BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2014



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Independent Auditors' Report

Carr, Riggs & Ingram, LLC 2100 16th Avenue South Suite 300 Birmingham, AL 35205

(205) 933-7822 (205) 933-7944 (fax) www.cricpa.com

To the Members of the
Trussville City Board of Education
Trussville, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Trussville 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 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 financials statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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. 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 Trussville City Board of Education, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5.1 through 5.8 and 30 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 Trussville City Board of Education's basic financial statements. The accompanying schedule of expenditures of federal awards and state government appropriations are 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Can Rigge & Ingram, L.L.C.

Birmingham, Alabama June 10, 2015 Management
Discussion
And
Analysis

(MD&A)

Our discussion and analysis of the Trussville City Board of Education's financial performance provides an overview of the Board's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the Board's financial statements and notes, which follow this analysis.

Financial Highlights

- The most important financial highlight is that on February 25, 2014 the City of Trussville held a referendum requesting a 7 Mill increase in ad valorem taxes for the purpose of building/renovating two school buildings. The referendum passed and collection will begin October 01, 2014.
- After experiencing a small increase in ad valorem tax receipts for Fiscal Year 2013 of \$197,000, we continued to budget conservatively at \$10.08 million dollars. Actual receipts came in at \$10.94 million dollars approximately \$850,000 dollars over budget and approximately \$710,000 over previous year's actual receipts.
- Each year the Trussville City Board receives an appropriation from the City of Trussville. This appropriation is made up mostly from a one penny sales tax collected by the City of Trussville and appropriated for education. Based on previous year receipts and the uncertainty related to the economy we budgeted \$1.7 million dollars for Fiscal Year 2014. Actual receipts came in at \$1.88 million dollars, approximately \$178,000 over budget and approximately \$247,000 over the previous year's receipts.
- We also were conservative with expenditures for fiscal year 2014. We budgeted \$10.39 million dollars in our local fund for salary and operating expenditures not covered by other state or federal funding sources. Our actual expenditures and encumbrances were \$9.80 million dollars, approximately \$587,000 less than budgeted.

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.

Government-wide Statements

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).

Fund Financial Statements

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.

Governmental funds - Most of 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 governmental fund statements provide a detailed short-term view that helps you 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.

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of a budgetary comparison schedule for the general fund and each major special revenue fund that has a legally adopted annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

Financial Analysis of the Board as a Whole

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

The Board's assets exceeded liabilities by \$139.44 million 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. These assets are not available for future expenditures since they will not be sold. 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 \$6.83 million at the end of the year.

Table 1 - Summary of Net Position Fiscal Year Ended September 30th (in millions)

			Total
			Percentage
	Governmental A	ctivities	<u>Change</u>
	<u>2013</u>	<u>2014</u>	
Current and other assets	\$ 14.75	\$ 15.43	4.61%
Capital assets	122.09	133.95	9.71%
Total assets	136.84	149.38	14.32%
Current and other liabilities	3.34	6.55	96.11%
Long-term liabilities	4.15	3.39	-18.31%
Total liabilities	7.49	9.94	77.80%
Net position:			
Net investment in capital assets	117.60	130.14	-10.66%
Restricted	2.32	2.48	6.89%
Unrestricted	9.43	6.82	-27.68%
Total net position	\$ 129.35	\$ 139.44	-31.45%

Change in Net Position. The Board experienced a slight increase with net position increasing by \$9.40 million dollars during the current fiscal year.

The Board's total revenues and expenditures are reflected in the following chart:

Table 2 - Summary of Changes in Net Position From Operating Results
Fiscal Year Ended September 30th
(in millions)

,	Governmental Activities		
Revenues	2013	2014	
Program Revenues:		•	
Charges for services	\$2.48	\$2.58	
Operating grants and contributions	21.31	22.00	
Capital Grants and Contributions	0.98	0.93	
General Revenues:			
Property taxes for general purposes	9.91	10.58	
Property and sales taxes for capital improvements	2.23	14.34	
Local sales taxes	0.00	0.00	
Other taxes	0.00	0.00	
Other	2.77	3.43	
Total Revenues	39.68	53.86	
Expenses			
Instructional services	24.36	25.24	
Instructional support	5.63	5.69	
Operation and maintenance services	3.50	3.35	
Auxiliary services	4.97	5.28	
General administration and central support	3.19	2.98	
Interest and fiscal charges	0.19	0.19	
Other	0.95	1.04	
Total Expenses	42.79	43.77	
Change in Net Position	(3.11)	10.09	
Net Position Beginning of the year	132.46	129.35	
Net Position Ending of the year	\$129.35	\$139.44	

Program revenues, specifically operating grants and contributions, are typically the largest component of total revenues.

- Operating grants and contributions contribute \$22.00 million of program revenues and 40.83% of total revenues. The major sources of revenues in this category are State foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

General revenues, primarily property taxes and sales taxes, are used to provide for expenses not covered by program revenues.

Expenses - Governmental Activities -

- Instruction service expenses include teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.
- Instructional support services includes salaries and benefits for school principals, assistant principals librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Auxiliary services includes student transportation expenses, such as bus driver salaries
 and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle
 fuel, depreciation of buses and bus shops, and fleet insurance, and food service
 expenses such as lunchroom managers, cooks cashiers and servers' salaries and
 benefits as well as donated and purchased food, food preparation and service supplies,
 kitchen and lunchroom equipment and depreciation of food service 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.
- 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.
- Other expenses includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. 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.
- Extraordinary items are significant transactions or other events that are both unusual in nature and infrequent in occurrence. The only extraordinary item reported is the recording of the initial property transfer net of related debt from the Jefferson County Board of Education

Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The strong financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$9.65 million (see Balance Sheet-Governmental Funds). Approximately \$ 3.47 million of this amount constitutes unassigned fund balance of the General fund, which is available as of the end of the fiscal year for spending on future operations.

