Opp City Board of Education

FINANCIAL STATEMENTS

For The Year Ended September 30, 2015

Opp City Board of Education
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September 30, 2015

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INDEPENDENT AUDITORS' REPORT

Members of the Board
Opp City Board of Education
Opp, Alabama

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Board adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment to GASB Statement No. 27,* GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statements No. 68,* during the year ended September 30, 2015. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 11, schedule of the employer's proportionate share of the net pension liability, and schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2016, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

March 10, 2016

Introduction

The Management's Discussion and Analysis (MD&A) of the Opp City Board of Education's (the "Board") financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2015. 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 Board'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*. 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 analysis.

Financial Highlights

Key financial highlights of the 2014-2015 fiscal year include the following:

- General Fund expenses and other uses exceeded revenues and other sources by $302,419 resulting in a fund balance of $2,066,543 available as of the fiscal year ended September 30, 2015. The Board ended the fiscal year with 3.4 months of operating reserve.
- The assets and deferred outflows of the Board exceeded its liabilities and deferred inflows at the close of the 2015 fiscal year by $1,789,106 (net position). Of this amount, $179,004 was restricted for debt service. The net position of the Board was decreased by $8,972,000 due to applying GASB statements 68 and 71.

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

The *Statement of Activities* provides information which shows how the Board's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement

identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

The fund financial statements provide more detailed information about the Board's most significant funds - not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The Board uses fund accounting to ensure and demonstrate fiscal accountability. Two kinds of funds - governmental funds and fiduciary funds - are presented in the fund financial statements.

Governmental funds - The Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements - the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* - are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The budgetary comparison statement for the general fund is prepared on a budgetary basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). Note 2 to the financial statements include a schedule explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting. The governmental fund statements provide a detailed short-term view that helps readers determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

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

Financial Analysis of the Board as a Whole

As noted earlier, the Board has no business-type activities. Consequently, the Board's net position is reported as Governmental Activities.

Net Position - Governmental Activities *September 30,*	**2015**	2014 (Restated)
Assets		
Current assets	**$ 4,019,651**	$ 4,626,715
Restricted assets	**179,004**	173,911
Capital assets, net of depreciation	**17,358,227**	18,065,850
Other assets, unamortized bond issuance	**75,034**	78,445
Total assets	**21,631,916**	22,944,921

September 30,	**2015**	2014 (Restated)
Deferred Outflows of Resources		
Deferred outflows related to pension	**882,313**	723,000
Liabilities		
Current liabilities	**1,115,918**	1,082,194
Noncurrent liabilities	**18,456,194**	19,342,953
Total liabilities	**19,572,112**	20,425,147
Deferred Inflows of Resources		
Deferred inflows related to pension	**685,000**	-
Deferred gain on refunding	**78,873**	88,235
Unearned property taxes	**389,138**	392,393
Total deferred inflows of resources	**1,153,011**	480,628
Net Position		
Net investment in capital assets	**7,727,362**	8,073,699
Restricted	**179,004**	170,958
Unrestricted (deficit)	**(6,117,260)**	(5,482,511)
Total net position	**$ 1,789,106**	$ 2,762,146

The Board's assets exceeded liabilities by $1,789,106 at the close of the fiscal year. The majority of the Board's net position is invested in capital assets (land, buildings, and equipment) owned by the Board. Since these capital assets are used in governmental activities, this portion of net position is not available for future spending or funding of operations. The implementation of GASB Statement Nos. 68 and 71 required that the Board record its beginning proportionate share of net pension liability, as well as related beginning deferred outflows of resources for fiscal year 2014 contributions. As a result, the cumulative effect of applying these statements retroactively was a decrease in net position in the amount of $8,972,000.

The following table of the Board's total revenues and expenditures condenses the results of operations for the fiscal year into a format where the reader can easily see total revenues of the Board for the year. It also shows the impact operations had on changes in net position as of September 30, 2015.

Summary of Changes in Net Position From Operating Results

Years ended September 30,	2015	2014 (Restated)
Program Revenues		
Charges for services	**$ 1,262,345**	$ 1,149,527
Operating grants and contributions	**8,619,022**	8,466,265
Capital grants	**387,888**	455,237
General Revenues		
Local property taxes	**636,981**	722,608
Sales and use taxes	**1,454,069**	1,439,413
Miscellaneous taxes	**48,551**	51,801
Investment earnings	**33,346**	40,936
Miscellaneous	**474,848**	438,665
Total revenues	**12,917,050**	12,764,452
Expenses		
Instructional	**6,685,422**	6,764,562
Instructional support	**2,027,919**	1,819,478
Operation and maintenance	**1,316,937**	1,196,054
Food service	**1,060,190**	992,870
Transportation	**455,386**	468,340
General administration and central support	**1,418,357**	693,182
Other	**500,036**	408,385
Interest on long-term debt	**425,843**	441,362
Total expenses	**13,890,090**	12,784,233
Change in net position	**(973,040)**	(19,781)
Net Position – Beginning, as restated	**2,762,146**	2,781,927
Net Position – Ending	**$ 1,789,106**	$ 2,762,146

Revenue Analysis:

- Program revenues account for 80% of total revenues including capital grant revenue.
- Operating grants and contributions make up 84% of program 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 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, were used to provide $2,647,795 for expenses not covered by program revenues.

Expense Analysis:

- Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board. In addition to teacher salaries and benefits, instructional services include teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance-related assets.
- In addition to bus driver salaries and benefits, student transportation services include mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and the bus shop, and fleet insurance.
- Food services includes salaries and benefits for 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 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 and facilities.
- Other expenses include the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and the community education instructor. 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.
- Debt service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.

Performance of School Board Funds

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

The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements. (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on pages 15 and 17). The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balance of $3,004,431.

General Fund – The general fund is the chief operating fund of the Board. The beginning fund balance was $2,368,962. As of September 30, 2015, the ending fund balance was $2,066,543.

Public School Fund – The Public School Fund ("PSF") is used to account for financial resources used to acquire, repair or construct major capital facilities. For fiscal year ended September 30, 2015, the ending PSF fund balance was $305,433.

Child Nutrition Program Fund – The City of Opp's Child Nutrition Program is funded primarily by a USDA grant. Funds are received based on the number of free and reduced meals served. On average, 57% of our students receive free and reduced price meals. The Board offered a summer feeding program in 2015. The program began June 1 and ran through July 16, 2015. There was no cost to anyone under the age of 18 to participate. On average, 131 children ate breakfast while 191 ate lunch. There were over 8,000 meals served.

Budgetary Highlights of Major Funds

The original 2015 fiscal year budget, adopted on September 10, 2014, was based on a bare bones approach that reflected guaranteed state and federal revenues, estimated local revenues and necessary expenditures. The original budget was amended two times during the year, January 22, 2015 and May 19, 2015. Amendment #1 was necessary to amend the budgeted 2015 federal allocations, budget carryover funds, and add revenue and expenditures for fund sources not reflected in the original budget. Amendment #2 was the final amendment to the 2015 budget. The amendment included expenses not reflected in the original or amended budget, stipends for summer professional development, the summer school program and summer maintenance staff. In summary, the final budget is reasonable based on the financial activity of the Board.

