

Report on the

# Winston County Board of Education

Winston County, Alabama

October 1, 2008 through September 30, 2009

Filed: April 9, 2010



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*





Ronald L. Jones  
Chief Examiner

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

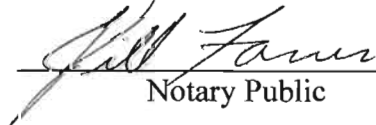
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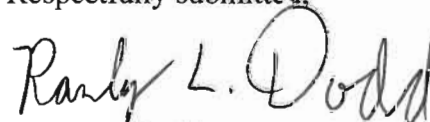
Dear Sir:

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

Sworn to and subscribed before me this  
the 16<sup>th</sup> day of March, 2010.

  
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Notary Public

Respectfully submitted,

  
Randy L. Dodd  
Examiner of Public Accounts

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## *Table of Contents*

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	<i>Page</i>
<b>Summary</b>	A
<p>Contains items pertaining to state and local legal compliance, Board operations, and other matters.</p>	
<b>Independent Auditor’s Report</b>	B
<p>Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).</p>	
<b>Management’s Discussion and Analysis</b>	E
<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Board introducing the basic financial statements and providing an analytical overview of the Board’s financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
<b><u>Basic Financial Statements</u></b>	1
<p>Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Board’s financial position and results of operations in accordance with GAAP.</p>	
Exhibit #1	2
Exhibit #2	3
Exhibit #3	5
Exhibit #4	7
Exhibit #5	8
Exhibit #6	10
Exhibit #7	11



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## *Table of Contents*

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---

	<i>Page</i>
<b>Notes to the Financial Statements</b>	12
<b><u>Required Supplementary Information</u></b>	33
Provides information required by the GASB to supplement the basic financial statements. This information had not been audited and no opinion is provided about this information.	
Exhibit #8 <b>Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund</b>	34
<b><u>Supplementary Information</u></b>	38
Contains financial information and notes relative to federal financial assistance.	
Exhibit #9 <b>Schedule of Expenditures of Federal Awards</b>	39
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	43
<b><u>Additional Information</u></b>	44
Provides basic information related to the Board, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits.	
Exhibit #10 <b>Board Members and Administrative Personnel</b> – a listing of the Board members and administrative personnel.	45
Exhibit #11 <b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b> – a report on internal controls related to the financial statements and on whether the Board complied with laws and regulations which could have a direct and material effect on the Board’s financial statements.	46



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## *Table of Contents*

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	<i>Page</i>
Exhibit #12 <b>Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133</b> – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the Board complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.	48
Exhibit #13 <b>Schedule of Findings and Questioned Costs</b> – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133.	50

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

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

The Winston County Board of Education (the "Board") is a five-member body elected by the citizens of Winston County. The members and administrative personnel in charge of governance of the Board are listed on Exhibit 10. The Board is the governmental agency that provides general administration and supervision for Winston County public schools, preschool through high school, with the exception of schools administered by the Haleyville City Board of Education.

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

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

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

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

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*Independent Auditor's Report*

## *Independent Auditor's Report*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Winston County Board of Education, as of and for the year ended September 30, 2009, which collectively comprise the Winston County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 7. These financial statements are the responsibility of the Winston County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

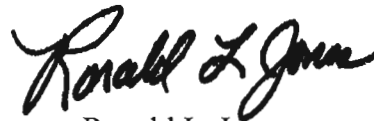
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2010 on our consideration of the Winston County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Winston County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 9) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

March 11, 2010

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

**Winston County Board of Education  
Management's Discussion and Analysis (MD&A)  
For the Year Ended September 30, 2009**

**Introduction**

The Management's Discussion and Analysis (MD&A) of Winston County Board of Education's (the "Board's") financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2009. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Winston County Board of Education's financial performance.

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

**Financial Highlights**

Our financial statements provide these insights into the results of this year's operations: The Board's financial status basically remained at status quo for the 2009 fiscal year. The Board's total net assets decreased by only \$10,455.09 over the course of the year. This was due to a decrease of \$811,522.17 in the general revenues, a \$2,776,090.50 decrease in program revenues, accompanied by continued conservative fiscal management of expenditures by the Board.

- Capital outlays during the audit period were \$5,254,524.70, most of which was spent for construction projects, child nutrition equipment, security equipment, tractor, distance learning lab equipment, and the upgrade of a science lab.
- We continued to pay on our debt service for the following:
  - Special Tax School Warrants – Series 1996
  - Special Tax School Warrants – Series 1998
  - Special Tax School Warrants – Series 1998-B
  - Special Tax School Warrants – Series 2007
  - PSCA Capital Improvement - Series 2001-A
  - PSCA Capital Improvement – Series 2008
  - QZAB Capital Improvement – Series 2001-B
  - Lease Purchase Agreements – 44 buses
- The PEEHIP employer match decreased from \$775 to \$752 per employee per month.
- The retirement employer match increased from 11.75% to 12.07%,
- The unemployment rate employer match decreased from .01% to .00%.

- The assets of the Board exceeded its liabilities at the close of the 2009 fiscal year by \$13,069,220.03. Of this amount \$8,558,324.50 was invested in capital assets net of related debt. This provides the Board with \$1,614,165.59 unrestricted reserves; \$2,053,978.95 restricted for debt service; and, \$378,935.93 restricted for capital projects. Liabilities include salaries and benefits of \$1,868,707.28 earned but not paid at September 30, 2009, due to the school year beginning July 1 and fiscal year beginning October 1. This is a major factor in the unrestricted net asset figure. The earlier employees begin to work in the school year, the greater the liability. School started on August 5, 2009, for the 09-10 school year which created the Board's liability on September 30, 2009. The total cost of the Board's programs for the year, not including debt service and capital outlay, was \$28,146,936.43. The state Foundation Program provided \$15,648,074.00 after 11% proration of that amount of which \$1,763,640.00 was local money required by the 10 mill match. The 10 mill match is local tax revenues which are required to be coded as state revenues. The original allocation for which the Board based all FY 09 plans upon was \$17,572,305.00. This was a negative difference of \$1,924,231.00 in anticipated and actual Foundation Program revenues. The capital purchase allocation was \$604,041.00 which required a \$162,311.00 local match, again from local tax revenues which are to be coded as capital purchase revenues.
- General Fund expenditures exceeded revenues by \$834,996.58. This is mainly due to proration of state funds, and in part to ad valorem remaining constant, while sales taxes decreased for the year. Our Board maintained a very conservative view toward expenditures.
- Accountability legislation took effect in FY 07 that requires a one-month's reserve which results in a \$1,856,494.01 requirement for the General Fund which is a decrease of \$63,646.46 per month from the previous year. Additional legislation in FY 09 gave leeway for local Boards to fall below the one-month reserve in years when proration is declared by the Governor. The Board has .56 of one-month's reserve according to Exhibit #5, or \$1,038,335.89 on September 30, 2009.

### **Overview of the Financial Statements**

This discussion and analysis serves as an introduction to the Board's basic financial statements which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

The first two statements are government-wide financial statements — the *Statement of Net Assets* and the *Statement of Activities*. These provide both long-term and short-term information about the Board's overall financial status. Although other governments may report governmental activities and business-type activities, the Board has no business-type activities. The government-wide financial statements report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations, which has not been the case in the past.

These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting which takes into account all of the Board's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector.

The *Statement of Net Assets* (Exhibit #1) presents information on all of the Board's assets (what it owns) and liabilities (what it owes) with the difference reported as net assets. This statement is most closely related to a balance sheet. The net assets reported in this statement represent the accumulation of changes in net assets for the current fiscal year and all prior fiscal years combined. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net assets help determine whether the Board's financial position is improving or deteriorating.

The *Statement of Activities* (Exhibit #2) provides information which shows how the Board's net assets changed during the current fiscal year only. This statement is most closely related to an income statement. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when the cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations). By showing the change in net assets for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year.

A *Statement of Fiduciary Net Assets – Fiduciary Funds* (Exhibit #7) is included. The Winston County Board of Education required all booster organizations to transfer their funds into the school books and become a part of the school's accounting system beginning October 1, 2005. This statement shows the combined total of fiduciary funds which are actually assets of local school booster organizations; therefore, the same amount is shown as a liability to this Board since these funds are not assets of the Winston County Board of Education.

The next statements are the fund financial statements which provide more detailed information about the Board's most significant funds — not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The Board uses fund accounting to ensure and demonstrate fiscal accountability. The new reporting model still requires the Board to present financial statements on a fund basis, but with some modifications. One kind of fund — governmental funds — is presented in the fund financial statements.