General Fund - The general fund is the primary operating fund of the Board. The general fund balance decreased \$0.62 million, due to a slight increase in expenditures.

Capital Projects-State Fund - The Capital Projects-State Fund is used to account for state financial resources paid on behalf of the Board for the acquisition or construction of major capital facilities. Specifically, this fund accounts for the proceeds of the Public School and College Authority (PSCA) Capital Improvement Pool Bonds, Series 1999D ("state leveraged funds") which were recognized as revenue in the year 2000 by the Jefferson County Board of Education. The Board entered into an agreement with the Jefferson County Board of Education and the Public School and College Authority to assume the portion of outstanding balance of this debt allocated to the construction of the Paine Primary School.

General Fund Budgetary Highlights

The Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget. The annual budget for FY 2014 was due on or before September 15, 2013. The Board passed the FY 2014 Budget on August 19, 2013. Over the course of the year, the Board revised the annual operating budget on June 16, 2014. The final budget contains necessary accrual of salary expenditures required by the Governmental Accounting Standards Board using the Modified Accrual Basis of Accounting. Both amendments included necessary adjustments to salary lines as well as additional expenditures necessary to get the school system up and running for the succeeding school year.

Capital Assets and Debt Administration

Capital Assets - At September 30, 2014, the Board had approximately \$133.95 million invested in capital assets including land, construction in progress, buildings, vehicles and equipment. This amount is net of accumulated depreciation to date in the amount of \$23.55 million. 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.

Table 3 – Capital Assets (net of Depreciation) (In Millions)

GOVERNME	Net Increase (Decrease)		
	9/30/2013	9/30/2014	,
Land and land improvements	\$5.39	\$4.75	-\$0.64
Construction in progress	0.00	15.43	15.43
Buildings & Improvements	113.06	110.49	-2.57
Vehicles	1.75	1.71	-0.04
Equipment	1.89	1.57	-0.32
	\$122.09	\$133.95	\$11.86

The additions to capital assets were primarily for the following:

- New Stadium construction in progress totaling \$15,430,205.
- Land and building improvements at various facilities totaling \$213,930.
- Purchase of school buses totaling \$340,710.

Long-Term Debt - At year-end, the Board had \$3.81 million in warrants and other long-term debt outstanding.

Table 4 - Outstanding Long-Term Debt For the Year Ended September 30, 2014

Governmental Activities
(in millions)

	Beginning Balance	Net Change	Ending Balance
Bonds and warrants payable Capital leases	\$3.60 0.89	-\$0.53 -0.14	\$3.07 0.74
Total long-term debt	\$4.49	-\$0.67	\$3.81

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

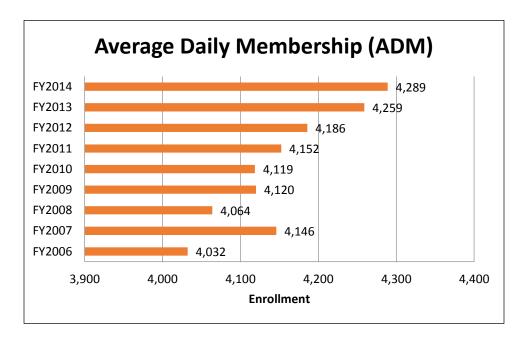
- The Board entered into an agreement with the Jefferson County Board of Education and the Public School and College Authority to assume the portion of outstanding balance of this debt allocated to the construction of the Paine Primary School. The balance as of September 30, 2014 was \$3.07 million.
- The balance of a capital lease for the lease-purchase of major components of our technology network/Wi-Fi infrastructure as of September 30, 2014 was \$744,305.

Economic Factors and Next Year's Budget

The following are currently known Trussville City economic factors considered in going into the 2014-2015 fiscal years. Some statistics are shown for the Birmingham Metropolitan Statistical Area.

- The unemployment rate in Birmingham-Hoover Metropolitan Statistical Area for February 2015 is 5.1 percent, which is a slight decrease from last year's rate of 7.0 percent in February 2013. Source is the Bureau of Labor Statistics at www.bls.gov.
- The population in Trussville City as of the year 2010 census rose significantly since the last ten-year census taken in 2000. The population rose by approximately 7009 people or 54 percent over a ten-year period for a total estimated population of 19,933.

Student Enrollment - The student enrollment figures reported to the State Department of Education for the fiscal year 2014 school year was 4,289 which indicates a small increase in enrollment of approximately 30 students over the FY 2013 school year.



^{*}Prior to July 01, 2005, the four schools that comprise the Trussville City Schools were part of and over-seen by the Jefferson County School District.

Medical and Retirement Costs - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). Costs are expected to remain flat for the 2015 fiscal year.

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 James A. Kirkland, Director of Finance by email at im.kirkland@trussvillecityschools.com.

