Opp City Board of Education

FINANCIAL STATEMENTS

For The Year Ended September 30, 2014

Opp City Board of Education
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September 30, 2014

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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, 2014, 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, 2014, 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 February 17, 2015, 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

February 17, 2015

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, 2014. 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 2013-2014 fiscal year include the following:

- General Fund expenses and other uses exceeded revenues and other sources by $131,142 resulting in a fund balance of $2,368,962 available as of the fiscal year ended September 30, 2014. The Board ended the fiscal year with 3.85 months of operating reserve.
- The assets of the Board exceeded its liabilities at the close of the 2014 fiscal year by $11,734,146 (net position). Of this amount, $170,958 is restricted for debt service.

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,	**2014**	2013
Assets		
Current assets	**$ 4,626,715**	$ 4,576,083
Restricted assets	**173,911**	168,800
Capital assets, net of depreciation	**18,065,850**	18,314,073
Other assets, unamortized bond issuance	**78,445**	81,856
Total assets	**22,944,921**	23,140,812

Liabilities		
Current liabilities	**1,082,194**	881,980
Noncurrent liabilities	**9,647,953**	10,002,296
Total liabilities	**10,730,147**	10,884,276
Deferred Inflows of Resources		
Deferred gain on refunding	**88,235**	97,597
Unearned property taxes	**392,393**	405,012
Total deferred inflows of resources	**480,628**	502,609
Net Position		
Net investment in capital assets	**8,073,699**	7,975,845
Restricted	**170,958**	165,331
Unrestricted	**3,489,489**	3,612,751
Total net position	**$ 11,734,146**	$ 11,753,927

The Board's assets exceeded liabilities by $11,734,146 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. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements – are $3,489,489 at the end of the year.

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, 2014.

Summary of Changes in Net Position From Operating Results

Years ended September 30,	**2014**	2013
Program Revenues		
Charges for services	**$ 1,149,527**	$ 1,089,972
Operating grants and contributions	**8,466,265**	8,354,585
Capital grants	**455,237**	427,780
General Revenues		
Local property taxes	**722,608**	682,493
Sales and use taxes	**1,439,413**	1,481,697
Miscellaneous taxes	**51,801**	53,408
Investment earnings	**40,936**	195,122
Miscellaneous	**438,665**	481,995
Total revenues	**12,764,452**	12,767,052

Expenses		
Instructional	**6,764,562**	6,545,030
Instructional support	**1,819,478**	1,866,003
Operation and maintenance	**1,196,054**	1,195,866
Food service	**992,870**	890,735
Transportation	**468,340**	455,187
General administration and central support	**693,182**	688,007
Other	**408,385**	387,883
Interest on long-term debt	**441,362**	448,078
Total expenses	**12,784,233**	12,476,789
Change in net position	**(19,781)**	290,263
Net Position – Beginning	**11,753,927**	11,463,664
Net Position – Ending	**$ 11,734,146**	$ 11,753,927

Revenue Analysis:

- Program revenues account for 78% 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 $2,693,423 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 14 and 16.) 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 $3,660,447.

General Fund – The general fund is the chief operating fund of the Board. The beginning fund balance was $2,500,104. As of September 30, 2014, the ending fund balance was $2,368,962.

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, 2014, the ending PSF fund balance was $618,174.

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 ending fund balance of $180,438 (2.4 months of operating balance) is in the optimal range as established by Alabama Act No. 2004-456.

Budgetary Highlights of Major Funds

The original 2014 fiscal year budget, adopted on September 12, 2013, 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 28, 2014 and June 17, 2014. Amendment #1 was necessary to amend the budgeted 2014 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 2014 budget. The amendment included adjustments to reduce the Child Nutrition Program pass-through budget, budget utility expense from foundation funds, and budget for additional expenses not reflected in the original or amended budget. 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 17. Because actual revenues exceeded actual expenses there was an overall increase 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, 2014 totaled $18,065,850, 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 $466,528 during fiscal year 2014. The Board expended available resources to acquire $228,001 in capital asset additions during the year. There was $12,000 in assets that were taken out of service during the year.

Long-Term Debt - At year-end, the Board owed $10,155,436 in warrants and notes payable. Of this amount, $668,337 was owed on the Opp High School roof project, $57,100 for school buses, $9,055,000 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.