General Fund – The comparison of the general fund original budget to the final amended budget is on page 18. Because actual expenses exceeded actual revenues there was an overall decrease in fund balance in the general fund.

Capital Asset and Debt Administration

Capital Assets - The Board's investment in capital assets for its governmental activities at September 30, 2015 totaled $17,358,227, net of accumulated depreciation. The capital asset activity for the year is detailed in Note 6 to the financial statements. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year. Capital assets were decreased (depreciated) by $438,669 during fiscal year 2015. The Board expended available resources to acquire $425,918 in capital asset additions during the year. There was $1,271,822 in assets that were taken out of service during the year.

Long-Term Debt - At year-end, the Board owed $9,792,577 in warrants and notes payable. Of this amount, $602,577 was owed on the Opp High School roof project, $8,815,000 for the new Opp Elementary School and $375,000 for a QSCB loan. More information with regard to the Board's long-term debt is presented in Note 8 to the financial statements.

Current Year Events – During fiscal year 2015, most of the buildings on the campus of South Highlands Elementary School were demolished. The fourth grade, building as well as the cafeteria were preserved. The fourth grade building is currently housing the Opp Head Start program. The Board also added a 10,000 square foot addition to the physical education facility on the Opp High School campus.

Factors Bearing on the Board's Future

Demographics – Opp is located in eastern Covington County. As of the 2010 census, there were 6,659 people living in Opp, Alabama.

Economic – Some of the main employers in Opp, Alabama are Mizell Memorial Hospital, Opp City Schools, H.T. Hackney, Edgar Trucking, Buddy Moore Trucking, American Apparel, Sonoco, Global Aerospace & MFG. Opp is poised for positive economic growth on the bypass after recent service road and sewer improvements.

Funding – The rolling reserve act continues to provide stable funding through the Education Trust Fund (ETF). Locally, Opp City Schools collects 12 mills of ad valorem tax through district and county levees. By law, 10 mills are required to be levied and collected on all taxable property excluding motor vehicles for educational purposes. The county 4 mill and district 3 mill both were both renewed in March of 2015 for a period of 29 years. The date of the last levy will be October 1, 2046. The district special 5 mill levy began on October 1, 2009 and will continue through October 1, 2028. This tax has been overwhelmingly approved by the voters in Opp for the past 80 years. Overall, the economic condition of the Board remains stable. Management is conservatively planning for increases in recurring future costs, capital needs and increasing employer share of salary related benefits. The future is greatly influenced by the state education budget for FY2017. Many systems in the state have depleted their reserves and have cut jobs. Continued financial stability is dependent on sound management and adequate state funding.

County and District Sales Tax – The local economy is showing some signs of improvement. The county sales tax revenue for 2015 was consistent with 2014. District tax revenue collections grew roughly 2%. District sales tax is dedicated to the repayment of the bond debt on the Opp Elementary School. Local sources supplement the district sales tax to meet our debt obligation.

Student Enrollment – The latest student enrollment figure, as of the 2015-2016 twenty day (after Labor Day) report was 1,302 students. Although this is an improvement over the previous year, a look at the history shows a decline of over a 100 students in the past 10 years. Declining student enrollment continues to be a concern as it directly impacts funding.

Medical and Retirement Costs – Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer cost is $780 per employee per month for fiscal year 2016. Employer contributions to the Teachers Retirement System (TRS) are 11.71 percent for Tier I employees and 10.84 for Tier II employees. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

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 Ms. Linda Banks, Chief School Financial Officer, P.O. Box 840, Opp, AL 36467, or by calling (334) 493-3173 during regular office hours, Monday through Friday, from 8:00 A.M. to 4:00 P.M.

Opp City Board of Education
Statement of Net Position
September 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	$ 1,804,442
Investments	1,655,968
Receivables	529,303
Inventories	29,938
Restricted assets:	
Cash and cash equivalents	179,004
Capital assets, not being depreciated	634,273
Capital assets, net of depreciation	16,723,954
Unamortized bond insurance	75,034
Total assets	21,631,916
Deferred Outflows of Resources	
Deferred outflows related to pension	882,313
Liabilities	
Salaries and benefits payable	748,320
Unearned grant revenue	56,766
Long-term liabilities	
Net pension liability	9,140,000
Due and payable within one year	310,832
Due and payable after one year	9,316,194
Total liabilities	19,572,112
Deferred Inflows of Resources	
Deferred inflows related to pension	685,000
Deferred gain on refunding	78,873
Unearned property taxes	389,138
Total deferred inflows of resources	1,153,011
Net Position	
Net investment in capital assets	7,727,362
Restricted for debt service	179,004
Unrestricted (deficit)	(6,117,260)
Total net position	$ 1,789,106

See accompanying notes to financial statements.

Opp City Board of Education
Statement of Activities
For The Year Ended September 30, 2015

Functions / Programs		Expenses
Instructional services	$	6,685,422
Instructional support services		2,027,919
Operation and maintenance services		1,316,937
Student transportation services		455,386
Food services		1,060,190
General administrative services		1,418,357
Interest and fiscal charges		425,843
Other expenses		500,036
Total	$	13,890,090

See accompanying notes to financial statements.

Program Revenues			Net (Expenses) Revenues and Changes In Net Position Governmental Activities
Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
$ 85,395	$ 5,636,245	$ 297,702	$ (666,080)
110,467	1,494,506	-	(422,946)
37,991	575,654	26,631	(676,661)
25,605	384,239	54,000	8,458
809,185	35,441	-	(215,564)
1,967	366,701	9,555	(1,040,134)
-	-	-	(425,843)
191,735	126,236	-	(182,065)
$ 1,262,345	$ 8,619,022	$ 387,888	(3,620,835)

General Revenues	
Taxes:	
Property taxes for general purposes	636,981
Local sales tax	1,454,069
Other taxes	48,551
Investment earnings	33,346
Miscellaneous	474,848
Total general revenues	2,647,795
Change in net position	(973,040)
Net position - beginning, as previously stated	11,734,146
Restatement of net position (Note 14)	(8,972,000)
Net position - beginning, as restated	2,762,146
Net position - ending	$ 1,789,106

Opp City Board of Education
Balance Sheet – Governmental Funds
September 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 1,070,268	$ 734,174	$ 1,804,442
Investments	1,655,968	-	1,655,968
Receivables	447,138	82,165	529,303
Inventories	-	29,938	29,938
Restricted assets:			
Cash and cash equivalents	-	179,004	179,004
Total assets	$ 3,173,374	$ 1,025,281	$ 4,198,655
Liabilities			
Liabilities			
Salaries and benefits payable	$ 660,927	$ 87,393	$ 748,320
Unearned grant revenue	56,766	-	56,766
Total liabilities	717,693	87,393	805,086
Deferred Inflows of Resources			
Unearned property taxes	389,138	-	389,138
Fund balances			
Non-spendable	-	29,938	29,938
Restricted	-	179,004	179,004
Assigned	-	728,946	728,946
Unassigned	2,066,543	-	2,066,543
Total fund balances	2,066,543	937,888	3,004,431
Total liabilities, deferred inflows of resources, and fund balances	$ 3,173,374	$ 1,025,281	$ 4,198,655

See accompanying notes to financial statements.