STATEMENT OF NET POSITION SEPTEMBER 30, 2014

\$	12,616,757
	2,682,330
	28,431
_	103,823
_	15,431,341
	20,180,713
	137,320,743
<u></u>	(23,546,616)
_	133,954,840
_	133,954,840
¢	149,386,181
	\$ - - -

		Governmental Activities		
Liabilities and net position				
Current liabilities				
Accounts payable	\$	2,633,922		
Accrued liabilities		115,739		
Salaries and benefits payable		2,934,819		
Accrued interest payable		25,146		
Unearned revenue		92,181		
Current portion of bonds payable		556,676		
Current portion of capital leases	_	191,704		
Total current liabilities		6,550,187		
Noncurrent liabilities				
Compensated absences		324,118		
Bonds payable, noncurrent portion		2,518,216		
Capital leases, noncurrent portion	_	552,601		
Total noncurrent liabilities		3,394,935		
Total liabilities	_	9,945,122		
Net position				
Net investment in capital assets		130,135,643		
Restricted		2,479,854		
Unrestricted	_	6,825,562		
Total net position	\$	139,441,059		

STATEMENT OF ACTIVITIES SEPTEMBER 30, 2014

Functions/Programs		Expenses	
Governmental activities			
Instruction	\$	25,238,907	
Instructional support		5,690,698	
Operation and maintenance		3,351,061	
Auxiliary services		5,283,532	
General administration and central support		2,977,924	
Other		1,038,312	
Interest and fiscal charges	_	194,461	
Total governmental activities	\$	43,774,895	

I	Pro	ogram Revenue	es			Net (Expenses) Revenues and Changes
Charges		Operating		Capital	-	in Net Assets
for		Grants and		Grants and		Total Governmental
Services		Contributions		Contributions	_	Activities
\$ 433,844	\$	14,047,929	\$	-	\$	(10,757,134)
-		3,224,387		-		(2,466,311)
-		1,801,325		-		(1,549,736)
2,145,914		2,930,558		-		(207,060)
-		-		-		(2,977,924)
-		-		930,841		(107,471)
		-	-		_	(194,461)
\$ 2,579,758	\$	22,004,199	\$	930,841	=	(18,260,097)
General reven	ue	8				
Taxes:						
Property tax	kes	for general pur	ро	ses		10,580,469
Property an	d s	sales taxes for c	ар	ital improvements	3	14,341,915
Miscellaneo	us	taxes				1,116
County commis	sic	n appropriation				656,048
Interest						29,594
Grants and con	trik	outions not restr	icte	ed for		
specific progra	am	S				315,642
Other						2,428,289
Total gene	ral	revenue				28,353,073
Change in	ne	t position				10,092,976
Net position, be	gir	nning of year				129,348,083
Net positio	n -	end of year			\$	139,441,059

BALANCE SHEET - GOVERNMENTAL FUNDS SEPTEMBER 30, 2014

	_	General Fund		Capital Projects Fund		Child Nutrition Fund	_	Other Governmental Funds		Total Governmental Funds
Assets										
Cash and cash equivalents	\$	6,098,982	\$	4,029,949	\$	977,865	\$	1,509,961	\$	12,616,757
Due from other governments		264,356		2,152,131		72,764		193,079		2,682,330
Accounts receivable		3,307		10,312		-		14,812		28,431
Due from other funds		-		-		-		2,242		2,242
Inventories	_	_		-		103,823	_			103,823
Total assets	Ֆ _	6,366,645	\$_	6,192,392	\$	1,154,452	\$	1,720,094	\$	15,433,583
Liabilities										
	\$	24,254	\$	2,589,737	\$	13,785	\$	6,146	\$	2,633,922
Due to other funds	۲	2,242	Ψ	_,000,707	Ψ	-	Ψ	-	Ψ	2,242
Unearned revenues		_,		_		92,181		_		92,181
Accrued liabilities		115,739		_		-		=		115,739
Salaries and benefits payable		2,756,062		_		133,790		44,967		2,934,819
Total liabilities	_	2,898,297	_	2,589,737		239,756	_	51,113	_	5,778,903
					_					
Fund balances										
Nonspendable:										
Inventories		=		-		103,823		-		103,823
Restricted for:						040.070		4 000 004		0.470.054
Special revenue		-		-		810,873		1,668,981		2,479,854
Committed to:				2 002 055						2 002 055
Capital projects		2 460 240		3,602,655		-		-		3,602,655
Unassigned: Total fund balances	_	3,468,348		2 602 655		014 606	-	1 660 001		3,468,348
iotai iuliu balalices	-	3,468,348		3,602,655		914,696	-	1,668,981		9,654,680
Total liabilities and fund balances	\$_	6,366,645	\$_	6,192,392	\$	1,154,452	\$	1,720,094	\$	15,433,583

RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2014

Total fund balances - Governmental funds

\$ 9,654,680

Amounts reported for governmental activities in the statement of net position are different because:

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

133,954,840

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

	Current Liabilities	Noncurrent Liabilities	
Compensated absences	\$ -	\$ 324,118	
Bonds payable	556,676	2,518,216	
Capital leases	191,704	552,601	
Accrued interest payable	25,146	-	
Total liabilities	\$ 773,526	\$ 3,394,935	(4,168,461)