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. According to Jason Bryan, City Planner, American Apparel is expected to double their workforce by adding 75 jobs immediately (total of 150) and Global Aerospace plans to add 35 to their workforce as well. 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 are due to expire (last levy) in October of 2015. On December 9, 2014, the Board passed a resolution calling for a special election for a renewal and continuation of the levy of the three mill school tax in school district no 33 in Covington County to be held March 10, 2015.

County and District Sales Tax – The local economy continues to struggle to maintain consistent growth. Locally the county sales tax revenue was 3% less in FY13, with district tax revenue collections dropping roughly 2.5%. District sales tax is earmarked to satisfy the debt on Opp Elementary School facility. Local sources supplement the district sales tax to meet our debt obligation.

Student Enrollment – The latest student enrollment figure, as of the 2014-2015 twenty day (after Labor Day) report was 1,284.9 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 2015. Employer contributions to the Teachers Retirement System (TRS) are 11.71 percent for Tier I employees and 11.05 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, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	$ 2,433,744
Investments	1,651,676
Receivables	510,378
Inventories	30,917
Restricted assets:	
Cash and cash equivalents	173,911
Capital assets, not being depreciated	508,270
Capital assets, net of depreciation	17,557,580
Unamortized bond insurance	78,445
Total assets	22,944,921
Liabilities	
Salaries and benefits payable	744,833
Accrued interest payable	2,953
Long-term liabilities	
Due and payable within one year	334,408
Due and payable after one year	9,647,953
Total liabilities	10,730,147
Deferred Inflows of Resources	
Deferred gain on refunding	88,235
Unearned property taxes	392,393
Total deferred inflows of resources	480,628
Net Position	
Net investment in capital assets	8,073,699
Restricted for debt service	170,958
Unrestricted	3,489,489
Total net position	$ 11,734,146

See accompanying notes to financial statements.

Opp City Board of Education
Statement of Activities
For The Year Ended September 30, 2014

Functions / Programs		Expenses
Instructional services	$	6,764,562
Instructional support services		1,819,478
Operation and maintenance services		1,196,054
Student transportation services		468,340
Food services		992,870
General administrative services		693,182
Interest and fiscal charges		441,362
Other expenses		408,385
Total	$	12,784,233

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	
	$ 107,252	$ 5,634,634	$ 186,844	$ (835,832)
	107,093	1,366,590	-	(345,795)
	16,671	558,125	214,393	(406,865)
	33,500	379,501	54,000	(1,339)
	726,995	51,733	-	(214,142)
	2,881	339,237	-	(351,064)
	-	-	-	(441,362)
	155,135	136,445	-	(116,805)
	$ 1,149,527	$ 8,466,265	$ 455,237	(2,713,204)
General Revenues				
Taxes:				
Property taxes for general purposes				722,608
Local sales tax				1,439,413
Other taxes				51,801
Investment earnings				40,936
Miscellaneous				438,665
Total general revenues				2,693,423
Change in net position				(19,781)
Net position - beginning				11,753,927
Net position - ending				$ 11,734,146

See accompanying notes to financial statements.

Opp City Board of Education
Balance Sheet –Governmental Funds
September 30, 2014

	General Fund	Capital Projects - PSF Fund Capital Outlay
Assets		
Cash and cash equivalents	$ 1,376,490	$ 614,884
Investments	1,651,676	-
Receivables	394,648	3,290
Inventories	-	-
Restricted assets:		
Cash and cash equivalents	-	-
Total assets	$ 3,422,814	$ 618,174
Liabilities		
Liabilities		
Salaries and benefits payable	$ 661,459	$ -
Accrued interest payable	-	-
Total liabilities	661,459	-
Deferred Inflows of Resources		
Unearned property taxes	392,393	-
Fund balances		
Non-spendable	-	-
Restricted	-	-
Assigned	-	618,174
Unassigned	2,368,962	-
Total fund balances	2,368,962	618,174
Total liabilities, deferred inflows of resources, and fund balances	$ 3,422,814	$ 618,174

See accompanying notes to financial statements.