Opp City Board of Education
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position
For The Year Ended September 30, 2015

Amounts reported for governmental activities in the Statement of Net Position on page 12 are different because:

Total fund balance - governmental funds		$ 3,004,431
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 23,350,146	
Accumulated depreciation is	(5,991,919)	17,358,227
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Unamortized bond insurance		75,034
Deferred inflows and outflows related to pension represent an acquisition or consumption of net position, respectively, that applies to a future period and, therefore, are not reported as liabilities or assets in the governmental funds.		
Deferred outflows related to pension	882,313	
Deferred inflows related to pension	(685,000)	197,313
Long-term liabilities, including bonds payable, bond discounts, deferred gain on refunding, and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Deferred gain on refunding	(78,873)	
Net pension liability	(9,140,000)	
Current portion of long-term debt	(310,832)	
Non-current portion of long-term debt	(9,316,194)	(18,845,899)
Total net position - governmental activities		$ 1,789,106

See accompanying notes to financial statements.

Opp City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For The Year Ended September 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
State revenues	$ 7,459,149	$ 387,887	$ 7,847,036
Federal revenues	58,753	1,627,104	1,685,857
Local revenues	1,699,697	1,574,865	3,274,562
Other revenues	72,871	28,090	100,961
Total revenues	9,290,470	3,617,946	12,908,416
Expenditures			
Instructional services	5,586,528	816,173	6,402,701
Instructional support services	1,531,715	483,016	2,014,731
Operation and maintenance	1,196,188	103,289	1,299,477
Student transportation services	405,090	16,190	421,280
Food services	3,978	1,068,278	1,072,256
General administrative services	585,515	134,860	720,375
Capital outlay	-	415,229	415,229
Debt service:			
Principal	-	362,860	362,860
Interest	-	427,680	427,680
Other expenditures	138,923	361,555	500,478
Total expenditures	9,447,937	4,189,130	13,637,067
Excess (deficiency) of revenues over (under) expenditures	(157,467)	(571,184)	(728,651)
Other Financing Sources (Uses)			
Indirect cost	64,000	-	64,000
Transfers in	-	833,007	833,007
Transfers out	(216,794)	(616,213)	(833,007)
Other financing sources	7,842	793	8,635
Total other financing sources (uses)	(144,952)	217,587	72,635
Net change in fund balances	(302,419)	(353,597)	(656,016)
Fund Balances - beginning	2,368,962	1,291,485	3,660,447
Fund Balances - ending	$ 2,066,543	$ 937,888	$ 3,004,431

See accompanying notes to financial statements.

Opp City Board of Education
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities
For The Year Ended September 30, 2015

Amounts reported for governmental activities in the Statement of Activities on page 13 are different because:

Total net change in fund balances - governmental funds		$ (656,016)
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 useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the period.		
Capital outlays	$ 425,918	
Depreciation expense	(438,669)	(12,751)
Governmental funds report the entire net sales price (proceeds) from the sale or disposal of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on sale or disposal of the asset. Thus, the change in net position differs from the change in fund balance by the net undepreciated cost of the disposed asset.		(694,872)
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 the governmental funds.		
Amortization of bond discounts, bond insurance and deferred gain on refunding	(1,574)	
Current year increase in pension expense	29,313	27,739
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Principal payments on long-term debt		362,860
Change in net position of governmental activities		$ (973,040)

See accompanying notes to financial statements.

Opp City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund
For The Year Ended September 30, 2015

	Budgeted Amounts	
	Original	Final
Revenues		
State revenues	$ 7,221,249	$ 7,364,568
Federal revenues	600	58,600
Local revenues	1,661,830	1,661,330
Other revenues	17,000	17,000
Total revenue	8,900,679	9,101,498
Expenditures		
Instructional services	5,394,228	5,471,589
Instructional support services	1,331,568	1,498,633
Operation and maintenance	1,118,128	1,139,350
Student transportation services	406,838	407,038
Food services	-	-
General administrative services	577,539	592,817
Capital outlay	5,000	5,000
Principal retirement	-	-
Other expenditures	104,809	105,547
Total expenditures	8,938,110	9,219,974
Excess (deficiency) of revenues over expenditures	(37,431)	(118,476)
Other Financing Sources (Uses)		
Indirect cost	74,676	75,916
Transfers out	(227,308)	(227,308)
Other financing sources	-	8,000
Total other financing sources (uses)	(152,632)	(143,392)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(190,063)	(261,868)
Fund Balance - beginning	2,368,962	2,368,962
Fund Balance - ending	$ 2,178,899	$ 2,107,094

See accompanying notes to financial statements.

Actual (Budgetary Basis)	Variance with Final Budget
$ 7,459,149	$ 94,581
58,753	153
1,699,697	38,367
72,871	55,871
9,290,470	188,972
5,583,598	(112,009)
1,539,530	(40,897)
1,196,188	(56,838)
406,859	179
3,978	(3,978)
585,343	7,474
-	5,000
-	-
132,973	(27,426)
9,448,469	(228,495)
(157,999)	(39,523)
64,000	(11,916)
(216,794)	10,514
7,842	(158)
(144,952)	(1,560)
(302,951)	(41,083)
2,368,962	-
$ 2,066,011	$ (41,083)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Opp City Board of Education (the "Board") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 Board's accounting policies are described below.

Reporting Entity

GASB establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units which should be included as part of the financial reporting entity of the Board.

The Board is a legally separate agency of the State of Alabama. However, for financial reporting, the Board is considered a component unit of the City of Opp, Alabama (the "City") because the City issued bonds for the construction of facilities for the Board and the City is obligated for the debt. The financial statements of the Board include local school activity funds and other funds under the control of school principals. These funds are reported on a reporting period ended September 30, 2015 as a special revenue fund.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities.

Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities.

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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all local taxes, are presented as general revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The fund financial statements provide information about the Board's funds. 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 other governmental funds.

The Board reports the following major governmental funds:

General Fund – This is the Board's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund. The Board's general fund primarily received revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the Board on a formula basis.

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

Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds consist of the following:

1. IDEA – Part B
2. Preschool Ages 3 – 5 Part B
3. Vocational Education – Basic Grant
4. Title I Part A
5. Title I Part A School Improvement
6. Title II Part A Teachers Training
7. Title VI Rural & Low Income Program
8. SLC E-Rate Refund
9. Local School Activity Funds
10. Food and Nutrition Fund

Debt Service Funds account for the accumulation of resources for, and the payment of, the Board's principal and interest payments on long-term debt.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Measurement Focus, Basis of Accounting

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 property taxes is

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental Fund Financial Statements: Governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within thirty (30) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Board. Investments are stated at fair value.

The State Attorney General has issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government.

Receivables - Receivables are reported as *receivables* in the government-wide financial statements and as *receivables* in the fund financial statements. Receivables include amounts due from grantors or grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

Property Tax Calendar - The Covington County Commission levies property taxes for all jurisdictions including the school boards and municipalities within the county. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items - Inventories are valued at cost using the first-in/first-out (FIFO) method. GAAP requires only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund. Prepaid items, such as insurance premiums and rent, are recorded as expenditures in governmental funds when paid.

In the government-wide financial statements, inventories and prepaid items are recorded on an accrual basis using the consumption method. Expenses reflect the amount of materials and supplies consumed and the amount of prepaid items applicable to the current period.