Total net position - governmental activities

\$ 139,441,059

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund		Capital Projects Fund	Child Nutrition Fund		Other Governmental Funds	Total Governmental Funds
Revenues							<u> </u>
State \$	20,622,474	\$	496,737	\$ 65,749	9 \$	84,535 \$	21,269,495
Federal	300		-	467,745	5	627,443	1,095,488
Local	12,889,123		13,251,031	1,417,796	3	2,991,082	30,549,032
Other	495,100		-	59	9	712,530	1,207,689
Total revenues	34,006,997	-	13,747,768	1,951,349)	4,415,590	54,121,704
Expenditures							
Current:							
Instructional services	20,358,482		64,803		-	2,051,016	22,474,301
Instructional support	4,875,658		45,465		-	746,154	5,667,277
Operation and maintenance	3,098,940		131,904		-	99,994	3,330,838
Auxiliary services	2,230,456		-	2.682.780		148,429	5,061,665
General administration and							
central support	2,680,919		50,000		-	20,787	2,751,706
Other	415,309		-		-	623,003	1,038,312
Capital outlay	107,104		15,269,704		-	-	15,376,808
Debt service:							
Principal retirement	-		142,122		-	529,831	671,953
Interest and fiscal charges	-		21,507		-	177,368	198,875
Total expenditures	33,766,868		15,725,505	2,682,780)	4,396,582	56,571,735
Excess (deficiency) of revenues							
over expenditures	240,129		(1,977,737)	(731,431	1)	19,008	(2,450,031)
Other financing sources (uses)							
Transfers in	152,384		_	720,003	3	841,858	1,714,245
Transfers out	(1,014,399)		-	,	-	(699,846)	(1,714,245)
Total other financing sources (uses)	(862,015)		-	720,003	3	142,012	-
Net changes in fund balance	(621,886)		(1,977,737)	(11,428	3)	161,020	(2,450,031)
Fund balances at beginning of year	4,090,234		5,580,392	926,124	1	1,507,961	12,104,711
Fund balances at end of year \$	3,468,348	\$	3,602,655	\$ 914,696	<u>5</u> \$	S <u>1,668,981</u> \$	9,654,680

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net changes in fund balances - total governmental funds

\$ (2,450,031)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlay (\$15,371,659) exceeded depreciation (\$3,509,695) in the current period.

11,861,964

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt issued exceeded repayments.

Capital leases \$ (142,122) Principal repayments (529,831)

671,953

Some expenses reported in the statement of activities do not require the use of the current financial resources and are not reported as expenditures in the funds:

Compensated absences
Accrued interest payable

4,676 4,414

Change in net position of governmental activities

10,092,976

NOTES TO FINANCIAL STATEMENTS

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of significant accounting policies

The financial statements of the Trussville City Board of Education (the "Board") have been prepared in conformity with generally accepted accounting principles (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.

A. Reporting entity

GASB Statements No. 14, 39 and 61 establish 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 material 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.

B. 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) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of significant accounting policies (continued)

B. Basis of Presentation, Basis of Accounting (continued)

Basis of Presentation (continued)

Fund financial statements

The fund financial statements provide information about the Board's funds, including fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds. The Board currently has no fiduciary funds.

The Board reports the following major governmental funds:

- (1) General Fund -- The general fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board'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 school board on a formula basis.
- (2) Child Nutrition Fund -- This fund is used to account for activities concerned with providing meals to students and staff. The Board elects to always report this as a major fund to enhance consistency from year to year.
- (3) Capital Projects Fund -- This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

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

Special Revenue Funds -- Special Revenue Funds account for the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Examples of special revenue fund sources are: Federal Vocational, Title I, IDEA Part B (Special Education), Title III, Title IV, Title II, Federal Preschool, Local School Activity Funds and Local School Extended Day Programs.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of significant accounting policies (continued)

B. Basis of Presentation, Basis of Accounting (continued)

Measurement focus, basis of accounting

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from 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 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.

Local school activity funds and other funds under the control of school principals use the cash basis of accounting during the year. However, these funds have been restated to the modified accrual basis of accounting in these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of significant accounting policies (continued)

C. Assets, liabilities, and net position/fund balances

(1) Deposits and investments

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

Investments are stated at cost or amortized cost, which approximates market value.

(2) Receivables

Receivables are reported (if any) as *Accounts receivable* and *Due from other governments* in the government-wide financial statements and as *Accounts receivable, Due from other funds,* and *Due from other governments* in the fund financial statements. Receivables due from other governments include amounts due from grantors for grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

(3) Property tax calendar

The Jefferson 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.

(4) Inventories and prepaid items

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when purchased except commodities donated by the federal government and purchased food items which are expensed when consumed. 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of significant accounting policies (continued)

C. Assets, liabilities, and net position/fund balances (continued)

(5) 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 financial statements are as follows:

	Cap Th	Estimated Useful Life		
Land improvements - exhaustible	\$	50,000	20 years	
Buildings		50,000	50 years	
Building improvements		50,000	7 - 30 years	
Equipment and furniture		5,000	5 - 20 years	
Vehicles		5,000	8 - 10 years	

The capitalization threshold for Land, Construction in Progress, and Inexhaustible Land Improvements is \$1 or more. However, these capital assets are not depreciated.

(6) Long-term obligations

In the government-wide financial statements, the unmatured principal of long-term debt 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. Debt issuance costs include all costs incurred to issue the debt including insurance, financing and other related costs. Debt issuance costs (except for prepaid insurance costs) are recognized as an expense in the period incurred. Premiums and discounts on debt are capitalized and amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported in 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 an other financing source. Debt issuance costs are not deducted from the amount reported as an other financing source but are reported as debt service expenditures. Any discount is reported as an other financing use. Expenditures for debt principal, interest and related costs are reported in the fiscal year payment is made. The balance sheet does not reflect a liability for long-term debt.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of significant accounting policies (continued)

C. Assets, liabilities, and net position/fund balances (continued)

(7) 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:

- The employee's right to receive compensation are 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 is 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 sick leave and may use it as membership service in determining the total years of creditable service in the teachers' retirement system, 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 and support employees may elect to be paid, at the Board's substitute rate, for up to two days of unused personal leave or the unused days may be converted to sick leave. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

All twelve-month employees are allowed two weeks of vacation per year with pay. Up to 30 days of unused vacation leave can be carried over to succeeding years.