Other Governmental Funds	Total Governmental Funds
$ 442,370	$ 2,433,744
-	1,651,676
112,440	510,378
30,917	30,917
173,911	173,911
$ 759,638	$ 4,800,626
$ 83,374	$ 744,833
2,953	2,953
86,327	747,786
-	392,393
30,917	30,917
170,958	170,958
471,436	1,089,610
-	2,368,962
673,311	3,660,447
$ 759,638	$ 4,800,626

Opp City Board of Education
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position
For The Year Ended September 30, 2014

Amounts reported for governmental activities in the Statement of Net Position on page 11 are different because:

Total fund balance - governmental funds		$ 3,660,447
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 24,196,051	
Accumulated depreciation is	(6,130,201)	18,065,850
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Unamortized bond insurance	78,445	78,445
Long-term liabilities, including bonds payable, bond discounts and deferred gain on refunding, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Deferred gain on refunding	(88,235)	
Current portion of long-term debt	(334,408)	
Non-current portion of long-term debt	(9,647,953)	(10,070,596)
Total net position - governmental activities		$ 11,734,146

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, 2014

	General Fund	Capital Projects - PSF Fund Capital Outlay
Revenues		
State revenues	$ 7,566,467	$ 233,747
Federal revenues	580	-
Local revenues	1,797,463	-
Other revenues	76,100	-
Total revenues	9,440,610	233,747
Expenditures		
Instructional services	5,717,715	18,134
Instructional support services	1,397,748	-
Operation and maintenance	1,123,935	36,499
Student transportation services	396,395	-
Food services	1,328	-
General administrative services	573,706	-
Capital outlay	32,825	186,977
Debt service:		
Principal	3,912	-
Interest	-	2,039
Other expenditures	119,316	-
Total expenditures	9,366,880	243,649
Excess (deficiency) of revenues over (under) expenditures	73,730	(9,902)
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(206,787)	-
Other financing sources	1,915	-
Total other financing sources (uses)	(204,872)	-
Net change in fund balances	(131,142)	(9,902)
Fund Balances - beginning	2,500,104	628,076
Fund Balances - ending	$ 2,368,962	$ 618,174

See accompanying notes to financial statements.

Other Governmental Funds	Total Governmental Funds
$ 221,490	$ 8,021,704
1,342,282	1,342,862
1,450,339	3,247,802
40,850	116,950
3,054,961	12,729,318
713,515	6,449,364
403,930	1,801,678
22,030	1,182,464
20,195	416,590
934,009	935,337
103,912	677,618
-	219,802
343,739	347,651
441,160	443,199
289,069	408,385
3,271,559	12,882,088
(216,598)	(152,770)
820,351	820,351
(613,564)	(820,351)
33,220	35,135
240,007	35,135
23,409	(117,635)
649,902	3,778,082
$ 673,311	$ 3,660,447

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, 2014

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

Total net change in fund balances - governmental funds		$ (117,635)
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	$ 228,001	
Depreciation expense	(466,528)	(238,527)
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.		(9,696)
The amortization of bond discounts, bond insurance and deferred gain on refunding of debt are reported as expenses in the Statement of Activities. However, these expenses do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.		(1,574)
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		347,651
Change in net position of governmental activities		$ (19,781)

See accompanying notes to financial statements.

Opp City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Budget and Actual – General Fund
For The Year Ended September 30, 2014

	Budgeted Amounts	
	Original	Final
Revenues		
State revenues	$ 7,490,409	$ 7,560,199
Federal revenues	1,000	600
Local revenues	1,617,610	1,675,210
Other revenues	15,000	66,000
Total revenue	9,124,019	9,302,009
Expenditures		
Instructional services	5,495,075	5,539,480
Instructional support services	1,265,449	1,377,523
Operation and maintenance	1,096,524	1,122,980
Student transportation services	402,884	404,904
Food services	-	-
General administrative services	555,125	572,825
Capital outlay	-	-
Principal retirement	-	-
Other expenditures	122,390	127,254
Total expenditures	8,937,447	9,144,966
Excess revenues over expenditures	186,572	157,043
Other Financing Sources (Uses)		
Indirect cost	82,045	82,045
Transfers out	(157,325)	(212,325)
Other financing sources	-	2,000
Total other financing sources (uses)	(75,280)	(128,280)
Excess Revenues and Other Sources Over Expenditures and Other Uses	111,292	28,763
Fund Balance - beginning	2,500,104	2,500,104
Fund Balance - ending	$ 2,611,396	$ 2,528,867

See accompanying notes to financial statements.