Governmental funds – Governmental fund financial statements — the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* — begin on Exhibit #3. Until now, fund information has been reported in the aggregate by type of fund. As required under this reporting model, the fund financial statements presented herein display information on each of the Board’s most important governmental funds or major funds. This is required in order to better assess the Board’s accountability for significant governmental programs or certain dedicated revenue. The Board’s major funds are the General Fund, QZAB Debt Service Fund, and Other Governmental Funds. The fund financial statements are still measured on the modified-accrual basis of accounting as reported in the previous fiscal years, where revenues and expenditures are recorded when they become measurable and available. As a result, the fund financial statements focus more on the short-term use and availability of spendable resources. The information provided in these statements is useful in determining the Board’s immediate financial needs. The relationship between governmental activities reported in the *government-wide financial statement* and the government funds reported in the *fund financial statement* are reconciled on pages 6 and 9 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board’s short-term decisions.

The last type of statements are the notes to the financial statements that provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of a budgetary comparison schedule of the original adopted budget to the final amended budget of the Board’s General Fund (page 34) which is then further compared to the actual operating results for the fiscal year. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting (page 36).

### **Financial Analysis of the Board as a Whole**

As noted earlier, the Winston County Board of Education has no business-type activities. Consequently, all of the Board's net assets are reported as Governmental Activities. Refer to Table 1 when reading the following analysis of net assets.

- The Board’s assets exceeded liabilities by \$13,069,220.03 at September 30, 2009.
- Of this figure, over 65% reflects the Board’s investment in capital assets. Since these capital assets represent investment in land, buildings, school buses, furniture and equipment, this portion of net assets is not available for future spending or funding of operations.

- Restricted net assets are reported separately to show the funds obligated for capital projects, external legal constraints from debt covenants, and enabling legislation that limit the Board’s ability to use those net assets for daily operations. Over 22% of the Board’s net assets are restricted.
- Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements—are \$1,614,165.59 or more than 12%, at the end of the fiscal year. This figure does not mean that the Board has few resources to pay bills for the upcoming fiscal year. This figure arose primarily because state appropriations for salaries and fringe benefits for the school year that begins July 1 are not received until the fiscal year that begins October 1.

**Table 1: Summary of Net Assets**

As of September 30, 2009

	9/30/2008 Governmental Activities	9/30/2009 Governmental Activities
Current and other assets	\$14,588,629.42	\$ 9,641,260.78
Capital assets	<u>\$16,576,656.39</u>	<u>\$20,956,506.11</u>
Total assets	\$31,165,285.81	\$30,597,766.89
Current and other liabilities	\$ 4,266,668.60	\$ 4,656,528.94
Long-term liabilities	<u>\$13,818,942.09</u>	<u>\$12,872,017.92</u>
Total liabilities	\$18,085,610.69	\$17,528,546.86
Net assets:		
Invested in capital assets, net of <u>related debt</u>	\$ 6,872,774.90	\$ 8,558,324.50
Restricted	\$ 3,051,211.60	\$ 2,896,729.94
Unrestricted	<u>\$ 3,155,688.62</u>	<u>\$ 1,614,165.59</u>
Total net assets	<u>\$13,079,675.12</u>	<u>\$13,069,220.03</u>

The Alabama Legislature requires that no K-12 school district budget provide less than one month’s operating reserve, except in years when the Governor has declared proration. Non-capital expenditures for the Board are about \$28 million which requires a reserve of approximately \$2,345,578.04 for one month. Due to the low unrestricted net assets and the amount of state funding over the past several years forcing more local revenues to be used for daily operations, extremely conservative fiscal management will be necessary to accomplish this goal in non-prorated years.

As shown in Table 2, program revenues, specifically operating grants and contributions, are the largest component of total revenues (81.25%).

- Operating grants and contributions contribute 78.76% of program revenues and 63.99% of total revenues. The major sources of revenues in this category are state Foundation Program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state and federally funded grants, capital outlay funds and state funds to replace buses.

- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

General revenues, primarily property taxes and sales taxes, are used to provide 18.75% or \$5,275,903.80 for expenses not covered by program revenues.

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board (51.31%).

- In addition to teacher salaries and benefits, instructional services includes teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services (15.55%) include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, and professional development expenses.
- Operation and maintenance services (7.09%) include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- In addition to bus driver salaries and benefits, student transportation services (9.77%) include mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance.
- Food services (7.54%) include salaries and benefits for a coordinator, clerical and financial staff, cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- General administrative services (4.49%) include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment.
- Debt service (2.47%) includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses (1.78%) include the salaries and benefits for preschool teachers and aides, tutors, and summer school programs. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.

The decrease in net assets can be attributed to several factors, including:

- General revenues increased only in property taxes and grants/contributions. All other general revenues decreased.

- Program revenues in the category of operating grants and contributions decreased, the category of capital grants and contributions decreased, and the category of charges for services decreased.
- Locally funded teacher units were maintained at a conservative level.
- Expenditure categories increased only in the areas of operation and maintenance and debt service. Other categories decreased as a result of conservatism by this Board coupled with a decrease in the employer matches on health insurance and unemployment compensation.

There was a slight decline of local tax revenues, primarily in the collections of sales taxes due to current economic conditions. Investment income decreased as a result of lower interest rates on certificate of deposit and less investments in certificates of deposit. The increase in property taxes can be attributed to the latest tax appraisal and much residential building in the Smith Lake area of Winston County.

**Table 2: Summary of Changes in Net Assets from Operating Results**

Fiscal Year Ended September 30, 2009

	9/30/2008 Governmental Activities	9/30/2009 Governmental Activities
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 2,346,855.59	\$ 2,340,899.39
Operating grants and contributions	\$20,577,535.37	\$18,005,906.01
Capital grants and contributions	\$ 2,712,277.08	\$ 2,513,772.14
General revenues:		
Property taxes	\$ 2,383,273.80	\$ 2,509,998.68
Sales tax	\$ 1,937,385.12	\$ 1,773,064.93
Other taxes	\$ 19,090.05	\$ 18,819.01
Specific programs	\$ 63,239.28	\$ 88,723.80
Investment income	\$ 830,395.20	\$ 207,322.43
Other general revenues	<u>\$ 854,042.52</u>	<u>\$ 677,974.95</u>
<b>Total revenues</b>	\$31,724,094.01	\$28,136,481.34
<b>Expenses</b>		
Instructional services	\$14,467,671.31	\$14,441,524.86
Instructional support services	\$ 4,503,788.04	\$ 4,377,381.45
Operation & maintenance services	\$ 1,987,271.47	\$ 1,994,544.79
Student transportation services	\$ 2,982,849.82	\$ 2,748,980.13
Food services	\$ 2,152,228.54	\$ 2,121,230.37
General administrative services	\$ 1,274,204.93	\$ 1,265,510.50
Interest on long-term debt	\$ 499,160.30	\$ 501,530.22
Other expenses	<u>\$ 518,185.05</u>	<u>\$ 696,234.11</u>
<b>Total expenses</b>	<u>\$28,385,359.46</u>	<u>\$28,146,936.43</u>
<b>Change in net assets</b>	\$ 3,338,734.55	\$( 10,455.09)
<b>Net assets, beginning</b>	<u>\$ 9,740,940.57</u>	<u>\$13,079,675.12</u>
<b>Net assets, ending</b>	<u>\$13,079,675.12</u>	<u>\$13,069,220.03</u>

Table 3 is a condensed statement taken from the *Statement of Activities* in Exhibit #2 showing the total cost for providing identified services for six major Board activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the Board used to offset the program's total cost. The net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

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

Fiscal Year Ended September 30, 2009

	9/30/2008		9/30/2009	
	Total Cost Of Services	Net Cost Of Services	Total Cost Of Services	Net Cost Of Services
<b>Expenses</b>				
Instructional services	\$14,467,671.31	\$ (94,912.49)	\$14,441,524.86	\$ 775,887.74
Instructional support services	\$ 4,503,788.04	\$ 324,622.23	\$ 4,377,381.45	\$ 985,202.74
Operation & maintenance services	\$ 1,987,271.47	\$ 856,125.10	\$ 1,994,544.79	\$1,797,470.12
Auxiliary Services:				
Student transportation services	\$ 2,982,849.82	\$ 29,997.77	\$ 2,748,980.13	\$ 182,633.29
Food services	\$ 2,152,228.54	\$ 542,772.51	\$ 2,121,230.37	\$ ( 5,810.06)
General administrative services	\$ 1,274,204.93	\$ 440,080.46	\$ 1,265,510.50	\$ 892,708.76
Interest on long-term debt	\$ 499,160.30	\$ 499,160.30	\$ 501,530.22	\$ 501,530.22
Other expenses	<u>\$ 518,185.05</u>	<u>\$ 150,845.54</u>	<u>\$ 696,234.11</u>	<u>\$ 156,736.08</u>
<b>Total expenses</b>	<u>\$28,385,359.46</u>	<u>\$2,748,691.42</u>	<u>\$28,146,936.43</u>	<u>\$5,286,358.89</u>

**Financial Analysis of Board's Funds**

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

The analysis of governmental funds (see Exhibit #5) serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The financial performance of the Board as a whole is reflected in its governmental funds. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$5,051,727.47. As shown on this exhibit, the General Fund has a positive unreserved fund balance available for spending on future operations.