Restricted Assets – Restricted assets at September 30, 2015 consist of cash and cash equivalents which are restricted by debt agreements for debt service payments. Cash and cash equivalents restricted for debt service payments totaled $179,004.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical costs in the statement of net position. Donated assets are recorded at their estimated fair value at the date of donation. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

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

Asset Class	Capitalization Threshold	Estimated Useful Life
Land improvements - exhaustible	$ 25,000	40 years
Buildings	25,000	40 years
Building improvements	25,000	7 - 40 years
Equipment	5,000	7 years
Equipment under lease	5,000	7 years
Vehicles	5,000	5 - 7 years

The capitalization threshold for land, construction in progress, and inexhaustible land improvements is $1 or more. However, these capital assets are not depreciated.

Long-Term Obligations - In the government-wide financial statements, the unmatured principal of long-term debt, capital leases, and compensated absences are reported in the statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. For warrants (bonds) and other long-term debt issued after October 1, 2003, the related premiums and discounts are amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported as an addition or deduction from the related debt on the statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, bond premiums and the face amount of debt issued during the year are reported as other financing sources. Debt issuance costs are not deducted from the amount reported as other financial sources but are reported as debt service expenditures. Any discount resulting from a disparity between the market rate and the stated rate of interest is reported as an other financing use. Expenditures for debt principal, interest and related costs are reported in the fiscal year payments are made. At the inception of a capital lease, an amount equal to the present value of the net minimum lease payments is reported as an other financing source and as an expenditure. The balance sheet does not reflect a liability for long-term debt.

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

a. The employees' right to receive compensation is attributable to services already rendered.

b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

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

Professional and support personnel are provided two days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to two days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to two days of unused personal leave. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Certain employees are allowed two weeks of vacation per year with pay. Personnel considered full time support personnel and instructional personnel contracted for the fiscal year are eligible for vacation leave. Because unused vacation leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has one item reported in this category, deferred

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

outflows related to pension liability. A deferred outflow related to pension liability results from pension contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, in accordance with the implementation of GASB Statement No. 71. Refer to the "Impact of Recently Issued Accounting Pronouncements" section of Note 1 for additional information.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has three items that qualify for reporting in this category, deferred gain on refunding, unearned property taxes and the deferred inflows related to pension liability. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred inflow related to pension liability results from the net difference between projected and actual earnings on plan investments, in accordance with the implementation of GASB Statement No. 68, and is amortized over five years beginning with the year in which the difference occurred. Refer to the "Impact of Recently Issued Accounting Pronouncements" section of Note 1 for additional information.

Unamortized Bond Insurance - Unamortized debt expense related to bond insurance is amortized by using the outstanding principal method over the life of the related debt and is reported as unamortized bond insurance on the statement of net position. Other bond issuance costs are expensed as incurred.

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

Net Investment in Capital Assets – 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 proceeds at year-end related to capital assets are reported as restricted funds.

Restricted – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board.

Fund balances are reported in the fund financial statements in accordance with GASB 54. The intent of GASB 54 is to provide a more structured classification of fund balances and to improve the usefulness of fund balance reporting to the users of the Board's financial statements. The reporting

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

standard established a hierarchy for fund balance classifications and the constraints imposed on the users of those resources. In governmental funds, the Board's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

As of September 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Board, the highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used or specific purposes. Under the Board's policy, only the Superintendent may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventories	$ -	$ 29,938	$ 29,938
Restricted:			
Debt service	-	179,004	179,004
Assigned:			
Subsequent years' budget	-	728,946	728,946
Unassigned	2,066,543	-	2,066,543
	$ 2,066,543	$ 937,888	$ 3,004,431

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements. The governmental fund balance sheet is followed by a reconciliation between *Total fund balance - governmental funds* and *Total net position – governmental activities* as reported in the government-wide statement of net position. The governmental funds statement of revenues, expenditures and changes in fund balances is

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

followed by a reconciliation between *Total net change in fund balances - governmental funds* and *Change in net position of governmental activities* as reported in the government-wide statement of activities.

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impact of Recently Issued Accounting Pronouncements

Recently Issued and Adopted

In fiscal year 2015, the Board adopted three new statements of financial accounting standards issued by the GASB:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

GASB Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees (or volunteers that provide services to state and local governments) are provided with pensions through pension plans that are administered through trusts or equivalent arrangements, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information ("RSI") requirements about pensions also are addressed. For defined benefit pensions, this Statement identifies the

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The calculation of pension contributions is unaffected by the change.

The adoption has resulted in the restatement of the Board's fiscal year 2014 financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for each of its qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement. Refer to Note 14 for the financial statement impact of the retroactive application of the pronouncement.

GASB Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. There was no impact on the Board's financial statements as a result of the implementation of Statement No. 69.

GASB Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The resulting deferred outflow of resources related to pension at September 30, 2015 is $882,313.

Recently Issued

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application.* Statement No. 72 requires the Board to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach.

GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. The Board does not believe that Statement No. 73 will have a significant impact on its financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. The provisions of Statement No. 73 that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of Statement No. 73 for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged. The Board has not completed the process of evaluating the impact of Statement No. 73 on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The scope of this Statement includes defined benefit and defined contribution other postemployment benefit ("OPEB") plans administered through trusts that meet specified criteria. This Statement establishes financial reporting standards for state and local governmental OPEB plans. The Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 74 is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The Board has not completed the process of evaluating the impact of Statement No. 74 on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employees.

This Statement also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information are also addressed by the statement. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 75 is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The Board has not completed the process of evaluating the impact of Statement No. 75 on its financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. It also amends Statement No. 62, *Codification of accounting and financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 64, 74, and 82. The provisions of Statement No. 76 are effective for financial statements for periods beginning after June 15, 2015. Earlier application is permitted. The Board has not completed the process of evaluating the impact of Statement No. 76 on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. For financial reporting purposes, this Statement defines a tax abatement and contains required disclosures about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of GASB Statement No. 77 are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Board has not completed the process of evaluating the impact of Statement No. 77 on its financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Annual budgets are adopted for all governmental funds except the permanent funds. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2015 fiscal year was September 15, 2014. The Board approved and submitted its original 2015 annual budget on September 10, 2014.

The 2015 budget was amended in January 2015 and May 2015 primarily to budget carryover federal funds, adjust federal allocations, and add revenue and expenditures for fund sources not reflected in the original budget.

The City Superintendent of Education or Board cannot approve any budget for operations of the school system for any fiscal year that shows expenditures in excess of income estimated to be available plus any balances on hand. The Superintendent, with the approval of the Board, has the

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

authority to make changes within the approved budget provided that a deficit is not incurred by such changes. The Superintendent may approve amendments to program budgets without Board approval.

The budget is prepared under a budgetary basis of accounting that differs from generally accepted accounting principles (GAAP). Salaries of teachers and other personnel with contracts of less than twelve months are paid over a twelve month period. Expenditures for salaries (and related fringe benefits) and interest expense are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements. Similarly, interest expense incurred but not paid as of year-end is reported as an expenditure on the financial statements.