Actual (Budgetary Basis)	Variance with Final Budget
$ 7,566,467	$ 6,268
580	(20)
1,797,463	122,253
76,100	10,100
9,440,610	138,601
5,571,865	(32,385)
1,380,174	(2,651)
1,123,935	(955)
389,850	15,054
1,328	(1,328)
573,706	(881)
32,825	(32,825)
3,912	(3,912)
115,765	11,489
9,193,360	(48,394)
247,250	90,207
-	(82,045)
(206,787)	5,538
1,915	(85)
(204,872)	(76,592)
42,378	13,615
2,500,104	-
$ 2,542,482	$ 13,615

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, 2014 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.

Public School Fund Capital Outlay – This fund accounts for the funds received from the State Department of Education which are to be used for capital improvements.

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 II Part A Teachers Training
6. Title VI Rural & Low Income Program
7. SLC E-Rate Refund
8. Local School Activity Funds
9. 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2014 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 $173,911.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 does not currently have any items that qualify for reporting in this category.

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 two items that qualify for reporting in this category, deferred gain on refunding and unearned property taxes.

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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of September 30, 2014, 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	PSF Fund Capital Outlay	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories	$ -	$ -	$ 30,917	$ 30,917
Restricted:				
Debt service	-	-	170,958	170,958
Assigned:				
Capital projects	-	618,174	-	618,174
Subsequent years' budget	-	-	471,436	471,436
Unassigned	2,368,962	-	-	2,368,962
	$ 2,368,962	$ 618,174	$ 673,311	$ 3,660,447

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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recently Issued Accounting Pronouncements

The GASB has issued the following statements:

Recently Issued and Adopted:

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. It requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities, and also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement was effective for reporting periods beginning after June 15, 2013, and the provisions of this statement are required to be applied retroactively, with the exception of disclosures related to cumulative amounts paid or received in relation to a financial guarantee. The Board implemented GASB Statement No. 70 for the year ended September 30, 2014. There was no impact on these financial statements as a result of the implementation of GASB Statement No. 70.

Recently Issued

- GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 as described above, 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 RSI requirements about pensions also are addressed. For defined benefit pensions, this Statement identifies the 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. However, adoption will likely result in the restatement of the Board's Fiscal Year 2014 government-wide 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 plan and the recognition of pension expense in accordance with the provisions of the Statement.

Management has not yet determined the financial statement impact of the pronouncement.

- GASB Statement No. 69, Government Combinations and Disposals of Government Operations 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. Management has not yet determined the financial statement impact of the pronouncement.

- GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 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. Management has not yet determined the financial statement impact of the pronouncement.

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 2014 fiscal year was September 16, 2013. The Board approved and submitted its original 2014 annual budget on September 12, 2013.

The 2014 budget was amended in January 2014 and June 2014 primarily to budget carryover federal funds, adjust federal allocations, reduce Child Nutrition Program pass-through revenue, and budget additional state and other grant funds that became available after submission of 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 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	$ 9,193,360
Non-budgeted accrued salaries and fringe benefits	
Instructional services	145,850
Instructional support services	17,574
Student transportation services	6,545
Other expenditures	3,551
GAAP basis	$ 9,366,880

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.

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, 2014 consist of the following:

	General	PSF Capital Outlay	Other Non-major	Total
State Department of Education				
School Lunch Program	$ -	$ -	$ 66,649	$ 66,649
Special Education	-	-	8,615	8,615
Title I - Part A	-	-	18,111	18,111
Career Tech Bond	-	-	19,065	19,065
Capital Projects	-	3,290	-	3,290
Covington County Revenue Commissioner	392,393	-	-	392,393
Other miscellaneous	2,255	-	-	2,255
Total receivables	$ 394,648	$ 3,290	$ 112,440	$ 510,378

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, 2014:

Transfers Out	Transfers In Nonmajor Governmental
General	$ 206,787
Nonmajor governmental	613,564
	$ 820,351

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land and land improvements	$ 465,097	$ 31,718	$ -	$ 496,815
Construction in progress	-	11,455	-	11,455
Total capital assets, not being depreciated	465,097	43,173	-	508,270
Other capital assets:				
Buildings	16,841,794	-	-	16,841,794
Building improvements	4,879,194	176,629	-	5,055,823
Furniture and equipment	1,793,964	8,199	12,000	1,790,163
Total other capital assets at historical cost	23,514,952	184,828	12,000	23,687,780
Less accumulated depreciation for:				
Buildings	3,653,479	256,816	-	3,910,295
Building improvements	872,176	80,746	-	952,922
Furniture and equipment	1,140,321	128,966	2,304	1,266,983
Total accumulated depreciation	5,665,976	466,528	2,304	6,130,200
Total other capital assets, net	17,848,976	(281,700)	9,696	17,557,580
Total governmental activities capital assets, net	$ 18,314,073	$ (238,527)	$ 9,696	$ 18,065,850

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instructional services	$	315,198
Instructional support services		17,799
Operation and maintenance services		21,789
Student transportation services		51,751
Food services		57,533
General and administrative		2,458
Total governmental activities depreciation expense	$	466,528

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.	$	392,393

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.