**General Fund** - The general fund is the primary operating fund of the Board. It is made up primarily of revenues from state foundation program and local tax revenues. The general fund balance decreased by \$1,492,125.13 this year which resulted from:

- Sales tax revenues declined by \$164,320.19 from the previous year.
- Property tax revenue increasing by \$126,724.88 over the previous year.
- Transfers out of \$1,063,881.83 of which \$587, 732.70 was to the Child Nutrition Program for salaries, \$469,542.11 to payments on debt service. The remainder consists mostly of transfers out to local schools for funds received from sources such as Helping Schools Tag receipts and between funds due to grant and appropriation requirements.
- The accrual of salaries and benefits earned but not paid by September 30 amounted to \$1,775,782.97.

**QZAB Debt Service Fund** – The QZAB debt service fund allows the Board to separately account for revenues and expenditure for QZAB – Series 2001-B capital renovation and technology projects. The QZAB project has two components – capital projects and debt services. This fund is the debt service portion of the QZAB projects.

- The revenue of \$33,295.65 has been earned as interest on the investment payment made to a fiscal agent each year. In the past, this revenue had been recorded at book value, but due to GASB requirements, the revenue is now recorded at fair market value. This revenue will build until 2014 at the time of the total payoff of the QZAB debt.
- The \$1,000.00 expenditure is a fiscal charge for the administration of the QZAB funds by the fiscal agent.
- The debt service payment each year is \$134,619.45 made to the fiscal agent.
- The combined total of all these transactions was \$166,915.10. This represents an increase in the amount of QZAB funds with the fiscal agent. The funds will be held by the fiscal agent until 2015 when the debt is relieved by the total repayment.

***Other Governmental Funds*** - This is a combined total of several funds, none of which are considered major funds. This includes local school funds, child nutrition funds, debt service funds, funds held for future construction projects, Title funds, and many other small funds. The net change to fund balance was a decrease of \$4,002,785.11, primarily resulting from:

- The revenues from local sources decreased.
- Revenue for construction projects was received in FY 2008, but much of the expenditures on the projects were incurred in FY 2009.
- The expenditures in most categories except instruction and instructional support increased.
- Transfer-in revenue decreased more than transfer-out expenditures decreased.

The Board's governmental funds had less revenues than expenditures during the 2009 fiscal year, resulting in a net change in fund balance (\$5,327,995.14), a substantial decrease from last year. The statement on page 10 shows the reconciliation of the *Statement of Revenues, Expenditures, and Changes of Fund Balances in Governmental Funds* to the *Statement of Activities*.

### **Budgetary Highlights**

***General Fund*** - On or before October 1 of each year, the Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The State Department of Education normally requires such budgets to be submitted by August 15 of each year, but changed the deadline to September 15 in 2007. The original 2009 fiscal year budget was adopted on August 26, 2008. Over the course of the year, the Board amended the annual operating budgets on February 26, 2009, to include the carry-over amounts on many of the federal funds that were not available at the time of the original budget and to adjust for proration, and on May 28, 2009, to adjust for grants that were received after the last amendment.

The comparison of General Fund original budget to the final amended budget is on page 34. The differences between the original budget and the final amended budget of the Board were relatively minor (\$572,759.82 decrease in fund balance – end of year) and can be briefly summarized as follows:

- Overall, the final amended budget is reflective of the actual operating activity for the year.

- Due to the actual revenues being slightly lower than budgetary estimates (\$612,822.99) and actual expenditures being less than budgetary estimates (\$969,482.53), there was an deficiency of revenues over expenditures of (\$834,996.58) as compared to a budgeted deficiency of revenues over expenditures of (\$1,191,656.12), a positive difference of \$356,659.54.
- In other financing sources, transfers in fell short of the budgetary estimates by \$1,224,378.17, while transfers out were less than budgetary estimates by \$1,200,214.17. This was due to the proration budgeting method, where funds were transferred out from General Fund into prorated funds to cover the shortfall. However, at year-end close, funds were not transferred to cover the shortage, but the actual overage of expenditures in each of the prorated funds was transferred to General
- The resulting net change in the actual General Fund balance was a decrease of \$1,492,125.13 as compared to the final budgeted net change of a decrease of \$1,818,372.77.

On page 36, the explanation of the differences between the actual amounts on a budgetary basis and the actual amounts on a GAAP basis is presented.

#### **Capital Assets and Debt Administration**

**Capital Assets** - At September 30, 2009, the Board had approximately \$20,956,506.11 invested in capital assets including land, buildings, equipment costing \$5000 or more, vehicles, buildings and equipment under capital lease. This amount is net of accumulated depreciation to date.

**Table 4: Capital Assets**  
Fiscal Year Ended September 30, 2009

	9/30/2008 Governmental Activities	9/30/2009 Governmental Activities
Land and Land Improvements	\$ 284,857.95	\$ 284,857.95
Construction in Progress	\$ 2,189,639.64	\$ 3,064,448.33
Buildings and Improvements	\$ 19,240,851.82	\$ 23,201,754.03
Land Improvements – Exhaustible	\$ 71,205.00	\$ 71,205.00
Equipment and Furniture	\$ 3,013,576.06	\$ 3,526,080.96
Equipment Under Capital Leases	\$ 2,332,170.95	\$ 2,210,352.85
Less: Accumulated Depreciation	<u>\$(10,555,645.03)</u>	<u>\$(11,402,193.01)</u>
<b>Total Capital Assets</b>	<u>\$ 16,576,656.39</u>	<u>\$ 20,956,506.11</u>

**Long-Term Debt** - At year-end, the Board had \$12,872,017.92 in warrants, notes, capital lease contracts payable, and other long-term debt outstanding as detailed in Table 5. This is a decrease of 7% in debt from last year.

**Table 5: Long-Term Debt**  
Fiscal Year Ended September 30, 2009  
(rounded to nearest dollar)

	Principal Balance 10/01/08	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 9/30/09
Governmental Activities				
Special Tax School Warrants				
Series 1996	\$ 835,000	\$ 0	\$ 260,000	\$ 575,000
Series 1998	\$ 1,670,000	\$ 0	\$ 120,000	\$ 1,550,000
Series 1998-B	\$ 880,000	\$ 0	\$ 55,000	\$ 825,000
Series 2001-A	\$ 1,853,017	\$ 0	\$ 103,380	\$ 1,749,637
Series 2001-B	\$ 2,000,000	\$ 0	\$ 0	\$ 2,000,000
Series 2007	\$ 2,090,000	\$ 0	\$ 0	\$ 2,090,000
Series 2008	\$ 2,993,295	\$ 0	\$ 104,413	\$ 2,888,882
Capital Leases				
22 Buses- 2001	\$ 468,181	\$ 0	\$ 108,656	\$ 359,525
1 Bus - 2004	\$ 13,453	\$ 0	\$ 13,453	\$ 0
5 Buses - 2004	\$ 170,578	\$ 0	\$ 24,720	\$ 145,858
1 Bus - 2005	\$ 16,348	\$ 0	\$ 16,348	\$ 0
8 Buses - 2006	\$ 330,517	\$ 0	\$ 77,800	\$ 252,717
6 Buses - 2007	\$ 344,903	\$ 0	\$ 62,481	\$ 282,422
1 Bus - 2007	\$ 60,081	\$ 0	\$ 18,937	\$ 41,144
Governmental Activity				
Long-Term Liabilities	<u>\$13,725,373</u>	<u>\$ 0</u>	<u>\$ 965,188</u>	<u>\$12,760,185</u>

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

- The Board continued to pay down its bonded debt issued in 1996, 1998, and 2001-A, retiring \$642,793 in outstanding bonds during the fiscal year 2009. Series 2001-B (QZAB) payments are made as an investment for which the yield at maturity will repay the \$2 million debt.
- No new debt was issued.
- The Board continued to make lease payments on its existing capital lease agreements resulting in a reduction of \$322,395 in capital lease contracts payable.