Adjustments to convert the results of operations of the general fund at the end of the year from the budgetary basis of accounting to the GAAP basis of accounting are as follows:

	Total Expenditures
Budget basis	$ 9,448,469
Non-budgeted accrued salaries and fringe benefits	
Instructional services	2,929
Instructional support services	(7,814)
Student transportation services	(1,769)
General administrative services	173
Other expenditures	5,949
GAAP basis	$ 9,447,937

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to recover 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 deposit 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 with original maturities of greater than three months. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

NOTE 4 - RECEIVABLES

Receivables at September 30, 2015 consist of the following:

	General	Other Non-major	Total
State Department of Education			
School Lunch Program	$ -	$ 70,601	$ 70,601
Special Education	58,000	11,564	69,564
Covington County Revenue Commissioner	389,138	-	389,138
Total receivables	$ 447,138	$ 82,165	$ 529,303

All receivables are considered fully collectible and, accordingly, no allowance for uncollectible accounts has been recorded.

NOTE 5 - INTERFUND ACTIVITY

Interfund transfers consisted of the following for the year ended September 30, 2015:

	Transfers In
Transfers Out	**Nonmajor Governmental**
General	$ 216,794
Nonmajor governmental	616,213
	$ 833,007

NOTE 6 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land and land improvements	$ 496,815	$ -	$ -	$ 496,815
Construction in progress	11,455	137,458	11,455	137,458
Total capital assets, not being depreciated	508,270	137,458	11,455	634,273
Other capital assets:				
Buildings	16,841,794	289,225	623,153	16,507,866
Building improvements	5,055,823	-	648,669	4,407,154
Furniture and equipment	1,790,163	10,690	-	1,800,853
Total other capital assets at historical cost	23,687,780	299,915	1,271,822	22,715,873
Less accumulated depreciation for:				
Buildings	3,910,295	257,022	409,720	3,757,597
Building improvements	952,922	76,970	167,230	862,662
Furniture and equipment	1,266,983	104,677	-	1,371,660
Total accumulated depreciation	6,130,200	438,669	576,950	5,991,919
Total other capital assets, net	17,557,580	(138,754)	694,872	16,723,954
Total governmental activities capital assets, net	$ 18,065,850	$ (1,296)	$ 706,327	$ 17,358,227

Depreciation expense was charged to governmental functions as follows:

Instructional services	$ 311,847
Instructional support services	17,709
Operation and maintenance services	19,171
Student transportation services	34,957
Food services	53,142
General and administrative	1,843
Total governmental activities depreciation expense	$ 438,669

NOTE 7 - DEFERRED INFLOWS OF RESOURCES

	General Fund
Property Taxes – Property taxes are levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of October 1 preceding the February meeting of the County Commission. The actual billing and collection of these taxes will occur subsequent to year-end.	$ 389,138

As discussed in Note 1, unearned revenue related to property taxes is classified as a deferred inflow of resources on the statement of net position.

NOTE 8 - LONG-TERM DEBT

2007 Board of Education Warrants

On September 1, 2007, the City of Opp issued $25,160,000 of Series 2007 General Obligation Warrants. The City issued the warrants for the benefit of the City, the Utilities Board of the City of Opp, and the Opp City Board of Education. The Board received $10,505,000 of the warrants referred to as the "Board of Education Warrants" to fund the cost of a new elementary school. The Board entered into a funding agreement with the City for repayment of the Board of Education Warrants from tax revenues pledged by the Board to the City. Those pledged tax revenues consist of the Special One Cent City Sales Tax and the Four Mil Ad Valorem tax. The revenue pledge will remain in effect until the outstanding warrants are paid in full.

Annual debt service requirements to maturity for the 2007 Board of Education Warrants are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2016	$ 250,000	$ 379,106
2017	260,000	368,906
2018	270,000	358,306
2019	280,000	347,306
2020	285,000	336,006
2021 – 2025	1,650,000	1,485,388
2026 – 2030	2,045,000	1,086,348
2031 – 2035	2,570,000	570,151
2036 – 2037	1,205,000	54,788
	$ 8,815,000	$ 4,986,305

NOTE 8 - LONG-TERM DEBT (Continued)

Pledged revenues recognized for the year ended September 30, 2015 were $900,257 while total debt service was $628,906.

Series 2012-A Pool Refunding Bonds

Pursuant to Act 98-373 enacted by the Alabama Legislature, the Alabama Public School and College Authority (PSCA) issued the Series 2002-A Capital Improvement Pool Bonds to loan funds to participating local school boards for the purpose of acquiring capital improvements to eliminate portable and sub-standard classrooms in the State of Alabama. Participating local school boards receiving loans from the Pool Bond proceeds were required to execute a warrant payable to the PSCA in the principal amount of the loan. The Board received a loan of $1,462,753 in 2002.

In March 2012, the PSCA issued the Series 2012-A Pool Refunding Bonds to refund, on a current basis, the outstanding Capital Improvement Pool Bonds. The principal and interest payments are payable by an irrevocable pledge of revenues from utility gross receipts taxes, utility service use taxes, sales taxes and use taxes (pledged revenues).

The bonds bear interest rates from 3% to 5%. The Board recognized a deferred gain on refunding on issuance of the 2012-A bonds in the amount of $112,089. This amount represents the difference between the acquisition price of the 2012-A bonds and the net carrying amount of the 2001-A bonds at the time of issuance. Amortization of the deferred gain on refunding for the year ended September 30, 2015 was $9,362.

Annual debt service requirements to maturity for the Series 2012-A Pool Refunding Bonds payable are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2016	$ 68,357	$ 27,589
2017	71,303	24,440
2018	74,997	20,783
2019	78,892	16,936
2020	82,837	12,893
2021 - 2024	226,191	14,513
	$ 602,577	$ 117,154

Pledged revenues recognized for the year ended September 30, 2015 were $96,032 while total debt service was $96,032.

NOTE 8 - LONG-TERM DEBT (Continued)

Series 2009-QSCB Capital Outlay Pool Warrant

Pursuant to Act 2009-813 enacted by the Alabama Legislature, the Alabama Public School and College Authority (PSCA) issued the Series 2009-D Capital Improvement Pool Qualified School Construction Bonds (QSCB) to loan funds to participating local school boards for the purpose of funding capital improvements. The Board received a loan of $375,000 from the QSCB funds in 2009. The Board is required to make annual payments of $19,515 into a sinking fund for fifteen years beginning December 15, 2011. Principal payments on the warrant may be made with PSF Capital Purchase funds that are allocated and distributed to the Board by the PSCA pursuant to Section 16-13-234 of the Code of Alabama (1975), as amended.

The warrant bears interest at 1.865% of the original amount borrowed and is due quarterly. The Board has elected to have the quarterly interest payments withheld from annual PSF Capital Purchase allocations in the amount of $6,994 per year through the maturity of the warrant on December 15, 2025.

Annual debt service requirements to maturity for the Series 2009-D Capital Outlay Pool Warrant are payable as follows:

Fiscal Year Ending September 30,	Principal	Interest
2016	$ -	$ 6,994
2017	-	6,994
2018	-	6,994
2019	-	6,994
2020	-	6,994
2021 – 2025	-	34,969
2026	375,000	1,748
	$ 375,000	$ 71,687

Capital Leases

The Board has entered into a lease agreement as lessee for financing the acquisition of buses. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease terms) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The following is an analysis of equipment leased under a capital lease as of September 30, 2015:

	Capital Assets
Buses (net of accumulated depreciation of $441,022)	$ 22,126

NOTE 8 - LONG-TERM DEBT (Continued)

There are no future obligations of governmental activities under capital leases at September 30, 2015 as these leases were paid off during the year ended September 30, 2015.