NOTE 8 - LONG-TERM DEBT (Continued)

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

Fiscal Year Ending September 30,	Principal	Interest
2015	$ 240,000	$ 388,906
2016	250,000	379,106
2017	260,000	368,906
2018	270,000	358,306
2019	280,000	347,306
2020 – 2024	1,575,000	1,552,800
2025 – 2029	1,960,000	1,175,054
2030 – 2034	2,455,000	683,214
2035 – 2037	1,765,000	121,613
	$ 9,055,000	$ 5,375,211

Pledged revenues recognized for the year ended September 30, 2014 were $905,116 while total debt service was $628,306.

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, 2014 was $9,362.

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

NOTE 8 - LONG-TERM DEBT (Continued)

Fiscal Year Ending September 30,	Principal	Interest
2015	$ 65,760	$ 30,272
2016	68,357	27,589
2017	71,303	24,440
2018	74,997	20,783
2019	78,892	16,936
2020 – 2024	309,028	27,406
Total	$ 668,337	$ 147,426

Pledged revenues recognized for the year ended September 30, 2014 were $96,116 while total debt service was $96,116.

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
2015	$ -	$ 6,994
2016	-	6,994
2017	-	6,994
2018	-	6,994
2019	-	6,994
2020 – 2024	-	34,970
2025 – 2026	375,000	8,742
Total	$ 375,000	$ 78,682

NOTE 8 - LONG-TERM DEBT (Continued)

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, 2014:

	Capital Assets
Buses (net of accumulated depreciation of $410,326)	$ 52,822

Obligations of governmental activities under capital leases at September 30, 2014, are as follows:

Fiscal Year Ending September 30,	Total
2015	$ 37,978
2016	21,972
Total minimum lease payments	59,950
Less: Amount representing interest costs	2,850
Present value of future minimum lease payments	57,100
Less: Current portion	36,173
Capital lease obligation, net of current portion	$ 20,927

During the year ended September 30, 2014, the following changes occurred in long-term liabilities reported in the statement of net position:

	Balance October 1, 2013	Proceeds	Retirements	Balance September 30, 2014	Amounts Due Within One Year
2007 Board of Education Warrants	$ 9,285,000	$ -	$ (230,000)	$ 9,055,000	$ 240,000
2009-D Warrants	375,000	-	-	375,000	-
2012-A Pool Refunding Bonds	731,601	-	(63,264)	668,337	65,760
Unamortized bond discounts	(180,601)	-	7,525	(173,076)	(7,525)
Daimler Chrysler	111,487	-	(54,387)	57,100	36,173
	$ 10,322,487	$ -	$ (340,126)	$ 9,982,361	$ 334,408

NOTE 9 - EMPLOYEE RETIREMENT PLAN

Plan Description

The Board contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama. Substantially all employees are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the Board. Benefits vest after 10 years of creditable service for all employees. Vested employees may retire with full benefits as follows:

	Tier 1 (members hired before January 1, 2013)	Tier 2 (members hired on or after January 1, 2013)
Eligibility for retirement benefits	Age 60 with at least 10 years of service ***or*** after 25 years of service at any age	Age 62 with at least 10 years of service
Average final salary (AFS)	Average of the highest 3 fiscal years (Oct – Sept) out of the last 10 fiscal years the member made contributions	Average of the highest 5 fiscal years (Oct – Sept) out of the last 10 fiscal years the member made contributions
Benefit factor (BF)	2.0125%	1.165%
Maximum monthly benefit	(AFS x years of service x BF)/12	(AFS x years of service x BF)/12

Disability retirement benefits are calculated in the same manner as retirement benefits. Pre-retirement death benefits are payable to the member's beneficiaries in varying amounts dependent upon years of service and whether the member was vested (10 years or more of service).