(8) Net position/fund equity

Net position is reported on the government-wide financial statements and is 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of significant accounting policies (continued)

- C. Assets, liabilities, and net position/fund balances (continued)
- (8) Net position/fund equity
- ♦ **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 equity is reported in the fund financial statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

(9) Fund statements

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. A total of \$2,479,854 is restricted because of Federal, state or local regulations. The amounts are \$1,668,981 in the Local School Student Activity Fund and \$810,783 in the Child Nutrition Program Special Revenue Fund.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. A total of \$3,602,655 is committed to construction contracts in the Capital Projects Fund.

Assigned fund balance. The classification reflects the amounts constrained by the Board's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Board of Education and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of significant accounting policies (continued)

- C. Assets, liabilities, and net position/fund balances (continued)
- (9) Fund statements (continued)

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed.

(10) Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(11) Subsequent events

The Board has evaluated subsequent events through the date of issuance of these financial statements.

2. Reconciliation of financial statements

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements. GASB requires the following additional disclosures if aggregated information in the summary reconciliation obscures the nature of the individual elements of a particular reconciling item.

A. Explanation of certain differences between the Governmental Funds Balance Sheet and the Statement of Net Position

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 assets.

B. Explanation of certain differences between the Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

The governmental funds statement of revenues, expenditures and changes in fund balances is followed by a reconciliation between *Net changes in fund balances total-governmental funds* and *Change in net position of governmental activities* as reported in the government-wide statement of activities.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

3. Stewardship, compliance, and accountability

Budgets

Annual budgets are adopted for all governmental 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. The Board approved its original 2013-2014 annual budget on August 19, 2013; the budget was amended on June 16, 2014, to adjust for accrued salary expenditures.

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.

4. Deposits and investments

A. Deposits

As of September 30, 2014, the carrying amount of the Board's bank deposits (including deposits of the individual schools) was \$12,616,757 and the bank balance was \$14,096,016. The Board's deposits are covered by the Security for Alabama Funds Enhancement Program (SAFE Program). Under the SAFE program all public deposits are protected through a collateral pool administered by the Alabama State Treasurer's office.

Public deposits include the funds of any covered public entity or covered public official placed on deposit in a qualified depository, including time and demand deposit accounts and certificates of deposit but excluding bonds, notes, money market mutual funds, repurchase agreements and similar investment instruments. Covered public entities include the state and its political subdivisions, including school boards. Under SAFE, which is mandatory, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer, who would use the SAFE pool collateral or other means to reimburse the loss. The SAFE program is classified as a category 1 credit risk.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

5. Amounts receivable from governmental entities

The amounts receivable from governmental entities reported on the statement of net position are aggregations of different components. Details of this balance are as follows:

	Governmental Fund Types													
		General		Capital Projects			Child Nutrition			Other Governmental Funds			Total Governmental Funds	
Amounts receivable from						_								
Governmental Entities														
U.S. Department of Education:														
Title VI-B	\$	-		\$	-		\$	-		\$	101,390	\$	101,390	
Career Tech/Program Improvement		-			-			-			4,309		4,309	
Preschool LEA		-			-			-			3,500		3,500	
U. S. Department of Agriculture:														
Child Nutrition		-			-			72,764			-		72,764	
State of Alabama Department of Education	on	4,669			-			-			83,880		88,549	
Local governments and other		259,687		2	,152,131			-			-		2,411,818	
Total	\$	264,356	\$	2	,152,131	\$		72,764	\$		193,079	\$	2,682,330	

6. Capital assets

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

	Balance Oct. 1, 2013	Additions	Transfers and Retirements	Balance Sept. 30, 2014
Capital assets, not being depreciated:	<u> </u>	_		<u> </u>
Land and improvements	\$ 5,392,133	\$ - \$	(641,625) \$	4,750,508
Construction in progress	-	15,430,205	, ,	15,430,205
Total capital assets, not being depreciated	5,392,133	15,430,205	(641,625)	20,180,713
Capital assets being depreciated:				
Buildings and improvements	129,685,078	213,930	-	129,899,008
Equipment and furniture	3,437,348	28,912	(1,184)	3,465,076
Vehicles	3,615,949	340,710	-	3,956,659
Total capital assets being depreciated	136,738,375	583,552	(1,184)	137,320,743
Less accumulated depreciation for:				
Buildings and improvements	16,626,784	2,784,053	-	19,410,837
Equipment and furniture	1,544,395	347,462	(711)	1,891,146
Vehicles	1,866,453	378,180	-	2,244,633
Total accumulated depreciation	20,037,632	3,509,695	(711)	23,546,616
Total capital assets being depreciated, net	116,700,743	(2,926,143)	(473)	113,774,127
Total governmental activities capital assets, net	\$ 122,092,876	\$ 12,504,062 \$	(642,098) \$	133,954,840

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

6. Capital assets (continued)

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

Governmental activities:

Instruction	\$	635,925
Instructional support		23,421
Operation and maintenance		20,223
Auxiliary services		475,700
General administration and central support		230,421
Capital outlay	_	2,124,005
Total depreciation expense - governmental activities	\$	3,509,695

7. Defined benefit pension plan

A. Plan description

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

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

7. Defined benefit pension plan (continued)

A. Plan description (continued)

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.