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

The following are currently known Winston County economic factors considered in going into the 2009-2010 fiscal year.

- The unemployment rate in Winston County for September 2009 is 17.6 percent, which is up from last year's rate of 7.4 percent in September 2008. Winston County's unemployment rate compares unfavorably to the state's average unemployment rate of 10.7 percent, and unfavorably to the national rate of 9.8 percent for September 2009. These statistics were stated on the U.S. Bureau of Labor Statistics.
- The unemployment rate in Winston County is 17.9% for December 2009. Alabama's unemployment rate for the same month is 10.6%. There is an economic downturn drastically affecting our area, state, and nation which has a dramatic impact on income and sales tax revenues.
- The population in Winston County as of the year 2000 census rose slightly since the last ten-year census taken in 1990. The population rose by approximately 2,800 people or 12.7 percent over a ten-year period for a total estimated population of 24,843. However, the latest annual population estimate published by the Census Bureau for Winston County is 24,445 for 2005, and 23,733 for 2010.
- During fiscal year 2001, proration of 6.2% was declared. In fiscal year 2002, the Board's K-12 state fund budget was cut by \$276,944. In fiscal year 2003, all personnel received a 3 percent pay raise. While the state provided funds for teachers and some other personnel, the state did not provide enough funds to cover all raises mandated by law. The state's economy has taken a turn for the better with a surplus in the Education Trust Fund for fiscal year 2008. Proration of 9%, then an additional 2%, for a total of 11% greatly impacted FY 2009 as evidenced in these financial statements. FY 2010 will begin on October 1, 2009, at a 7.5% prorated level of state funding.
- A one-mill ad valorem tax was renewed on May 9, 2006, for thirty years which is the maximum presently allowed by law. This one-mill tax means approximately \$200,000 for the students of Winston County. Our present millage rate is 12.
- Many small businesses have closed in the last year in Winston County. Our sales tax may continue to see a decline due to these closings.
- PEEHIP employer match will remain the same and retirement employer match will increase.
- Utility costs will rise while fuel and any fuel-based costs will fluctuate.

- Classroom instructional supply funds will not be appropriated in FY 10 in the Foundation Program as they traditionally have been in the past. Local schools may be forced to use local funds to cover many of the costs that have traditionally been appropriated for these specific uses.

Classroom Instructional Supply - \$0 per unit

Technology - \$0 per unit

Professional Development - \$0 per unit

Library Enhancement - \$0 per unit

General Common Purchases - \$0 per unit

Textbooks - \$17.17 per student based on average daily membership (ADM)

- The Board will continue to work to maintain a one month's operating reserve.
- Winston County Board of Education has weathered the economic recession well with conservative spending and allocation of resources. However, uncertainty does remain in the area of state and federal funding in the 2009-2010 fiscal year, due to increased expenditures primarily in the areas of retirement match and increasing utility costs. This uncertainty will cause the Board to budget for continued cautious spending for the 2010 fiscal year.
- The Board will apply for available funding from the American Recovery and Reinvestment Act of 2009 (ARRA) in the areas of Title I A, Title II, IDEA (Part B) and Preschool, and Fiscal Stabilization.

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

**Student Enrollment** - The latest student enrollment figure as of the twenty-days after Labor Day report in the 2009-2010 school year of 2,732.00 indicates there will be an actual decrease in enrollment of approximately 15 students for the 2010 fiscal year. When compared with the previous years' enrollments, as illustrated below, this figure is beginning to level off after a negative turn. The budget adopted by the Board in August 2009 took into account the student enrollment from the previous year, which decreased the state-funded Foundation Program units by 1.44.

Enrollment	Fiscal Year
2,732.00	2010
2,747.00	2009
2,745.65	2008
2782.90	2007
2771.35	2006
2759.04	2005
2821.28	2004
2802.36	2003
2839.46	2002

**Medical and Retirement Costs** - Medical costs and retirement costs have increased significantly for fiscal year 2009 and retirement is projected to increase again in fiscal year 2010. This poses a major threat to funding for the Board. If state funds are increased to offset the effects of increased benefit costs, it may be impossible to increase state funding in other areas to offset the effects of funding losses in fiscal years 2001, 2002, and 2003 as mentioned above. Past, present, and projected future costs are listed below:

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

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

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

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# *Basic Financial Statements*

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***Statement of Net Assets***  
***September 30, 2009***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash	\$ 1,572,363.90
Cash with Fiscal Agent	2,188,508.53
Investments	2,716,197.29
Receivables (Note 4)	473,095.58
Interest Receivable	21,285.30
Property Taxes Receivable	2,562,755.84
Inventories	54,276.30
Deferred Charges	46,248.65
Prepaid Items	6,529.39
Capital Assets (Note 5):	
Nondepreciable	3,349,306.28
Depreciable, Net	17,607,199.83
Total Assets	<u>30,597,766.89</u>
<b><u>Liabilities</u></b>	
Deferred Revenue	2,653,292.08
Salaries and Benefits Payable	1,868,707.28
Accrued Interest Payable	134,529.58
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Capital Lease Contracts Payable	306,679.34
Warrants Payable	681,290.33
Estimated Liability for Compensated Absences	111,831.97
Portion Due or Payable After One Year:	
Capital Lease Contracts Payable	774,986.60
Certificates of Participation Payable	2,000,000.00
Warrants Payable	8,997,229.68
Total Liabilities	<u>17,528,546.86</u>
<b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	8,558,324.50
Restricted for:	
Capital Projects	378,935.93
Debt Service	2,053,978.95
Other Purposes	463,815.06
Unrestricted	<u>1,614,165.59</u>
Total Net Assets	<u>\$ 13,069,220.03</u>

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

**Statement of Activities**  
**For the Year Ended September 30, 2009**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Instruction	\$ 14,441,524.86	\$ 247,125.41	\$ 11,727,991.85
Instructional Support	4,377,381.45	196,884.38	3,189,524.24
Operation and Maintenance	1,994,544.79	91,498.36	79,176.99
Auxiliary Services:			
Transportation	2,748,980.13	58,082.63	2,163,813.21
Food Services	2,121,230.37	1,546,535.90	154,205.32
General Administration and Central Support	1,265,510.50	318.18	357,171.34
Interest and Fiscal Charges	501,530.22		
Other	696,234.11	200,454.53	334,023.06
Total Governmental Activities	<u>\$ 28,146,936.43</u>	<u>\$ 2,340,899.39</u>	<u>\$ 18,005,906.01</u>

**General Revenues:**

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

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
	<u>Total Governmental Activities</u>
\$ 1,690,519.86	\$ (775,887.74)
5,770.09	(985,202.74)
26,399.32	(1,797,470.12)
344,451.00	(182,633.29)
426,299.21	5,810.06
15,312.22	(892,708.76)
	(501,530.22)
5,020.44	(156,736.08)
<u>\$ 2,513,772.14</u>	<u>(5,286,358.89)</u>

2,509,998.68

1,773,064.93

18,819.01

88,723.80

207,322.43

911.94

677,063.01

5,275,903.80

(10,455.09)

13,079,675.12

\$ 13,069,220.03

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2009***

	General Fund	QZAB Debt Service Fund
<b><u>Assets</u></b>		
Cash	\$ 155,316.05	\$
Cash with Fiscal Agent		1,721,659.26
Investments	2,470,000.00	
Receivables (Note 4)	272,353.51	
Property Taxes Receivable	2,562,755.84	
Inventories		
Prepaid Items	6,529.39	
Total Assets	<u>5,466,954.79</u>	<u>1,721,659.26</u>
<b><u>Liabilities and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Deferred Revenues	2,652,835.93	
Salaries and Benefits Payable	1,775,782.97	
Total Liabilities	<u>4,428,618.90</u>	
<b><u>Fund Balances</u></b>		
Reserved for:		
Inventories		
Prepaid Items	6,529.39	
Debt Service		1,721,659.26
Capital Projects		
Unreserved:		
General Fund	1,031,806.50	
Special Revenue Funds		
Total Fund Balances	<u>1,038,335.89</u>	<u>1,721,659.26</u>
Total Liabilities and Fund Balances	<u>\$ 5,466,954.79</u>	<u>\$ 1,721,659.26</u>

