



SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013

SHELBY COUNTY BOARD OF EDUCATION

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For the Fiscal Year Ended

June 30, 2013

Prepared by:

Shelby County Board Of Education

Department of Finance



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(A Component Unit of Shelby County, Tennessee)
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Introductory Section

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160 S. Hollywood Street • Memphis, TN 38112 • (901) 416-5300 •
www.SCBOEk12.org

November 20, 2013

Superintendent and School Board
Shelby County Board of Education
Shelby County, Tennessee

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Watkins Uiberall, PLLC and Banks, Finley, White & Co., Certified Public Accountants, have issued an unmodified (“clean”) opinion on the Shelby County Board of Education’s financial statement for the year ended June 30, 2013. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent’s auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE SHELBY COUNTY BOARD OF EDUCATION

The Shelby County Board of Education is the fourth largest school system in Tennessee. The Shelby County Schools (SCBOE) District includes all the public schools in the county – including those inside and outside the corporate limits of the city of Memphis, and the schools located within the six (6) incorporated towns of Arlington, Bartlett, Collierville, Germantown, Lakeland, and Millington. The enrollment for the 2012-13 school year was 45,912 students in grades K-12 and charter schools. With the merger with the former Memphis City Schools, the SCBOE enrollment is projected to be 148,275 in FY 2013-14. The student demographics as of

the 2012-13 school year were: 50.5 percent Caucasian, 38.1 percent African-American, 2.7 percent Asian / Pacific Islander, 2.7 percent Hispanic and 6 percent other. The District had a composite ACT score of 20.7 compared to the State's average of 19.1. The Shelby County Board of Education's 2013 graduation rate was 88 percent compared to the State's rate of 86.3.

The Shelby County Board of Education is a component unit of Shelby County Government, which is defined as the oversight entity by GASB Codification Section 2100. Reporting for the SCBOE follows the criteria established by the Governmental Accounting Standards Board (GASB). During FY 2013 the District was governed by the 23 member Shelby County Board of Education. The Board members elected a member to serve as President and a member to serve as Vice President of the Board for a one-year term.

PROFILE OF SHELBY COUNTY

Shelby County is located on the southwest corner of Tennessee, at the east bank of the Mississippi River. Shelby is the State's largest county with the City of Memphis as the county seat. The corporate limits contain 783 square miles and include seven incorporated municipalities: Arlington, Bartlett, Collierville, Germantown, Lakeland, Memphis and Millington. The County's 2010 population was 935,088 with the 2012 population estimated at 940,764, according to the U.S. Census Bureau. The County is empowered to levy, without limit, a property tax on both real and personal property located within its boundaries.

Shelby County was incorporated in 1819. It currently operates under the Mayor-Commissioner style of government with the Mayor as chief executive officer. The Mayor oversees the operations of the County's six divisions. The thirteen members of the Shelby County Board of Commissioners - as the legislative branch of government - reviews and approves county programs and budgets. The Mayor and each Commissioner serve four-year terms. The Assessor, Circuit Court Clerk, County Clerk, Criminal Court Clerk, General Sessions Court Clerk, Juvenile Court Clerk, Probate Court Clerk and Sheriff are also elected to four-year terms.

The major areas of employment in the Memphis Metropolitan Statistical Area (with the major component being Shelby County) are the Trade, Transportation and Utilities sector, Educational and Health Services sector, and the Government sector, according to the Tennessee Department of Labor and Workforce Development. The County - as part of the Memphis MSA - is a major wholesale and retail center for west Tennessee, northern Mississippi and eastern Arkansas. According to the United States Department of Labor, the unemployment rate for Shelby County as of August 2013 was 9.7 percent, an increase from the August 2012 rate of 9.0%, as compared to the state's rate of 8.5 percent and the national rate of 7.3 percent.

Based on the most recent (September, 2013) report prepared by the Eighth Federal Reserve District on economic conditions in the Memphis area at the close of July, 2013, the annual growth of employment, building permits and housing prices was .9 percent, 23.6 percent, and 3.5 percent in the Memphis Statistical Area (MSA) and 1.6 percent, 25.4 percent and 11.6 percent in the nation, respectively. At the same time, the annual growth of personal income was 1.6 percent in Tennessee and 2.0 percent in the nation. After remaining above 1.25 percent during most of

2011 and 2012, employment growth in the Memphis zone has slowed to less than 1 percent during the first two quarters of 2013. Net job losses in the trade, transportation and utilities sector - as well as the government sector- have been the key drivers of this trend. Slow employment growth has resulted in a noticeable increase in local unemployment rates; the unemployment rate in Memphis (9.4 percent) was higher than the nation's (7.6 percent). Based on the above, the Memphis MSA has generally under-performed the nation.