B. Funding Policy

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

		2014		
Fiscal year ended September 30,		Tier 1/Tier 2	2013	2012
Total percentage of covered payroll		19.21%/17.05%	15.08%	15.00%
Contributions:				
Percentage contributed by the Board	:	11.71%/11.05%	10.08%	10.00%
Percentage contributed by the				
employees	-	7.50%/6.00%	5.00%	5.00%
Contributed by the Board-Tier 1	\$	2,448,874 \$	2,199,624 \$	1,969,492
Contributed by the Board-Tier 2		117,822	-	-
Contributed by employees-Tier 1		1,568,448	1,091,083	984,746
Contributed by employees-Tier 2	_	63,802	<u>-</u>	-
Total contributions	\$	4,198,946 \$	3,290,707 \$	2,954,238
	_			

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

8. Other post employment benefits

A. Plan Description

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

B. Funding Policy

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

	Fis	cal Year
	E	Ending
	9	9/30/14
Individual Coverage - Non-Medicare Eligible	\$	151.00
Individual Coverage - Medicare Eligible		10.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare		
Eligible Dependent(s)		391.00
Family Coverage - Non-Medicare Eligible Retired Member and Dependent Medicare Eligible		250.00
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)		250.00
Family Coverage - Medicare Eligible Retired Member and Dependent Medicare Eligible		109.00
Tobacco Surcharge		28.00
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible		679.00
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible		870.00
Surviving Spouse - Medicare Eligible		318.00
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible		516.00
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible		485.00

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

8. Other post employment benefits (continued)

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

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

	Fiscal Year Ended September 30,	Inst Prei	e Health Irance miums By Board	Pre Attril	ount of emium butable etirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
-	2014	\$	714	\$	220	30.83%	\$1,286,850	100%
	2013	\$	714	\$	217	30.38%	\$1,239,032	100%
	2012	\$	714	\$	229	32.05%	\$1,272,180	100%

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

The Board has accounted for payments made by the federal government for retiree drug subsidy (RDS) payments in accordance with GASB Technical Bulletin 2006-1. This bulletin requires the RDS to be recorded as an "on-behalf payment", resulting in offsetting revenues and expenditures. The amount recognized in the 2014 financial statements for RDS is \$156,108.

9. Long-term debt

As a part of the Board's separation from the Jefferson County Board of Education, the Trussville City Board of Education agreed to assume a portion of the Alabama Public School and College Authority (PSCA) Bond Pool Loan that was related to Trussville school properties.

During the year the Board entered into certain leases accounted for as capital leases. These leases were obtained to purchase various equipment.

As of September 30, 2014, the Board's long-term debt consisted of the following:

PSCA Capital Improvement Bonds, due annually through 2019, interest payable semiannually at rates ranging from 5.0% to 6.0%. \$ 3,074,892 Capital leases \$ 744,305

\$_____3,819,197

The following changes occurred in the Board's liabilities for long-term debt for the year ended September 30, 2014:

	Balance					Balance
	09-30-13	Additions	Reductions	Adjustments		09-30-14
Improvement					_	
Bonds	\$ 3,604,723	\$ -	\$ 529,831	\$ -	\$	3,074,892
Capital Leases	886,427	-	142,122	-		744,305
Total long-term debt	\$ 4,491,150	\$ -	\$ 671,953	\$ -	\$	3,819,197

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

9. Long-term debt (continued)

Following is a schedule of the total debt service on the Board's long-term debt:

	PSCA	Ca	pital				
	Improvemen	t P	ool Bonds		Capit	tal I	Leases
•	Principal		Interest		Principal		Interest
2015 \$	556,676	\$	150,877	2015 \$	191,704	\$	22,597
2016	582,680		125,911	2016	198,186		16,116
2017	612,011		96,777	2017	204,887		9,415
2018	642,833		66,176	2018	149,528		2,487
2019	680,692		34,035		_		-
Total \$	3.074.892	\$	473.776	Total \$	744.305	\$	50.615

Interest accrued was \$25,146 as of September 30, 2014.

10. Interfund transactions

Interfund transfers for the fiscal year ended September 30, 2014 consist of the following:

General Fund to Special Revenue	\$ 294,396
General Fund to Child Nutrition Fund	720,003
Special Revenue Funds to General	152,384
Transfers between Special Revenue	547,462
Total transfers	\$ 1,714,245

11. Risk management

Employees' Health Insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), a public entity risk pool, 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 determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes the specified amount monthly to the PEEHIF for each employee. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

11. Risk management (continued)

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 Adjustments. The Board of Adjustments 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.

12. Contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds or the General Fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Board expects such amounts, if any, to be immaterial.

13. Donated food program

The commodities received from the Federal government in connection with the donated food program are reflected in the accompanying financial statements. The total assigned value of commodities donated was \$127,448 for 2014. Commodities consumed were approximately \$122,902 for 2014.

14. Payments or services furnished by other agencies

Certain payments or services are furnished by the State and the City of Trussville on behalf of the Board. These include payments on City bond issues for school purposes, use of City property for Board purposes, etc. Payments by the City on City bond issues for school purposes are reflected on the City's books and records.

15. Related party transactions

The members of the Trussville City Board of Education are appointed by the Trussville City Council. Revenues received by the Board from the City for the year ended September 30, 2014 amounted to approximately \$1,880,000.