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

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<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,417,047.85	\$ 1,572,363.90
466,849.27	2,188,508.53
246,197.29	2,716,197.29
200,742.07	473,095.58
	2,562,755.84
54,276.30	54,276.30
	6,529.39
<u>2,385,112.78</u>	<u>9,573,726.83</u>

456.15	2,653,292.08
92,924.31	1,868,707.28
<u>93,380.46</u>	<u>4,521,999.36</u>

54,276.30	54,276.30
	6,529.39
466,849.27	2,188,508.53
694,691.62	694,691.62
	1,031,806.50
1,075,915.13	1,075,915.13
<u>2,291,732.32</u>	<u>5,051,727.47</u>
<u>\$ 2,385,112.78</u>	<u>\$ 9,573,726.83</u>

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 5,051,727.47

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

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

Land	\$	284,857.95	
Construction in Progress		3,064,448.33	
Buildings		23,201,754.03	
Land Improvements		71,205.00	
Equipment and Furniture		3,526,080.96	
Equipment Under Capital Leases		2,210,352.85	
Less: Accumulated Depreciation		<u>(11,402,193.01)</u>	
Total Capital Assets			20,956,506.11

Deferred issuance costs are reported as current expenditures in the funds. However,  
deferred issuance costs are amortized over the life of the bonds and are included  
in the governmental activities in the Statement of Net Assets. 46,248.65

Interest on unmatured investments will not be collected this year and is not available  
soon enough to pay for the current period's expenditures, and therefore is not  
accrued in the funds.

Accrued Interest Receivable 21,285.30

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

	Current Liabilities	Noncurrent Liabilities	
Accrued Interest Payable	\$ 134,529.58		
Estimated Liability for Compensated Absences	111,831.97		
Capital Lease Contracts Payable	306,679.34	774,986.60	
Certificates of Participation Payable		2,000,000.00	
Warrants Payable	681,290.33	8,997,229.68	
Total Long-Term Liabilities	<u>\$ 1,234,331.22</u>	<u>\$ 11,772,216.28</u>	<u>(13,006,547.50)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 13,069,220.03

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

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

	General Fund	QZAB Debt Service Fund
<b><u>Revenues</u></b>		
State	\$ 15,849,392.81	\$
Federal	115,547.77	
Local	4,375,254.37	33,295.65
Other	38,854.73	
Total Revenues	<u>20,379,049.68</u>	<u>33,295.65</u>
<b><u>Expenditures</u></b>		
Current:		
Instruction	12,136,038.28	
Instructional Support	3,886,323.73	
Operation and Maintenance	1,641,556.23	
Auxiliary Services:		
Student Transportation	2,356,765.38	
Food Services		
General Administration and Central Support	1,083,997.34	
Other	96,667.95	
Capital Outlay	12,697.35	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		1,000.00
Total Expenditures	<u>21,214,046.26</u>	<u>1,000.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(834,996.58)</u>	<u>32,295.65</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Indirect Cost	232,985.49	
Transfers In	163,415.83	134,619.45
Sale of Capital Assets	1,193.24	
Other Financing Sources	9,158.72	
Transfers Out	(1,063,881.83)	
Total Other Financing Sources (Uses)	<u>(657,128.55)</u>	<u>134,619.45</u>
Net Changes in Fund Balances	(1,492,125.13)	166,915.10
Fund Balances - Beginning of Year	<u>2,530,461.02</u>	<u>1,554,744.16</u>
Fund Balances - End of Year	<u>\$ 1,038,335.89</u>	<u>\$ 1,721,659.26</u>

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,553,504.14	\$ 18,402,896.95
2,978,109.82	3,093,657.59
2,156,545.01	6,565,095.03
48,127.70	86,982.43
<u>7,736,286.67</u>	<u>28,148,632.00</u>
1,846,823.41	13,982,861.69
467,880.75	4,354,204.48
342,444.28	1,984,000.51
43,075.66	2,399,841.04
2,308,399.22	2,308,399.22
183,628.90	1,267,626.24
589,699.65	686,367.60
5,241,827.35	5,254,524.70
965,187.27	965,187.27
516,840.53	517,840.53
<u>12,505,807.02</u>	<u>33,720,853.28</u>
<u>(4,769,520.35)</u>	<u>(5,572,221.28)</u>
	232,985.49
998,100.95	1,296,136.23
	1,193.24
888.69	10,047.41
<u>(232,254.40)</u>	<u>(1,296,136.23)</u>
<u>766,735.24</u>	<u>244,226.14</u>
(4,002,785.11)	(5,327,995.14)
<u>6,294,517.43</u>	<u>10,379,722.61</u>
<u>\$ 2,291,732.32</u>	<u>\$ 5,051,727.47</u>

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

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (5,327,995.14)

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

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

Capital Outlays	\$ 5,254,524.70	
Depreciation Expense	<u>(874,393.68)</u>	4,380,131.02

Repayment of debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 965,187.27

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

Proceeds from Sale of Capital Assets	(1,193.24)	
Gain on Disposition of Capital Assets	<u>911.94</u>	(281.30)

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.

Deferred Charges Amortized, Current Year (Increase)/Decrease	\$ (2,434.14)	
Accrued Interest Payable, Current Year (Increase)/Decrease	16,310.31	
Compensated Absences, Current Year (Increase)/Decrease	<u>(18,263.10)</u>	(4,386.93)

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

Accrued Interest Receivable, Current Year Increase/(Decrease)		<u>(23,110.01)</u>
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Change in Net Assets of Governmental Activities (Exhibit 2) \$ (10,455.09)

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

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**Statement of Fiduciary Funds**  
**September 30, 2009**

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	<b>Agency Funds</b>
<b><u>Assets</u></b>	
Cash	\$ 56,353.09
Total Assets	<u>56,353.09</u>
<b><u>Liabilities</u></b>	
Due to External Organizations	56,353.09
Total Liabilities	<u>\$ 56,353.09</u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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

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

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

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

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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

#### **Fund Financial Statements**

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

The Board reports the following major governmental funds:

- ◆ **General Fund** – The general fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
- ◆ **OZAB Debt Service Fund** – This fund is used to account for deposits made with the fiscal agent to be used for repayment of the Qualified Zone Academy Bonds.

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

#### **Governmental Fund Types**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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The Board reports the following fiduciary fund types:

#### **Fiduciary Fund Types**

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

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

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

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

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

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

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

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

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

**1. Deposits and Investments**

Cash includes cash on hand and demand deposits.

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

**2. Receivables**

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

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

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

**3. Inventories**

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

**4. Prepaid Items**

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

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

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**5. Capital Assets**

Capital assets, which include property, 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 are as follows:

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

**6. Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### **7. Compensated Absences**

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

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

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

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

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

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

##### **Budgets**

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

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

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

**Note 3 – Deposits and Investments**

**Deposits**

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

**Investments with Fiscal Agents**

As of September 30, 2009, the Board had the following investments and maturities in cash with fiscal agents accounts:

Investments	Maturities	Fair Value
First American U. S. Treasury Money Market Repurchase Agreements	Less than 1 year	\$ 802,979.11
Federal Home Loan Bank	10/01/2009	389,000.00
Government National Mortgage Association – Pass Through Certificate	03/14/2036	56,687.50
Government National Mortgage Association – Pass Through Certificate	12/20/2028	6,681.42
U. S. Treasury Bonds – Strip	03/20/2031	13,041.57
U. S. Treasury Bonds – Strip	08/15/2015	163,592.59
U. S. Treasury Bills	08/15/2015	150,956.46
Total	07/01/2010	138,720.61
		<u>\$1,721,659.26</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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

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

**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’s does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

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

**Note 4 – Receivables**

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

	General Fund	Other Governmental Funds	Total
<b>Receivables:</b>			
Sales Tax	\$270,509.06	\$	\$270,509.06
Intergovernmental	1,844.45	200,742.07	202,586.52
Total Receivables	\$272,353.51	\$200,742.07	\$473,095.58

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

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

	Unavailable	Unearned
Ad Valorem Taxes Receivable	\$2,543,344.26	\$109,491.67
Grant Drawdowns Prior to Meeting All Eligibility Requirements		456.15
<b>Total Deferred/Unearned Revenue for Governmental Funds</b>	<b>\$2,543,344.26</b>	<b>\$109,947.82</b>

