or Cluster
84.027 and 84.173 84.367	Special Education Cluster Improving Teacher Quality State Grants

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

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

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.	