16. Future accounting pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Items previously reported as assets and liabilities;
- · Accounting and financial reporting for pensions;
- · Mergers, acquisitions and transfers of operations: and
- · Financial guarantees

The Board is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

REQUIRED SI	JPPLEMENTAI	RY INFORMAT	ΓΙΟΝ	

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts				
	Original	Final			
Revenues					
State \$	20,495,681	\$ 20,534,515			
Federal					
Local	11,703,896	11,782,558			
Other	140,000	140,000			
Total revenues	32,339,577	32,457,073			
Expenditures					
Current:					
Instructional services	19,683,035	19,694,914			
Instructional support	5,182,833	5,193,282			
Operation and maintenance	3,034,866	3,201,004			
Auxiliary services	2,132,230	2,129,230			
General administration and central support	2,858,580	3,001,992			
Other	403,733	456,795			
Capital outlay	-	-			
Debt service	-	-			
Interest and fiscal charges	-				
Total expenditures	33,295,277	33,677,217			
Excess (deficiency) of revenues over expenditures	(955,700)	(1,220,144)			
Other financing sources (uses)					
Transfers in	417,180	414,202			
Transfers out	(1,005,588)	·			
Total other financing sources (uses)	(588,408)	(639,486)			
Net change in fund balance	(1,544,108)	(1,859,630)			
Fund balance at beginning of year	4,412,237	6,198,017			
Fund balance at end of year \$	2,868,129	\$ 4,338,387			

	Actual	Variance
\$	20,622,474	\$ 87,959
	300	300
	12,889,123	1,106,565
	495,100	355,100
	34,006,997	1,549,924
	20,358,482	(663,568)
	4,875,658	317,624
	3,098,940	102,064
	2,230,456	(101,226)
	2,680,919	321,073
	415,309	41,486
	107,104	(107,104)
	-	-
	33,766,868	(89,651)
,	240,129	1,460,273
	152,384	(261,818)
	(1,014,399)	39,289
	(862,015)	(222,529)
	(621,886)	1,237,744
	4,090,234	(2,107,783)
\$	3,468,348	\$ (870,039)



SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Federal		
	CFDA	Project	Period
Description	Number	From	То
U.S. Department of Education Passed			
Through State Dept. of Ed:			
ED-Education of the Handicapped (IDEA-B)	84.027	10/01/12	09/30/13
ED-Education of the Handicapped (IDEA-B)	84.027	10/01/13	09/30/14
ED-Vocational Education Basic Grant	84.048	10/01/12	09/30/13
ED-Vocational Education Basic Grant	84.048	10/01/13	09/30/14
ED-Handicapped Preschool Grants	84.173	10/01/12	09/30/13
ED- Advanced Placement Fee Pay Program	84.330	10/01/13	09/30/14
Total U.S. Department of Education			
U.S. Department of Agriculture Passed			
Through State Dept. of Ed:			
USDA-Commodities	10.550	10/01/13	09/30/14
USDA-School Breakfast	10.553	10/01/12	09/30/13
USDA-School Breakfast	10.553	10/01/13	09/30/14
USDA-National School Lunch Program	10.555	10/01/12	09/30/13
USDA-National School Lunch Program	10.555	10/01/13	09/30/14
Total U.S. Department of Agriculture			
U.S. Department of Health and Human Services			
Passed Through State Dept. of Ed:			
HHS-Disability Determination	96.001	10/01/12	09/30/13
HHS-Disability Determination	96.001	10/01/13	09/30/14
HHS-Dependent Care-LEA	93.575	10/01/12	09/30/13
HHS-Dependent Care-LEA	93.575	10/01/13	09/30/14
Total U.S. Department of Health and Human Services			

Total Federal Awards

Commodities only were received.

	Total Grant Award		Accrued (Deferred) rant Revenue September 30, 2013) 	Cash Received	-	Revenue Recognized	=	Expenditures		Accrued (Deferred) Grant Revenue September 30, 2014
\$	97,025	\$	97,025	\$	97,025	\$		\$		\$	
Ψ	590,799	Ψ	57,025	Ψ	489,409	Ψ	590,799	Ψ	590,799	Ψ	101,390
	650		650		650		-		-		-
	29,349		-		25,041		29,349		29,349		4,308
	3		3		3		-		-		-
	295		-		295		295		295		-
	718,121		97,678		612,423		620,443	_	620,443		105,698
ı	127,448		-		*		127,448		127,448		
	4,224		4,224		4,224		-		-		-
	37,508		-		30,431		37,508		37,508		7,077
	34,295		34,295		34,295		-		-		-
	302,789		-		237,102		302,789		302,789		65,687
	506,264		38,519		306,052		467,745		467,745		72,764
	80		-		80		80		80		-
	220		-		220		220		220		-
	3,500		3,500		3,500		-		-		-
_	7,000		-		3,500	-	7,000	_	7,000		3,500
_	10,800	_	3,500		7,300	-	7,300	-	7,300		3,500
\$_	1,235,185	\$	139,697	\$_	925,775	\$	1,095,488	\$	1,095,488	\$	181,962

SUPPLEMENTARY SCHEDULE OF STATE GOVERNMENT APPROPRIATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Appropriat	ion Period
Description	From	То
Foundation Program Fund	10/01/13	09/30/14
Financial Assistance-Preschool-LEA	10/01/13	09/30/14
At Risk	10/01/13	09/30/14
Advanced Placement	10/01/13	09/30/14
Nat'l Board - Professional Teaching Standards	10/01/13	09/30/14
School Nurses	10/01/13	09/30/14
Alabama Reading Initiative Program	10/01/13	09/30/14
Technology Coordinators	10/01/13	09/30/14
Children First Program	10/01/13	09/30/14
Community Education-LEA	10/01/13	09/30/14
English Second Language-LEA	10/01/13	09/30/14
Public School Fund	10/01/13	09/30/14
State-wide Purchasing	10/01/13	09/30/14
CNP Commodity Rebates	10/01/13	09/30/14
Operations and Maintenance	10/01/13	09/30/14
Gifted Education	10/01/13	09/30/14
Career Tech O&M	10/01/13	09/30/14
Teacher of the Year Program	10/01/13	09/30/14
Career Tech Initiative	10/01/13	09/30/14
Local School Foundation- LEA	10/01/13	09/30/14
Career Tech Bond Issue	10/01/13	09/30/14
Formative Assessments	10/01/13	09/30/14