**Note 5 – Capital Assets**

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

	Balance 10/01/2008	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 09/30/2009
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 284,857.95	\$	\$	\$ 284,857.95
Construction in Progress	2,189,639.64	5,006,353.90	(4,131,545.21)	3,064,448.33
<b>Total Capital Assets, Not Being Depreciated</b>	<b>2,474,497.59</b>	<b>5,006,353.90</b>	<b>(4,131,545.21)</b>	<b>3,349,306.28</b>
<b>Capital Assets Being Depreciated:</b>				
Building and Building Improvements	19,240,851.82	3,960,902.21		23,201,754.03
Land Improvements – Exhaustible	71,205.00			71,205.00
Equipment and Furniture	3,013,576.06	540,631.90	(28,127.00)	3,526,080.96
Assets Under Capital Lease	2,332,170.95		(121,818.10)	2,210,352.85
<b>Total Capital Assets Being Depreciated</b>	<b>24,657,803.83</b>	<b>4,501,534.11</b>	<b>(149,945.10)</b>	<b>29,009,392.84</b>
<b>Less Accumulated Depreciation for:</b>				
Building and Building Improvements	(7,426,478.56)	(397,123.48)		(7,823,602.04)
Land Improvements – Exhaustible	(14,419.05)	(3,204.23)		(17,623.28)
Equipment and Furniture	(2,261,486.59)	(309,456.09)	27,845.70	(2,543,096.98)
Assets Under Capital Lease	(853,260.83)	(224,882.42)	60,272.54	(1,017,870.71)
<b>Total Accumulated Depreciation</b>	<b>(10,555,645.03)</b>	<b>(934,666.22)</b>	<b>88,118.24</b>	<b>(11,402,193.01)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>14,102,158.80</b>	<b>3,566,867.89</b>	<b>(61,826.86)</b>	<b>17,607,199.83</b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b>\$ 16,576,656.39</b>	<b>\$8,573,221.79</b>	<b>\$(4,193,372.07)</b>	<b>\$ 20,956,506.11</b>

Additions and Deletions above include reclassifications of assets of \$4,253,363.31 and accumulated depreciation of \$60,272.54.

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

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
Instruction	\$440,400.07
Instructional Support	23,176.97
Operation and Maintenance	10,544.28
<u>Auxiliary Services:</u>	
Food Service	30,913.98
Transportation	349,139.09
General Administration and Central Support	8,451.04
Other	11,768.25
Total Depreciation Expense – Governmental Activities	\$874,393.68

**Note 6 – Defined Benefit Pension Plan**

**A. Plan Description**

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

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

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

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

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

**B. Funding Policy**

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

Fiscal Year Ended September 30,	2009	2008	2007
Total Percentage of Covered Payroll	17.07%	16.75%	14.36%
<u>Contributions:</u>			
Percentage Contributed by the Board	12.07%	11.75%	9.36%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by the Board	\$1,793,948.94	\$1,727,820.84	\$1,261,718.23
Contributed by Employees	743,143.73	735,366.70	674,290.34
Total Contributions	<u>\$2,537,092.67</u>	<u>\$2,463,187.54</u>	<u>\$1,936,008.57</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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

**A. Plan Description**

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

**B. Funding Policy**

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

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

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

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

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid by Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2009	\$752.00	\$205.45	27.32%	\$1,102,599.01	100%
2008	\$775.00	\$212.35	27.4%	\$1,135,773.58	100%
2007	\$717.00	\$217.25	30.30%	\$1,013,970.33	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.

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

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**Note 8 – Lease Obligations**

**Capital Leases**

The Board is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$2,210,352.85 at September 30, 2009. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2009.

Fiscal Year Ending	
September 30, 2010	\$ 358,351.53
2011	358,351.63
2012	336,020.17
2013	112,932.84
2014	33,378.95
Total Minimum Lease Payments	1,199,035.12
Less: Amount Representing Interest	117,369.18
Present Value of Net Minimum Lease Payments	\$1,081,665.94

**Note 9 – Long-Term Debt**

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

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

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

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

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

	Debt Outstanding October 1, 2008	Increased/ Issued	Repaid/ Decreased	Debt Outstanding September 30, 2009	Amounts Due Within One Year
<b>Warrants Payable:</b>					
Capital Improvement Pool					
Warrant, 2001A	\$ 1,853,017.26	\$	\$(103,379.72)	\$ 1,749,637.54	\$ 108,548.71
Warrant, 2008A	2,993,295.00		(104,412.53)	2,888,882.47	107,741.62
Special School Tax Warrants					
Series 1996	835,000.00		(260,000.00)	575,000.00	280,000.00
Series 1998	1,670,000.00		(120,000.00)	1,550,000.00	125,000.00
Series 1998-B	880,000.00		(55,000.00)	825,000.00	60,000.00
Series 2007	2,090,000.00			2,090,000.00	
Sub-Total Warrants Payable	10,321,312.26		(642,792.25)	9,678,520.01	681,290.33
Certificates of Participation (QZAB)	2,000,000.00			2,000,000.00	
Capital Leases	1,404,060.96		(322,395.02)	1,081,665.94	306,679.34
Compensated Absences	93,568.87	18,263.10		111,831.97	111,831.97
<b>Totals</b>	<b>\$13,818,942.09</b>	<b>\$18,263.10</b>	<b>\$(965,187.27)</b>	<b>\$12,872,017.92</b>	<b>\$1,099,801.64</b>

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

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

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

Fiscal Year Ending	Special School Tax Warrants Series 1996		Special School Tax Warrants Series 1998	
	Principal	Interest	Principal	Interest
September 30, 2010	\$280,000.00	\$21,750.00	\$ 125,000.00	\$ 72,988.75
2011	295,000.00	7,375.00	130,000.00	67,027.50
2012			135,000.00	60,766.25
2013			145,000.00	54,080.00
2014			150,000.00	46,925.00
2015-2019			865,000.00	112,375.00
2020-2024				
2025-2028				
Totals	<u>\$575,000.00</u>	<u>\$29,125.00</u>	<u>\$1,550,000.00</u>	<u>\$414,162.50</u>

Fiscal Year Ending	Certificates of Participation Series 2001-B		School Tax Warrants Series 2007	
	Principal	Interest	Principal	Interest
September 30, 2010	\$	\$	\$	\$ 80,551.00
2011				80,551.00
2012			90,000.00	78,962.00
2013			95,000.00	75,692.00
2014			95,000.00	72,320.00
2015-2019			540,000.00	305,387.00
2020-2024	2,000,000.00		650,000.00	193,010.00
2025-2028			620,000.00	52,132.00
Totals	<u>\$2,000,000.00</u>	<u>\$</u>	<u>\$2,090,000.00</u>	<u>\$938,605.00</u>

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

School Tax Warrants Series 1998-B		Capital Improvement Warrants Series 2001A	
Principal	Interest	Principal	Interest
\$ 60,000.00	\$ 38,640.00	\$ 108,548.71	\$ 88,628.72
60,000.00	35,970.00	113,982.77	83,065.44
65,000.00	33,125.00	119,681.91	77,223.83
65,000.00	30,102.50	125,646.12	71,090.62
70,000.00	26,912.50	132,007.95	64,319.25
410,000.00	76,750.00	777,998.69	200,703.69
95,000.00	2,375.00	371,771.39	18,817.09
<b>\$825,000.00</b>	<b>\$243,875.00</b>	<b>\$1,749,637.54</b>	<b>\$603,848.64</b>

PSCA Leveraged Bonds Series 2008-A		Capital Leases		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	
\$ 107,741.62	\$ 113,889.48	\$ 306,679.34	\$ 51,672.19	\$ 1,456,089.81
111,070.71	110,387.88	321,450.80	36,900.83	1,452,781.93
114,702.46	106,778.08	314,610.61	21,409.56	1,217,259.70
118,334.20	103,050.24	106,508.25	6,424.59	995,928.52
122,571.23	99,204.38	32,416.94	962.01	912,639.26
683,069.76	428,352.76			4,399,636.90
831,063.16	283,713.04			4,445,749.68
800,329.33	91,717.31			1,564,178.64
<b>\$2,888,882.47</b>	<b>\$1,337,093.17</b>	<b>\$1,081,665.94</b>	<b>\$117,369.18</b>	<b>\$16,444,264.44</b>

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

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**Warrant Issuance Costs**

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

	Issuance Costs
Total Issuance Costs	\$51,116.93
Amount Amortized Prior Years	<u>2,434.14</u>
Balance Issuance Costs	48,682.79
Current Amount Amortized	<u>2,434.14</u>
Balance Issuance Costs	<u>\$46,248.65</u>

**Pledged Revenues**

The Board issued Series 1996 Special Tax School Warrants for the purpose of acquiring, constructing and renovating school facilities. The Board pledged to repay the 1996 Warrants from the proceeds of a special tax levied by the Winston County Commission pursuant to the provisions of the *Code of Alabama 1975*, Section 40-12-4, of which the Board receives 64% of the proceeds. Future revenues in the amount of \$604,125.00 are pledged to repay the principal and interest on the warrants at September 30, 2009. Proceeds of the special tax in the amount of \$2,208,234.00 were received by the Board during the fiscal year ended September 30, 2009, of which \$295,250.00 was used to pay principal and interest on the warrants. The Series 1996 Special Tax School Warrants will mature in fiscal year 2011.