With the exception of the third quarter of 2010, Memphis' recession-related decline in employment – centered at approximately January 2009 – was similar to the nation's decline. The state of Tennessee lost about 220,000 jobs in the economic downturn; Memphis lost 60,000. The state recouped one-fourth of its jobs, with Memphis recovering about one-sixth.

Measured against a year earlier (July 2012), total nonfarm employment only rose by .9 percent in the Memphis zone. However, this increase is notable considering that employment declined in sectors with high percentages of labor. For example, the Trade, Transportation and Utilities (TTU) sector - which accounts for more than 27 percent of all jobs in Memphis – had a decline and the Government sector – which accounts for more than 14% of all jobs- also experienced a decline. The other sectors with the largest numbers of jobs in Memphis have seen stronger employment gains, helping to offset the modest declines in TTU and Government employment. For example, in comparison to a year earlier, payrolls have expanded by 3.5 percent in Education and Health, by 2.5 percent in Professional and Business Services, by 1.9 percent in Manufacturing and by 4.5 percent in Natural Resources, Mining and Construction. Overall, the employment picture has improved slightly since June 2012.

For several quarters before the national recession, which started in 2007, personal income growth in Tennessee was roughly the same as the nation. Between the first quarter of 2012 and the first quarter of 2013, personal income grew 1.6 percent in Tennessee, compared with 2 percent in the nation.

Relative to the same period last year, housing activity in the Memphis Zone has been strong. The number of building permits issued in the Memphis Zone during the first six months of 2013 was 23.6 percent higher than the number issued during the same period in 2012. In comparison, national housing activity grew by 25.4 percent.¹

On the manufacturing side, a majority of national industrial manufacturers forecast revenue growth for 2013, and the overall sentiment is one of optimism towards the U.S. and global economies. According to a recent report by Price Waterhouse Coopers, a majority of manufacturers report that from October 2012 to October 2013, margins remained flat, inventories fell and concerns grew about legislative/regulatory pressures as a barrier to growth. In addition, Price Waterhouse Cooper's "Q3 2013 Manufacturing Barometer" report cited that for those manufacturers selling abroad, the expected contribution to total revenue from international sales over the next 12 months was slightly off from 38 percent last year to 32 percent this year. The

¹Current Economic Conditions in the Eighth Federal Reserve District Memphis Zone, Third Quarter 2013

projected average growth rate for overall revenues dropped slightly from a 4.6 percent estimate for 2013 to a 4.2 percent estimate for 2014.

Manufacturing industry health is critical to the Memphis area because it represents 45,400 employees or 7.5 percent of the workforce, according to August 2013 data from the Tennessee Department of Labor and Workforce Development in its “Labor Market Report.”

EDUCATIONAL PROGRAMS

The Shelby County Board of Education has made an extensive commitment to quality instruction. SCBOE proudly celebrates the numerous achievements of excellence by students and staff in academics, athletics, and service on local, state, and national levels. *Money Magazine* has recognized the Shelby County Board of Education as one of the “Top 100 School Systems” in the United States. For nine consecutive years, SCBOE has been honored by School Match, Inc. with the “What Parents Want Award.” The SCBOE Board, a past recipient of the TSBA Board of the Year, has received the Board of Distinction for the last ten years.

Highlights:

- In July 2010, SCBOE was awarded Race to the Top funds to be used over four years in strategic areas of systemic reform, with emphasis on professional development and leadership. Driven by the District’s commitment to academic excellence and quality education for all, the system has implemented several reforms including Professional Learning Communities (PLC), online professional development training, Learning Coaches to mentor new teachers, the Aspiring Administrator Academy, and strengthening partnerships with local universities and colleges to assist in the growth of new and aspiring administrators.
- Another major initiative that supports the district focus on personnel is the opening of two Family Care Centers through a partnership with Methodist LeBonheur Healthcare. These facilities are readily available for SCBOE employees and immediate family members who need urgent, non-emergency medical attention during the workday. The clinic also provides vaccinations, preventive treatments, health screenings, and pharmacy services, all at no cost to the employee.
- Community partnerships are valuable resources for the Shelby County Board of Education. SCBOE is enriched with a number of cooperatives. The SCBOE Fine Arts Academy for middle and high school students is supported through a collaboration with the Memphis Symphony Orchestra, the Metal Museum, Memphis College of Arts, University of Memphis, and Christian Brothers University.