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

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

NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)

Funding Policy

Employees of the Board are required by statute to contribute a percentage of their salary to the Teachers' Retirement System (7.5% for Tier 1 employees and 6.0% for Tier 2 employees). The Board is required to contribute the remaining amounts necessary to fund the actuarial determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

Fiscal year ended September 30,	**2014**	2013	2012
Total percentage of covered payroll	***See below***	*See below*	17.25%
Tier 1 employees	**19.21%**	17.58%	N/A
Tier 2 employees	**17.08%**	16.08%	N/A
Contributions:			
Percentage contributed by the Board	***See below***	*See below*	10.00%
Tier 1 employees	**11.71%**	10.08%	N/A
Tier 2 employees	**11.08%**	9.44%	N/A
Percentage contributed by employees	***See below***	*See below*	7.25%
Percentage contributed by Tier 1 employees	**7.50%**	7.50%	N/A
Percentage contributed by Tier 2 employees	**6.00%**	6.00%	N/A
Contributed by the Board	**$ 745,832**	$ 624,374	$ 616,276
Contributed by the employees	**473,884**	464,239	446,800
Total contributions	**$ 1,219,266**	$ 1,088,613	$ 1,063,076

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 includes financial statements and required supplementary information for the Trust. The report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

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 $400,400 or 30.83% of total Board allocations paid during fiscal year 2014. 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, 2014 and February 17, 2015, 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, 2014.

The Board has one open construction commitment at September 30, 2014 for an addition to the P.E. Facility at the Opp High School. The estimated total cost for this project is $300,000. As of September 30, 2014, costs of $11,455 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

NOTE 13 - RISK MANAGEMENT (Continued)

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.

Opp City Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

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	$ 580
U.S. Department of Education			
Passed through State Department of Education			
Title I	84.010	180	368,427
Title II - Teacher Training	84.367	180	73,844
Vocational Education – Basic Grant	84.048	180	20,166
Title VI - Rural Education & Low Income	84.358	180	24,305
Subtotal			486,742
Special Education Cluster			
Special Education Grants to States	84.027	180	314,613
Special Education Preschool Grants	84.173	180	17,548
Subtotal Special Education Cluster			332,161
Total U.S. Department of Education			818,903
U.S. Department of Agriculture			
Passed through State Department of Education			
Child Nutrition Cluster			
USDA Severe Need Breakfast Program	10.553	180	110,187
National School Lunch Program	10.555	180	361,678
Subtotal Child Nutrition Cluster			471,865
Food Distribution Program**	10.569	180	51,514
Total U.S. Department of Agriculture			523,379
Total federal awards			$1,342,862

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 – SCHOOLWIDE 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 $51,514 for fiscal year 2014.

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 February 17, 2015, 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
	Child Nutrition Cluster
10.553	USDA Sever Need Breakfast Program
10.555	National School Lunch Program

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, 2014, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated February 17, 2015.

Internal Control Over Financial Reporting

Management of the Board is responsible for establishing and maintaining effective 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

February 17, 2015

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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, 2014. 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, 2014.

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

February 17, 2015

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February 17, 2015

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, 2014 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, 2014 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, 2014 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, 2014, and have issued our report thereon dated February 17, 2015. 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 9, 2015, 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;*	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. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees The adoption of GASB 70 did not have a significant impact on the consolidated financial statements or disclosures. 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.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
• *Critical accounting policies and practices applied by the client in its financial 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.*	
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.

Revenue Recognition	Revenues are recognized when earned, and in 2014 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.

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 Plan or passed (uncorrected).

See the following section titled "Corrected Audit Adjustments"

Uncorrected Adjustments

Non-cash Drug Subsidy

General Fund	$	50,118
Other Governmental Funds		9,817
Total Governmental Activities	$	59,935

Total revenues and expenses are understated by the amounts listed above for the respective funds as a result of not recording the non-cash drug subsidy received. The net impact on the change in fund balance for all funds noted is zero.

Understatement of Inventory

Other Governmental Funds	$	2,009

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.

February 17, 2015

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, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of September 30, 2014, and the respective changes in financial position 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 February 17, 2015, 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 9, 2015, including our responsibility for the preparation and fair presentation of the financial statements 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 primary government and all component units 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 the requirements of 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 aforementioned 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. 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:

    a) Management,

    b) Employees who have significant roles in internal control, or

    c) 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 entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

19) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.

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

21) 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.

22) 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.

23) 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.

24) We have identified and disclosed to you all instances, which 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.

25) 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.

26) 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.