The Board issued Series 1998 Special Tax School Warrants for the purpose of acquiring, constructing and renovating school facilities. The Board pledged to repay the 1998 Warrants from the proceeds of a special tax levied by the Winston County Commission pursuant to the provisions of the *Code of Alabama 1975*, Section 40-12-4, of which the Board receives 64% of the proceeds. Future revenues in the amount of \$1,964,162.50 are pledged to repay the principal and interest on the warrants at September 30, 2009. Proceeds of the special tax in the amount of \$2,208,234.00 were received by the Board during the fiscal year ended September 30, 2009, of which \$198,685.00 was used to pay principal and interest on the warrants. The Series 1998 Special Tax School Warrants will mature in fiscal year 2019.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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The Board issued Series 1998-B Special Tax School Warrants for the purpose of acquiring, constructing and renovating school facilities. The Board pledged to repay the 1998-B Warrants from the proceeds of a special tax levied by the Winston County Commission pursuant to the provisions of the *Code of Alabama 1975*, Section 40-12-4, of which the Board receives 64% of the proceeds. Future revenues in the amount of \$1,068,875.00 are pledged to repay the principal and interest on the warrants at September 30, 2009. Proceeds of the special tax in the amount of \$2,208,234.00 were received by the Board during the fiscal year ended September 30, 2009, of which \$96,142.50 was used to pay principal and interest on the warrants. The Series 1998-B Special Tax School Warrants will mature in fiscal year 2020.

The Board issued Series 2001-A Capital Improvement Pool Bonds which are pledged to be repaid from their allocation of public school funds received from State of Alabama. The proceeds were to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$2,353,486.18 are pledged to repay the principal and interest on the bonds at September 30, 2009. Proceeds of public school funds in the amount of \$605,999.00 were received by the Board during the fiscal year ended September 30, 2009, of which \$197,306.66 was used to pay principal and interest on the bonds. This represents 32.56 percent of the pledged funds received by the Board. The Series 2001-A bonds will mature in fiscal year 2021.

The Board issued Series 2007 Special Tax School Warrants for the purpose of acquiring, constructing and renovating school facilities. The Board pledged to repay the 2007 Warrants from the proceeds of a special tax levied by the Winston County Commission pursuant to the provisions of the *Code of Alabama 1975*, Section 40-12-4, of which the Board receives 64% of the proceeds. Future revenues in the amount of \$3,028,605.00 are pledged to repay the principal and interest on the warrants at September 30, 2009. Proceeds in the amount of \$2,208,234.00 were received by the Board during the fiscal year ended September 30, 2009. Pledged funds in the amount of \$85,000.00 were used to pay interest on the bonds during the fiscal year ended September 30, 2009. The Series 2007 Special Tax School Warrants will mature in fiscal year 2028.

The Board issued Series 2008-A Capital Improvement Pool Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$4,225,975.64 are pledged to repay the principal and interest on the bonds at September 30, 2009. Proceeds of public school funds in the amount of \$605,999.00 were received by the Board during the fiscal year ended September 30, 2009, of which \$220,000.00 was used to pay principal and interest on the bonds. This amount represents 36.31 percent of the pledged funds received by the Board. The Series 2008A bonds will mature in fiscal year 2028.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### **Note 10 – Certificates of Participation Payable (QZAB Agreement)**

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

#### **Note 11 – Risk Management**

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

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

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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.

**Note 12 – Interfund Transactions**

**Interfund Transfers**

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

	Transfers In			Total
	General Fund	QZAB Debt Service Fund	Other Governmental Funds	
<b>Transfers Out:</b>				
General Fund	\$	\$134,619.45	\$929,262.38	\$1,063,881.83
Other Governmental Funds	163,415.83		68,838.57	232,254.40
<b>Totals</b>	<b>\$163,415.83</b>	<b>\$134,619.45</b>	<b>\$998,100.95</b>	<b>\$1,296,136.23</b>

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

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*Required Supplementary Information*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<b><u>Revenues</u></b>			
State	\$ 18,179,933.00	\$ 16,228,352.67	\$ 15,849,392.81
Federal	500.00	500.00	115,547.77
Local	4,756,775.00	4,705,375.00	4,373,219.05
Other	56,675.00	57,645.00	38,854.73
Total Revenues	<u>22,993,883.00</u>	<u>20,991,872.67</u>	<u>20,377,014.36</u>
<b><u>Expenditures</u></b>			
Current:			
Instruction	12,537,310.00	12,308,652.99	12,251,767.70
Instructional Support	3,931,567.00	3,998,247.05	3,740,305.01
Operation and Maintenance	2,147,299.00	2,073,597.48	1,590,354.35
Auxiliary Services:			
Student Transportation	2,622,293.00	2,406,172.00	2,342,575.77
General Administration and Central Support	1,160,918.00	1,184,762.44	1,083,997.34
Other	84,889.00	84,860.57	90,895.66
Capital Outlay	216,736.00	127,236.26	12,697.35
Total Expenditures	<u>22,701,012.00</u>	<u>22,183,528.79</u>	<u>21,112,593.18</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>292,871.00</u>	<u>(1,191,656.12)</u>	<u>(735,578.82)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Indirect Cost	245,482.00	249,585.35	232,985.49
Transfers In	181,797.00	1,387,794.00	163,415.83
Sale of Capital Assets			1,193.24
Other Financing Sources			9,158.72
Transfers Out	<u>(1,211,266.00)</u>	<u>(2,264,096.00)</u>	<u>(1,063,881.83)</u>
Total Other Financing Sources (Uses)	<u>(783,987.00)</u>	<u>(626,716.65)</u>	<u>(657,128.55)</u>
Net Change in Fund Balances	(491,116.00)	(1,818,372.77)	(1,392,707.37)
Fund Balances - Beginning of Year	<u>3,427,677.00</u>	<u>4,182,173.95</u>	<u>4,316,317.91</u>
Fund Balances - End of Year	<u>\$ 2,936,561.00</u>	<u>\$ 2,363,801.18</u>	<u>\$ 2,923,610.54</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$ 15,849,392.81
		115,547.77
(1)	2,035.32	4,375,254.37
		38,854.73
	<u>2,035.32</u>	<u>20,379,049.68</u>
(2)	115,729.42	12,136,038.28
(2)	(146,018.72)	3,886,323.73
(2)	(51,201.88)	1,641,556.23
(2)	(14,189.61)	2,356,765.38
		1,083,997.34
(2)	(5,772.29)	96,667.95
		12,697.35
	<u>(101,453.08)</u>	<u>21,214,046.26</u>
	<u>(99,417.76)</u>	<u>(834,996.58)</u>
		232,985.49
		163,415.83
		1,193.24
		9,158.72
		<u>(1,063,881.83)</u>
		<u>(657,128.55)</u>
	(99,417.76)	(1,492,125.13)
(3)	(1,785,856.89)	2,530,461.02
	<u>\$ (1,885,274.65)</u>	<u>\$ 1,038,335.89</u>

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

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**Explanation of differences:**

- (1) The Board budgets motor vehicle ad valorem tax revenue when received, rather than on the modified accrual basis.
- (2) The Board budgets salary expenditures when paid. Under the modified accrual basis, the expenditures would be recognized when incurred.