- The Shelby Scholars Summer Institute, a part of an ongoing SCBOE STEM (science, technology, engineering and math) initiative, partners with an array of educational and STEM-based institutions including the University of Memphis FedEx Institute of Technology, Center for Earthquake Research and Information (CERI), Ground Water Research, Millington Naval Base, Memphis Academy of Science and Engineering, IBM, and the Navy League.
- SCBOE will break ground on two new middle schools (New Elmore Park and New Collierville Middle).
- One of 10 of Tennessee’s 136 school systems to earn all “A’s” in Academic Achievement on the 2010 TN Report Card.
- One high school on *Newsweek’s* “America’s Best High School” list and two on *Washington Post’s* “High School Challenge Award” list.

As reflected in the Shelby County Board of Education’s 2008-2013 Strategic Plan and with the correlation of the January 2011 Transition plan by the Transition Planning Commission, five general goals, each with a specific focus and one or more objectives and action steps, were identified as integral parts of the Shelby County Schools District plan to improve student achievement, communication, facilities, staff development, and advocacy through legislation.

The goals established by the Shelby County Board of Education were as follows (some of the due dates have expired):

Goal 1: Student Achievement — Provide a curriculum with rigor, relevance, and relationships that leads to greater preparation for careers, higher education, and responsible citizenship. Improve student achievement by increasing the number of core courses taught by highly qualified teachers to 100% by June 30, 2012. Comply with No Child Left Behind (NCLB) requirements that will enable teachers to provide a curriculum with rigor and relevance. To ensure that 96.7% of core classes are taught by Highly Qualified Teachers. Improve core subject test results in reading/language arts and math so that 100% of students will score Proficient or Advanced by 2014. Increase proficiency in Science and Social Studies by 2% each year. By 2013, provide a curriculum framework that promotes rigor, relevance, and relationship through Academic, Technical, International, Financial, and Physical and Emotional Literacy. Increase value added gains by 1% each year.

Goal 2: Communication — To establish and maintain communication among all Shelby County Board of Education staff, students, community leaders and stakeholders. Continue the following key communication points: monthly superintendent meetings with the Shelby County Education Association (SCEA) and the Tennessee Education Association (TEA); Superintendent’s PTA Roundtable; and Student/Parent Handbook. Identify, seek, and support strategies to increase the SCBOE per pupil expenditure to the state average or higher by June 30, 2012.

Goal 4: Staff Development — To recruit and retain high quality employees through competitive salaries and benefits packages while providing a comprehensive support system. Maintain continuous staff development with Professional Learning Communities; Teacher Leadership opportunities (PLTSs, PIT Crew, Learning Coaches, Formative Assessment Trainers, D-VALT). Comply with NCLB requirements that will enable teachers to provide a curriculum with rigor and relevance. Ensure that 96.7% of core classes are taught by Highly Qualified Teachers.

Goal 5: Advocacy through legislation — To develop and implement a legislative agenda to reflect the needs of the school and community while preparing students for the future. Continue to support active SCEA participation, robust PTA membership, monthly open board meetings, and consolidated planning committee meetings. Improve student performance by decreasing student behavioral referrals and student suspensions by 1% or more each school year by 2014.

FINANCIAL INFORMATION

The SCBOE ended the FY with total net position of \$187.5 million, a decrease of approximately \$53 million from FY 2012.

Fund Accounting

SCBOE reports its financial activities through the use of fund accounting. This is a system wherein transactions are reported in self-balancing sets of accounts to reflect the results of activities. (See note 1 of the Notes to the Basic Financial Statements for a summary of significant accounting policies and a description of fund types).

LONG-TERM FINANCIAL PLANNING

The financial position of the Shelby County Board of Education remains stable as a result of the District's conservative budgeting methodology and its ability to maintain disciplined spending practices. To ensure the District's spending remains sound, SCBOE has implemented and continues to explore new opportunities for cost savings, cost avoidance and revenue generation.