27) 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.

28) 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.

29) 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.

30) 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.

31) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

32) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

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

34) 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.

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

36) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

37) Provisions for uncollectible receivables have been properly identified and recorded.

38) 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.

39) 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.

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

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

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

43) 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.

44) 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

45) 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.

46) 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 included in the SEFA 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 requirements applicable to 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 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 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 in internal control over compliance (including material weaknesses in internal control over compliance), have occurred 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 9/30/14 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. **

113035000000001110000000000	Unreserved Fund Balance	446,705.00	
113035000000001220000000000	Unreserved Fund Balance	8,341.00	
113035000000001230900000000	Unreserved Fund Balance	5,660.00	
113035000000001240000000000	Unreserved Fund Balance	725.00	
113035000000001250000000000	Unreserved Fund Balance	365.00	
113035000000001310900000000	(R) Unreserved Fund Balance	14,326.00	
113035000000001410900000000	Unreserved Fund Balance	3,203.00	
113035000000001520900000000	Unreserved Fund Balance	393.00	
113035000000001720000000000	Unreserved Fund Balance	8,219.00	
115110001000101110015000000	Instruction-Teacher	153,648.00	
115110001000206001012000000	Instruction-Teacher	5,043.00	
115110001281201410017000000	Instruction-Alternative Sch Teacher	625.00	
115110010100201250017000000	Instruction-Instructional Aide		109.00
115110018000301230011000000	Instruction-Substitutes	1,532.00	
115214012182101220082100000	Health Services-Registered Nurse		3,194.00
115411011184101310084100000	Trans Adm Services-Supervisor Of Transp		6,545.00
115914001000301520021000000	Pre-School-Teacher	380.00	
115914001000301720047120000	Pre-School, Teacher	3,171.00	
123035000000003210000000000	Unreserved Fund Balance	10,087.00	
123035000000003220000000000	Unreserved Fund Balance	1,628.00	
123035000000004110000000000	Unreserved Fund Balance	10,727.00	
123035000000004130000000000	Unreserved Fund Balance	5,255.00	
123035000000005101000000000	Unreserved Fund Balance	23,411.00	
125110001000004110000000000	Salaries - Regular Teacher	10,869.00	
125110001000204130012000000	Instruction-Teacher	1,980.00	
125110001000303210023000000	Instruction-Teacher	9,153.00	
125421011000105101084200000	Child Nutrition-Administrative	9,805.00	
125914001000303220047120000	Pre-School-Teacher	459.00	
112021100000001110000000000	(R) SALARIES & WAGES PAYABLE		600,353.00
112021100000001220000000000	(R) SALARIES & WAGES PAYABLE		11,535.00
112021100000001230000000000	(R) SALARIES & WAGES PAYABLE		7,192.00
112021100000001250000000000	Salaries & Wages Payable		474.00
112021100000001310000000000	Salaries & Wages Payable		20,871.00
112021100000001410000000000	Salaries & Wages Payable		3,828.00
112021100000001520000000000	Salaries & Wages Payable		773.00
112021100000001720000000000	Salaries & Wages Payable		11,390.00
112021100000006001000000000	Salaries & Wages Payable		5,043.00
115110001000101240018100000	Instruction-Teacher		725.00
122021100000003210000000000	Salaries & Wages Payable		19,240.00
122021100000003220000000000	Salaries & Wages Payable		2,087.00
122021100000004110000000000	Salaries & Wages Payable		21,596.00
122021100000004130000000000	Salaries & Wages Payable		7,235.00
122021100000005101000000000	Salaries & Wages Payable		33,216.00
Total		**745,558.00**	**745,558.00**

Adjusting Journal Entries JE # 6			
To accrue interest expense on PSCA warrants and Daimler note at 9/30/14. ** Linda, do not post. **			
1430350000000002256000000000	Unreserved Fund Balance	2,843.00	
1430350000000008410000000000	Unreserved Fund Balance	626.00	
1420252000000002256000000000	Accrued Interest Payable		2,632.00
1420252000000008410000000000	Accrued Interest Payable		321.00
1458100932920084100920000000	Bonds And Warrants-Interest		305.00
1458300932841022560920000000	Lease Purchase Agrmt, interest		211.00
Total		**3,469.00**	**3,469.00**

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	392,392.56	
1120271000000006001000000000	Deferred Revenue		392,392.56
Total		**392,392.56**	**392,392.56**