During the year ended September 30, 2015, the following changes occurred in long-term liabilities reported in the statement of net position:

	Balance October 1, 2014	Proceeds	Retirements	Balance September 30, 2015	Amounts Due Within One Year
2007 Board of Education Warrants	$ 9,055,000	$ -	$ (240,000)	$ 8,815,000	$ 250,000
2009-D Warrants	375,000	-	-	375,000	-
2012-A Pool Refunding Bonds	668,337	-	(65,760)	602,577	68,357
Unamortized bond discounts	(173,076)	-	7,525	(165,551)	(7,525)
Daimler Chrysler	57,100	-	(57,100)	-	-
	$ 9,982,361	$ -	$ (355,335)	$ 9,627,026	$ 310,832

NOTE 9 - EMPLOYEE RETIREMENT PLAN

Summary of Significant Accounting Policies for the Pension Plan

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

General Information about the Pension Plan

Plan description. The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operating of TRS is vested in its Board of Control.

NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)

The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board on Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

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

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

NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)

Participating employers' contractually required contribution rate for the year ended September 30, 2014 was 11.71% of annual pay for Tier 1 members and 11.08% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were $751,313 for the year ended September 30, 2015.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At September 30, 2015, the Board reported a liability of $9,140,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the System's proportion was 0.100606%, which was an increase of 0.001634% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the Board recognized pension expense of $722,000. At September 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	685,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	131,000	-
Employer contributions subsequent to the measurement date	751,313	-
Total	$ 882,313	$ 685,000

$751,313 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension's expense as follows:

NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)

Year Ended September 30,	
2016	$ (140,000)
2017	(140,000)
2018	(140,000)
2019	(140,000)
2020	6,000
Thereafter	-

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

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

* Net of pension plan investment expense

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

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

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

NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	25.00%	5.00%
U.S. large stocks	34.00%	9.00%
U.S. mid stocks	8.00%	12.00%
U.S. small stocks	3.00%	15.00%
International developed market stocks	15.00%	11.00%
International emerging market stocks	3.00%	16.00%
Real estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.50%

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

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

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Board's proportionate share of collective net pension liability	$ 12,451,000	$ 9,140,000	$ 6,333,000

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

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

The Board contributes to the Alabama Retired Education Employee's Health Care Trust (Trust), a multiple employer cost sharing defined benefit health care plan established in 2007 under the provisions of Act 2007-16 as an irrevocable trust fund. The Trust is administered by members of the Public Education Employees' Health Insurance Board (the PEEHIB). The Trust provides health care benefits to state and local school system retirees. *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 for the plan. The Teachers' Retirement System of Alabama issues a publicly available financial report that may be obtained on the PEEHIP website at http://www.rsa-al.gov under the Employer's Financial Reports section. *Code of Alabama 1975, Section 16-25A-8* provides the PEEHIB explicit authority to set the contribution requirements for plan members and employers. The employer's share of premiums for retired Board employee's health insurance is included as part of the premium for active employees and is funded on a pay-as-you-go basis. Retirees eligible for Medicare benefits must pay $10 per month for coverage while those not eligible for Medicare must pay $151 per month for coverage. The estimated portion of health insurance premiums paid by the Board for retired employees was approximately $329,642 or 23.17% of total Board allocations paid during fiscal year 2015. 100% of the required contributions were paid by the Board. The Board has no responsibility for the payment of health care benefits, beyond the payment of the premium, for retired employees.

NOTE 11 - SUBSEQUENT EVENTS

The Board has evaluated subsequent events between September 30, 2015 and March 10, 2016, the date the financials were available to be issued, and there were none to disclose.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Board has an approved agreement with Covington County Bank for a line of credit with a maximum amount available of $350,000. No formal account has been opened under this agreement and no amounts have been borrowed as of September 30, 2015.

The Board has one open construction commitment at September 30, 2015 for the demolition of a portion of the South Highlands Elementary School. The estimated total cost for this project is $140,000. As of September 30, 2015, costs of $137,458 had been incurred on this project and are recorded as construction in progress.

The Board is involved in various claims and litigation arising in the ordinary course of operations. In the opinion of legal counsel, the range of potential recoveries or liabilities in excess of insurance coverage, if any, is not determinable.

NOTE 13 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to $3.5 million per occurrence. The SIF purchases commercial insurance for claims, which in the aggregate exceed $3.5 million. Errors and omissions insurance is purchased from Alabama Risk Management for Schools (ARMS), a public entity risk pool. ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for vehicle liability and fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage.

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

The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Claims for employee job related injuries may be filed with the State Board of Adjustment. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board. No claims or related settlements have occurred in the past three years.

NOTE 14 - PRIOR PERIOD ADJUSTMENTS

As discussed in Note 1, the implementation of GASB Statement Nos. 68 and 71 required that the Board record its beginning proportionate share of net pension liability, as well as related beginning deferred outflows of resources for fiscal year 2014 contributions. The cumulative effect of applying these statements retroactively was a decrease in net position in the amount of $8,972,000.

Schedule of the Employer's Proportionate Share of the Net Pension Liability

As of September 30,		2015
Employer's proportion of the net pension liability		0.100606%
Employer's proportionate share of the net pension liability	$	9,140,000
Employer's covered-employee payroll*	$	6,382,911
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll		143.19%
Plan fiduciary net position as a percentage of the total pension liability		71.01%

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

For the year ended September 30,		**2015**
Contractually Required Contribution**	$	751,313
Contributions in relation to the actuarially determined contribution		751,313
Contribution deficiency (excess)	$	-
Employer's covered-employee payroll*	$	6,394,178
Contributions as a percentage of covered-employee payroll		11.75%

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

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

Opp City Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA No.	Pass Through Grantor's Number	Expenditures
Social Security Administration			
Disability Determination	96.001	N/A	$ 753
U.S. Department of Education			
Passed through State Department of Education			
Title I	84.010	180	596,588
Title II - Teacher Training	84.367	180	85,652
Vocational Education – Basic Grant	84.048	180	23,259
Title VI - Rural Education & Low Income	84.358	180	25,559
Subtotal			731,058
Special Education Cluster			
Special Education Grants to States	84.027	180	345,281
Special Education Preschool Grants	84.173	180	17,563
Subtotal Special Education Cluster			362,844
Total U.S. Department of Education			1,093,902
U.S. Department of Agriculture			
Passed through State Department of Education			
Child Nutrition Cluster			
USDA Severe Need Breakfast Program	10.553	180	105,184
National School Lunch Program	10.555	180	362,239
Food Distribution Program**	10.555	180	32,562
Summer Food Meals	10.569	180	24,983
Subtotal Child Nutrition Cluster			524,968
State Administrative Expenses for Child Nutrition	10.560	180	2,595
Total U.S. Department of Agriculture			527,563
Total federal awards			$1,622,218

NOTE 1 – BASIS OF ACCOUNTING

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

The modified accrual basis of accounting is followed in the schedule of expenditures of federal awards. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of such revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Board; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria.