The District has not developed a long-term financial plan because it was, by law, scheduled to merge with Memphis City Schools effective with the FY 2013-14 school year. In conjunction with the merger, the Shelby County Board of Education worked with the former Memphis City Schools, and the Transition Steering Committee of the Transition Planning Commission to explore functional and financial consolidation opportunities that will lead to a long-term financial plan for the Unified SCBOE.

Acknowledgments: The preparation of this report was accomplished through the commitment, dedication, and tireless effort of the entire Department of Finance. We would also like to extend our thanks to other SCBOE and non-SCBOE personnel who assisted in the preparation of this report.

Respectfully submitted,



Dorsey E. Hopson, II Esq.
Superintendent of Schools



Alicia J. Lindsey, CPA
Interim Chief Financial Officer



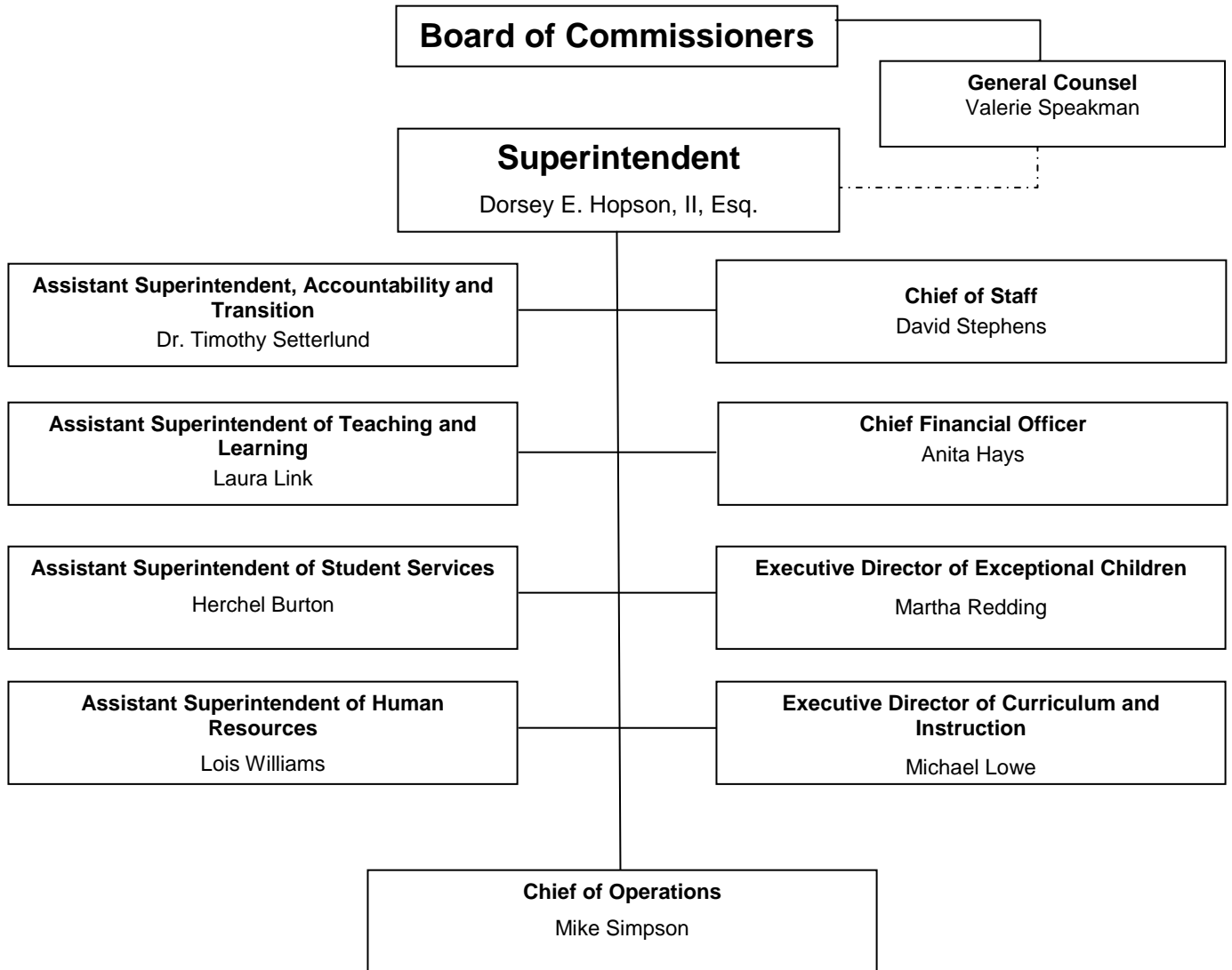
Teresa K. Winter, CPA
Director, Accounting &
Reporting