Total State Assistance

_	Total Appropria- tion	Cash Received October 1, 2013 September 30, 2014	-	Revenue Recognized	_	Expenditures	Encumbrances
\$	20,232,082	\$ 20,232,082	\$	20,232,082	\$	20,232,082	\$ -
	10,537	10,537		10,537		10,537	-
	24,466	24,466		24,466		24,466	-
	29,265	29,265		29,265		29,265	-
	135,000	135,000		135,000		135,000	-
	184,097	184,097		184,097		184,097	-
	188,052	188,052		188,052		188,052	-
	27,147	27,147		27,147		27,147	-
	14,542	14,542		14,542		14,542	-
	7,500	7,500		7,500		7,500	-
	3,579	3,579		3,579		3,579	-
	226,705	226,705		226,705		226,705	-
	53,590	53,590		53,590		53,590	-
	12,158	12,158		12,158		12,158	-
	3,006	3,006		3,006		3,006	-
	6,036	6,036		6,036		6,036	-
	21,844	21,844		21,844		21,844	-
	400	400		400		400	-
	597	597		597		597	-
	4,946	4,946		4,946		4,946	-
	83,881	83,881		83,881		83,881	-
	65	65		65		65	-
\$_	21,269,495	\$ 21,269,495	\$	21,269,495	\$	21,269,495	\$ -

NOTES TO SUPPLEMENTARY SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE GOVERNMENT APPROPRIATIONS

1. Basis of presentation

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

2. Fiscal period audited

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2014.

3. Summary of significant accounting policies

a. General information

Federal grant revenues are recorded for financial reporting purposes when the Board has met the qualifications for the respective grants. Several programs are funded jointly by State or local appropriations and Federal funds. Encumbrances for purchase orders and contracts are not recorded as expenditures because the liability has not been incurred for goods received or services rendered; however, these encumbrances are reserved in the fund balances of the governmental funds. The encumbrances are shown as deductions from the 2014 appropriations of state funds on the schedule because subsequent expenditures against the encumbrances are made under the authority of the 2014 appropriations. Costs incurred in programs partially funded by Federal grants are applied against grant funds to the extent of revenue available when they properly apply to the grant, except as described below.

b. Accrued and deferred reimbursement

Various reimbursement procedures are used for Federal awards received by the Board. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year-end represent an excess of expenditures over cash reimbursements received to date. Generally, accrued or deferred balances caused by differences in the timing of cash reimbursements and expenditures will be reversed in the remaining grant period.

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



Carr, Riggs & Ingram, LLC 2100 16th Avenue South Suite 300 Birmingham, AL 35205

(205) 933-7822 (205) 933-7944 (fax) www.cricpa.com

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

To the Members of the
Trussville City Board of Education
Trussville, Alabama

We have audited, in accordance with the 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 Trussville City Board of Education (the Board), 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, and have issued our report thereon dated June 10, 2015.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2014-01

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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Birmingham, Alabama

Can, Rigge & Ingram, L.L.C.

June 10, 2015

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



Carr, Riggs & Ingram, LLC 2100 16th Avenue South Suite 300 Birmingham, AL 35205

(205) 933-7822 (205) 933-7944 (fax) www.cricpa.com

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

To the Members of the
Trussville City Board of Education
Trussville, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Trussville 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 auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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 requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 that 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.

Birmingham, Alabama

Cau, Rigge & Ingram, L.L.C.

June 10, 2015

TRUSSVILLE CITY BOARD OF EDUCATION SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2014

Section I - Summary of Auditors' Results

Financial statements Type of auditors' report issued:

Type of auditors' report issued:		Unqualif	ied
Internal control over financial reporting: Material weakness(es) identified? Significant deficiency(ies) identified?		x yes yes	no x none reported
Noncompliance material to financial statements noted?		yes	<u>x</u> no
Federal awards			
Internal control over major programs: Material weakness(es) identified? Significant deficiency(ies) identified?		yes	x no x none reported
Type of auditors' report issued on compliance for major programs:		Unqualif	ied
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	е	yes	<u>x</u> no
Identification of major programs:			
<u>CFDA Number(s)</u> 10.550 10.553 10.555	eral Program c USDA-Commo USDA-School E USDA-Nationa	dities Breakfast	h Program
Dollar threshold used to distinguish between Type A and Type B program:	\$ 300,000	=	
Auditee qualified as low-risk auditee?		_x_yes	no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED SEPTEMBER 30, 2014

Section II – Financial statement findings MATERIAL WEAKNESS

2014-01 Accounts Payable:

Criteria: Liabilities for accounts payables should be recorded in the period in which goods are received or services are rendered in order to reflect a proper cutoff and to ensure that the financial statements are complete with respect to accounts payable.

Condition: During our audit procedures we determined that an adjustment was required to accurately state the accounts payable balance at year end in the capital projects fund.

Cause: Although the Board's internal control procedures prescribe that invoices should be processed and recorded in the proper period and that the posting should be reviewed for accuracy, one invoice related to a construction project was apparently overlooked.

Effect: The liability balance in accounts payable in the capital projects fund was understated before being adjusted during our audit work.

Recommendation: Although this appears to be an isolated instance, we recommend that the Board's finance personnel continue to emphasize proper identification of all unmatched purchase orders, receiving reports, construction progress billings and invoices to determine the proper period in which a payable should be recorded in all funds.

Management's response: The Board will ensure that all expenditures and payables are recorded in the proper fiscal year.

Section III - Federal Award Findings and Questioned Costs NONE