NOTE 2 – SCHOOL-WIDE PROGRAM

The Board utilizes its funding under the Title I cluster to operate a “school-wide program”. School-wide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to a targeted group of students.

NOTE 3 - DONATED FOOD PROGRAM

The value of non-cash commodities received from the federal government in connection with the donated food program is reflected in the accompanying financial statements. The total assigned value of commodities donated was $32,562 for fiscal year 2015.

NOTE 4 – CONTINGENCIES

Grant monies received and disbursed by the Board are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Board does not believe that such disallowance, if any, would have a material effect on the financial position of the Board. As of March 10, 2016, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified ____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? ____ 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 deficiencies identified that are not considered to be material weakness(es)? ____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ____ yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

Dollar threshold used to distinguish between type A and type B programs? $ 300,000

Auditee qualified as low-risk auditee? X yes ____ no

Section II – Financial Statements Findings

No such findings in the current year.

Section III – Federal Award Findings and Questioned Costs

No such findings or questioned costs in the current year.

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

Members of the Board
Opp City Board of Education
Opp, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Opp City Board of Education (the "Board") as of and for the year ended September 30, 2015, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 10, 2016.

Internal Control Over Financial Reporting

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

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

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

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*.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

March 10, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Members of the Board
Opp City Board of Education
Opp, Alabama

Report on Compliance for Each Major Federal Program

We have audited Opp City Board of Education's (the "Board's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2015. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

March 10, 2016

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March 10, 2016

Members of the Opp City Board of Education
Opp, Alabama

Dear Members of the Opp City Board of Education:

We are pleased to present the results of our audit of the September 30, 2015 financial statements of the Opp City Board of Education (the "Board").

This report to the Board summarizes our audit, the reports issued and various analyses and observations related to the Board's accounting and reporting. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the Board's September 30, 2015 financial statements. We considered the Board's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Members of the Opp City Board of Education, expect. We received the full support and assistance of the Board's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board, management and others within the Board and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you. If you have any questions or comments, please call me at 334-348-1322.

Very truly yours,

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Certified Public Accountants

As discussed with management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Board. Specifically, we planned and performed our audit to:

- Perform audit services 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, in order to express an opinion on the Board's financial statements for the year ending September 30, 2015 and to 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**;

- Communicate directly with the Members of the Board and management regarding the results of our procedures;

- Address with the Members of the Board and management any accounting and financial reporting issues;

- Anticipate and respond to concerns of the Members of the Board and management; and

- Other audit-related projects as they arise and upon request.

We have audited the financial statements of the Board for the year ending September 30, 2015, and have issued our report thereon dated March 10, 2016. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Auditor's responsibility under Generally Accepted Auditing Standards	As stated in our engagement letter dated January 8, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities. As part of our audit, we considered the internal control of the Board over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles • *The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;* • *The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the Board's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures;* • *Critical accounting policies and practices applied by the client in its financial*	The significant accounting policies used by the Board are described in Note 1 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncements: • GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment to GASB Statement No. 27* • GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* • GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statements No. 68* The adoption of GASB Statement No. 68 resulted in the restatement of its fiscal year 2014 financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations; • *Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.*	The adoption of GASB Statement No. 69 had no impact on the financial statements. The adoption of GASB Statement No. 71 required that, at transition, the Board recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The cumulative effect of applying these statements retroactively was a decrease in net position in the amount of $8,972,000. We noted no transactions entered into by the Board during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
Management judgments and accounting estimates *The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.*	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality".
Corrected and Uncorrected Misstatements *All significant audit adjustments arising from the audit, whether or not recorded by the Board, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.*	Please see the following section titled "Summary of Audit Adjustments".

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the Board and how they are disclosed.*	No significant risks or exposures disclosed.
Material uncertainties related to events and conditions, specifically going concern issues *Any doubt regarding the Board's ability to continue, as a going concern (if extended procedures, communicate results), and any other material uncertainties.*	No such uncertainties were noted or disclosed.
Other information in documents containing audited financial statements *The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.
Disagreements with management *Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Board's financial statements or the auditor's report.*	None.
Management consultation with other independent accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	None of which we are aware.
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	None.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Difficulties encountered in performing the audit *Serious difficulties encountered in dealing with management that relate to the performance of the audit.*	None.
Deficiencies in internal control *Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.*	None.
Fraud and illegal acts *Fraud involving senior management, or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.*	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other material written communications • *Management representation letter* • *Management "SAS 115" letter* • *Financial Statement Findings*	Please see the following section titled "Management Representation Letter". Management Letter not required. None.
Other matters *Communication of other pertinent matters.*	None.

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Board's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Cash	The Board maintains its cash balances in high quality financial institutions. All of the Board's demand deposits are insured and collateralized by the Federal Deposit Insurance Corporation ("FDIC") and the Security for Alabama Funds Enhancement ("SAFE") Program operated by the office of the Treasurer of the State of Alabama as authorized by Section 41-14A of the Code of Alabama 1975, as amended.	X	No significant judgments or estimates.	The Board's policy is in accordance with all applicable accounting guidelines.
Depreciation of Property and Equipment, net	The Board depreciates assets over the expected remaining useful life of the individual asset.	X	Judgments in this area relate to the estimate of the remaining useful life of the asset.	The Board's recognition methods and disclosures appear appropriate.
Accounts Payable and Program Expenses (including payroll and payroll liabilities)	The Board records expenses on the modified accrual basis of accounting and classifies based on program receiving benefit and allowable/unallowable nature of cost.	X	Significant judgments include identification of nature of cost as allowable versus unallowable.	The Board's policy is in accordance with all applicable accounting guidelines.

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Revenue Recognition	Revenues are recognized when earned, and in 2015 primarily consist of local tax collections, foundation allocations from the State of Alabama DOE, and state and federal grants.	X	Judgments in this are related to timing of revenue recognition and adoption of appropriate methods of accounting.	The Board's policy is in accordance with all applicable accounting guidelines.
Manual Journal Entries	The Board records a number of journal entries each month.	X	The nature of these journal entries is inherently more risky than utilizing system generated information with no manual intervention. These journal entries are subject to a more stringent set of controls.	We noted no journal entries considered inappropriate.
Defined Benefit Pension Plan	The Board participates in the Teachers Retirement System (TRS), a cost sharing multiple-employer plan administered by Retirement Systems of Alabama (RSA). RSA utilizes an independent actuary to estimate for each participating employer their proportionate share of the total pension liability, fiduciary net position, related deferred outflows/inflows and actuarially required contributions in accordance with the provisions of GASB 68.	X	Key assumptions utilized by the actuary in making the estimates required under GASB 68 included a discount rate and estimated rate of return on plan investments of 8.00% with an inflation rate of 3.00% and projected salary increases of 3.5% to 8.25%. The total pension liability was determined by an actuarial valuation as of September 30, 2013 with a measurement date of September 30, 2014.	We evaluated the assumptions used by the actuary in estimating the Board's proportionate share of the total pension liability, the fiduciary net position, and the related deferred outflows/inflows and found them to be in accordance with the provisions of GASB 68 and reasonable in relation to the financial statements taken as a whole.