Net Decrease in Fund Balance - Budget to GAAP

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

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\$ 2,035.32

(101,453.08)

\$ (99,417.76)

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*Supplementary Information*

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

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of Education</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Title I, Part A Cluster:		
Title I Grants to Local Educational Agencies	84.010	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	
Sub-Total Title I, Part A Cluster (M)		
Special Education Cluster:		
Special Education - Grants to States	84.027	
Special Education - Preschool Grants	84.173	
ARRA - Special Education - Grants to States, Recovery Act	84.391	
Sub-Total Special Education Cluster (M)		
Career and Technical Education - Basic Grants to States	84.048	
Safe and Drug-Free Schools and Communities - State Grants	84.186	
Tech- Prep Education	84.243	
Twenty-First Century Community Learning Centers	84.287	
Education Technology State Grants	84.318	
Rural Education	84.358	
Improving Teacher Quality State Grants	84.367	
Total U. S. Department of Education		
<b><u>U. S. Department of Agriculture</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Child Nutrition Cluster:		
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	
National School Lunch Program:		
Cash Assistance	10.555	
Non-Cash Assistance - Commodities	10.555	
National School Lunch Program Sub-Total		
School Breakfast Program - Cash Assistance	10.553	
Sub-Total Child Nutrition Cluster (M)		
Fresh Fruit and Vegetable Program	10.582	
Total Passed Through Alabama Department of Education		
<b><u>Passed Through Alabama Department of Finance</u></b>		
<b><u>Passed Through Winston County Commission</u></b>		
Schools and Roads - Grants to States	10.665	
Total U. S. Department of Agriculture		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2008-09/30/2009	\$ 717,687.68	\$ 717,687.68	\$ 717,687.68	\$ 717,687.68
10/01/2008-09/30/2009	4,335.00	4,335.00	4,335.00	4,335.00
	<u>722,022.68</u>	<u>722,022.68</u>	<u>722,022.68</u>	<u>722,022.68</u>
10/01/2008-09/30/2009	629,540.07	629,540.07	629,540.07	629,540.07
10/01/2008-09/30/2009	20,358.90	20,358.90	20,358.90	20,358.90
10/01/2008-09/30/2009	13,004.81	13,004.81	13,004.81	13,004.81
	<u>662,903.78</u>	<u>662,903.78</u>	<u>662,903.78</u>	<u>662,903.78</u>
10/01/2008-09/30/2009	40,271.00	40,271.00	40,271.00	40,271.00
10/01/2008-09/30/2009	11,984.81	11,984.81	11,984.81	11,984.81
10/01/2008-09/30/2009	3,116.00	3,116.00	3,116.00	3,116.00
10/01/2008-09/30/2009	200,000.00	200,000.00	200,000.00	200,000.00
10/01/2008-09/30/2009	2,498.32	2,498.32	2,498.32	2,498.32
10/01/2008-09/30/2009	63,894.53	63,894.53	63,894.53	63,894.53
10/01/2008-09/30/2009	165,033.16	165,033.16	165,033.16	165,033.16
	<u>1,871,724.28</u>	<u>1,871,724.28</u>	<u>1,871,724.28</u>	<u>1,871,724.28</u>
10/01/2008-09/30/2009	28,894.00	28,894.00	28,894.00	28,894.00
10/01/2008-09/30/2009	674,697.70	674,697.70	674,697.70	674,697.70
10/01/2008-09/30/2009	80,245.11	80,245.11	80,245.11	80,245.11
	<u>754,942.81</u>	<u>754,942.81</u>	<u>754,942.81</u>	<u>754,942.81</u>
10/01/2008-09/30/2009	259,718.16	259,718.16	259,718.16	259,718.16
	<u>1,014,660.97</u>	<u>1,014,660.97</u>	<u>1,014,660.97</u>	<u>1,014,660.97</u>
07/01/2009-09/30/2009	23,628.31	23,628.31	23,628.31	23,628.31
	<u>1,067,183.28</u>	<u>1,067,183.28</u>	<u>1,067,183.28</u>	<u>1,067,183.28</u>
10/01/2008-09/30/2009	87,697.80	87,697.80	87,697.80	87,697.80
	<u>1,154,881.08</u>	<u>1,154,881.08</u>	<u>1,154,881.08</u>	<u>1,154,881.08</u>
	\$ 3,026,605.36	\$ 3,026,605.36	\$ 3,026,605.36	\$ 3,026,605.36

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

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Labor</u></b>		
<b><u>Employee Benefits Security Administration</u></b>		
<b><u>Direct Program</u></b>		
ARRA - Cobra Premium Assistance	17.151	
Total U. S. Department of Labor		
<b><u>Appalachian Regional Commission</u></b>		
<b><u>Direct Program</u></b>		
Appalachian Local Development District Assistance	23.009	AL-15746-07
Total Appalachian Regional Commission		
<b><u>Social Security Administration</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Social Security - Disability Insurance	96.001	
Total Social Security Administration		
<b><u>U. S. Department of Health and Human Services</u></b>		
<b><u>Direct Program</u></b>		
Head Start	93.600	
Total U. S. Department of Health and Human Services		
<b><u>U. S. General Services Administration</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Donation of Federal Surplus Personal Property (N)	39.003	
<b><u>Other Federal Assistance</u></b>		
<b><u>U. S. Department of Energy</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
EXXON	N.A.	1EX SEP09 08
Total U. S. Department of Energy		
Total Expenditures of Federal Awards		

(M) = Major Program  
(N) = Non-Cash Assistance  
N.A. = 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		
	\$ 3,026,605.36	\$ 3,026,605.36	\$ 3,026,605.36	\$ 3,026,605.36
10/01/2008-09/30/2009	1,177.80	1,177.80	1,177.80	1,177.80
	1,177.80	1,177.80	1,177.80	1,177.80
10/01/2008-12/31/2009	322,000.00	322,000.00	14,000.00	14,000.00
	322,000.00	322,000.00	14,000.00	14,000.00
10/01/2008-09/30/2009	1,026.00	1,026.00	1,026.00	1,026.00
	1,026.00	1,026.00	1,026.00	1,026.00
10/01/2008-09/30/2009	21,437.90	21,437.90	21,437.90	21,437.90
	21,437.90	21,437.90	21,437.90	21,437.90
10/01/2008-09/30/2009			14,410.53	14,410.53
10/01/2008-09/30/2009	20,450.00	15,000.00	15,000.00	15,000.00
	20,450.00	15,000.00	15,000.00	15,000.00
	\$ 3,392,697.06	\$ 3,387,247.06	\$ 3,093,657.59	\$ 3,093,657.59

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

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**Note 1 – Basis of Presentation**

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

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## *Additional Information*

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

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<b>Board Members</b>			<b>Term Expires</b>
Hon. Larry Yancey	President	4635 Littleville Road Haleyville, AL 35565	January 2013
Hon. Greg Batchelor	Vice-President	1981 County Road 55 Double Springs, AL 35553	January 2013
Hon. Joey Boteler	Member	1915 County Road 59 Lynn, AL 35575	January 2013
Hon. Bobby Everett	Member	249 South Ridge Road Addison, AL 35540	January 2009
Hon. Joe Laseter	Member	2672 Ridge Road Addison, AL 35540	January 2013
Hon. Ralph Williams	Member	200 County Road 198 Arley, AL 35541	January 2013

**Administrative Personnel**

Mrs. Sue Reed	Superintendent	557 Lakepointe Drive Arley, AL 35541	January 2013
Ms. Cassandra Tingle	Chief School Financial Officer	20 County Road 3947 Arley, AL 35541	

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

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We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Winston County Board of Education (the “Board”), as of and for the year ended September 30, 2009, which collectively comprise the Board’s basic financial statements and have issued our report thereon dated March 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

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

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

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

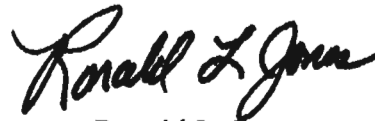
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**Compliance and Other Matters**

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

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



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

March 11, 2010

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

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## **Compliance**

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

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

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

## **Internal Control Over Compliance**

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

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

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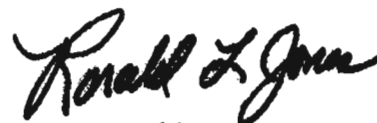
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A control deficiency in an entity's internal control over compliance exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance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

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

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

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



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

March 11, 2010

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

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

**Financial Statements**

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes     X  No

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     X  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes     X  No

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

Type of opinion issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.010 and 84.389	Title I, Part A Cluster
84.027, 84.173 and 84.391	Special Education Cluster

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

Auditee qualified as low-risk auditee?  X  Yes    \_\_\_\_\_ No

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

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

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

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

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