During the course of our audit, we accumulate differences between amounts recorded by the Board and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Board or passed (uncorrected).

See the following section titled "Corrected Audit Adjustments"

Uncorrected Adjustments

Governmental Activities

Understatement of Capital Assets	$	6,712

Other Governmental Funds

Understatement of Food Inventory	2,999
Understatement of Accrued Interest Payable	2,413

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Board's operating environment that has been identified as playing a significant role in the Board's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

March 10, 2016

Carr, Riggs & Ingram, LLC
PO Box 311070
Enterprise, AL 36331

This representation letter is provided in connection with your audit of the financial statements of Opp City Board of Education, a component unit of the City of Opp, Alabama, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of September 30, 2015, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 10, 2016, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 8, 2016, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the component unit required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to

related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.

8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the Opp City Board of Education is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of the Opp City Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves—

    - Management,
    - Employees who have significant roles in internal control, or
    - Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the identity of the Opp City Board of Education's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21) The Opp City Board of Education has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

27) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

28) The Opp City Board of Education has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.

29) The Opp City Board of Education has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

30) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .

31) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

32) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

33) We have reviewed the balance of accounts receivable for all funds as presented in the financial statements and have determined that a provision for uncollectible receivables is not necessary. Accordingly, no provision has been reported in the financial statements.

34) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

35) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

36) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

37) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

39) We have appropriately disclosed the Opp City Board of Education's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

40) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

41) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

42) We agree with the findings of the actuary retained by RSA in evaluating the valuation of pension liability, pension expense and related deferred inflows and outflows of resources and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We had no

direct contractual relationship with the actuary and did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the actuary. We believe the actuarial assumptions used to measure the pension liability and expense are appropriate.

43) With respect to federal award programs—

a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.

b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

d) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

h) We have received no requests from a federal agency to audit one or more specific programs as a major program.

i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.

j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.

q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.

r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

t) We have charged costs to federal awards in accordance with applicable cost principles.

u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have

provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

w) We are responsible for preparing and implementing a corrective action plan for each audit finding.

Signature: _____ Signature: _____

Title: _____ Title: _____

Adjusting Journal Entries JE # 1

To accrue wages at 9/30/15 per computation PBC. PY entry was not posted by client at AL DOE's request. PY accrual amounts will be posted to fund balance and the net change in the CY and PY accrual will run thru exp.
**Linda, do not post. **

1130350000000011110000000000	Unreserved Fund Balance	600,353.00	
1130350000000012220000000000	Unreserved Fund Balance	11,535.00	
1130350000000012230900000000	Unreserved Fund Balance	7,192.00	
1130350000000012500000000000	Unreserved Fund Balance	474.00	
1130350000000013109000000000	(R) Unreserved Fund Balance	20,871.00	
1130350000000014109000000000	Unreserved Fund Balance	3,828.00	
1130350000000015209000000000	Unreserved Fund Balance	773.00	
1130350000000017200000000000	Unreserved Fund Balance	11,390.00	
1130350000000060010000000000	Unreserved Fund Balance	5,042.00	
1151100010002060010120000000	Instruction-Teacher	13,012.00	
1151100012812014100170000000	Instruction-Alternative Sch Teacher	943.00	
1159140010003017200471200000	Pre-School, Teacher	222.00	
1230350000000032100000000000	Unreserved Fund Balance	19,240.00	
1230350000000032200000000000	Unreserved Fund Balance	2,087.00	
1230350000000041100000000000	Unreserved Fund Balance	21,596.00	
1230350000000041300000000000	Unreserved Fund Balance	7,235.00	
1230350000000051010000000000	Unreserved Fund Balance	33,216.00	
1251100010000041100000000000	Salaries - Regular Teacher	7,006.00	
1251100010002041300120000000	Instruction-Teacher	3,060.00	
1254210110001051010842000000	Child Nutrition-Administrative	1,569.00	
1259140010003032200471200000	Pre-School-Teacher	25.00	
1120211000000011110000000000	(R) Salaries & Wages Payable		589,618.00
1120211000000012220000000000	(R) Salaries & Wages Payable		10,984.00
1120211000000012300000000000	(R) Salaries & Wages Payable		6,239.00
1120211000000012500000000000	Salaries & Wages Payable		
1120211000000013100000000000	Salaries & Wages Payable		19,102.00
1120211000000014100000000000	Salaries & Wages Payable		4,770.00
1120211000000015200000000000	Salaries & Wages Payable		548.00
1120211000000017200000000000	Salaries & Wages Payable		11,611.00
1120211000000060010000000000	Salaries & Wages Payable		18,055.00
1130350000000012400000000000	Unreserved Fund Balance		
1151100010001011100150000000	Instruction-Teacher		10,735.00
1151100010001012400181000000	Instruction-Teacher		
1151100101002012500170000000	Instruction-Instructional Aide		474.00
1151100180003012300110000000	Instruction-Substitutes		953.00
1152140121821012200821000000	Health Services-Registered Nurse		552.00
1154110111841013100841000000	Trans Adm Services-Supervisor of Transp		1,769.00
1159140010003015200210000000	Pre-School-Teacher		225.00
1220211000000032100000000000	Salaries & Wages Payable		11,599.00
1220211000000032200000000000	Salaries & Wages Payable		2,112.00
1220211000000041100000000000	Salaries & Wages Payable		28,602.00
1220211000000041300000000000	Salaries & Wages Payable		10,295.00
1220211000000051010000000000	Salaries & Wages Payable		34,785.00
1251100010003032100230000000	Instruction-Teacher		7,641.00
Total		**770,669.00**	**770,669.00**

Adjusting Journal Entries JE # 6			
To adjust accrued interest expense on PSCA warrants and Daimler note at 9/30/15. ** Linda, do not post. **			
1430350000000022560000000000	Unreserved Fund Balance	2,632.00	
1430350000000084100000000000	Unreserved Fund Balance	321.00	
1420252000000084100000000000	Accrued Interest Payable		
1458100932920084100920000000	Bonds And Warrants-Interest		321.00
1458300932841021200920000000	Lease Purchase Agrmt-Interest		2,632.00
Total		**2,953.00**	**2,953.00**

Adjusting Journal Entries JE # 12			
To record assessed ad valorem tax due to BOE at 10/1/14 in accordance with GASB 33. ** Linda, do not post. **			
1110131000000006001000000000	Accounts Receivable	389,137.77	
1120271000000006001000000000	Deferred Revenue		389,137.77
Total		**389,137.77**	**389,137.77**

Adjusting Journal Entries JE # 14			
To record the drug subsidy revenue and expense on the books of the school board. **Linda, do not post. **			
1151100290000006001000000000	Other Employee Benefits	57,409.96	
1152220290000006001000000000	Other Employee Benefits	13,710.58	
1153200290000006001000000000	Other Employee Benefits	5,164.39	
1154100290000006001000000000	Other Employee Benefits	2,583.11	
1154200290000006001000000000	Other Employee Benefits	3,978.28	
1156210290000006001000000000	Other Employee Benefits	5,565.44	
1159140290000006001000000000	Other Employee Benefits	1,301.81	
1142901000000006001000000000	Other State Sources		89,713.57
Total		**89,713.57**	**89,713.57**