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SHELBY COUNTY BOARD OF EDUCATION

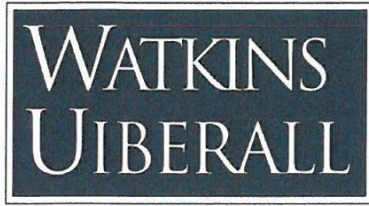
COMMISSIONER	DISTRICT	TERM EXPIRATION
William "Billy" Orgel, Chairman	District 7 (Elected)	8/31/2014
Teresa D. Jones, Vice-Chairman	District 2 (Elected)	8/31/2016
Christopher Caldwell	District 1 (Elected)	8/31/2014
Dr. Snowden Carruthers	District 1 (Elected)	8/31/2013
Ernest L. Chism	District 7 (Elected)	8/31/2013
Joseph A. Clayton	District 4 (Elected)	8/31/2013
Stephanie Gatewood	District 1 (Elected)	8/31/2013
Diane L. George	District 6 (Elected)	8/31/2013
Mary Anne Gibson	District 5 (Appointed)	8/31/2013
Tomeka R. Hart	District 7 (Elected)	8/31/2013
Martavius D. Jones	District 4 (Elected)	8/31/2013
Sara L. Lewis	District 6 (Elected)	8/31/2013
Dr. Oscar Love	District 3 (Appointed)	8/31/2013
Betty J. Mallott	District 2 (Elected)	8/31/2013
David A. Pickler	District 5 (Elected)	8/31/2014
Reginald Porter, Jr.	District 6 (Elected)	8/31/2016
David Reaves	District 3 (Elected)	8/31/2014
Patrice Jordan Robinson	District 3 (Elected)	8/31/2013
Dr. Jeff S. Warren	District 5 (Elected)	8/31/2013
Dr. Kenneth T. Whalum, Jr.	At-Large Position 2 (Elected)	8/31/2013
Dr. Freda Williams	At-Large Position 1 (Elected)	8/31/2013
Mike Wissman	District 2 (Elected)	8/31/2013
Kevin Woods	District 4 (Elected)	8/31/2016

**SHELBY COUNTY BOARD OF EDUCATION
ORGANIZATIONAL CHART
June 30, 2013**



Financial Section





Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
Independent Member of BKR International



INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the
Shelby County Board of Education

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the Shelby County Board of Education (the SCBOE) (a component unit of Shelby County, Tennessee) as of and for the year ended June 30, 2013, 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 did not audit the financial statements of the School Cafeteria Fund which represent 17.9 percent, 20.0 percent, and 4.6 percent, respectively, of the assets, fund balance, and revenues of the Major Funds or the School Student Activity Fund which represent 100.0 percent of the assets of the Fiduciary Funds. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, in so far as it relates to the amounts included for the School Cafeteria Fund and the School Student Activity Fund, is based solely on the report of the other auditors. 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 SCBOE'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 SCBOE'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, based on our audit and the report of the other auditors, 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 Shelby County Board of Education, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the 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 6–20 and other required supplementary information on page 63 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 and other auditors 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 Shelby County Board of Education's basic financial statements. The introductory section, supplemental information section, and statistical and other information section are presented for purposes of additional analysis and are not a required part of the 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 supplemental information section and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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, based on our audit, the procedures performed as described above, and the report of the other auditors, the supplemental information section and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical and other information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of the Shelby County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Shelby County Board of Education's internal control over financial reporting and compliance.

Watkins Wilkerson, PLLC
Banks, Finley, White & Co.

Memphis, Tennessee
November 20, 2013

SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)
Management's Discussion and Analysis
For the Year Ended June 30, 2013

INTRODUCTION

The discussion and analysis of the Shelby County Board of Education's ("Shelby County Board of Education" or "SCBOE") financial performance provides an overview of SCBOE's financial activities for the fiscal year ended June 30, 2013. The intent of this management discussion and analysis is to look at SCBOE's financial performance as a whole; readers should also review the transmittal letter, financial statements and notes to the financial statements to enhance their understanding of SCBOE's financial performance.

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

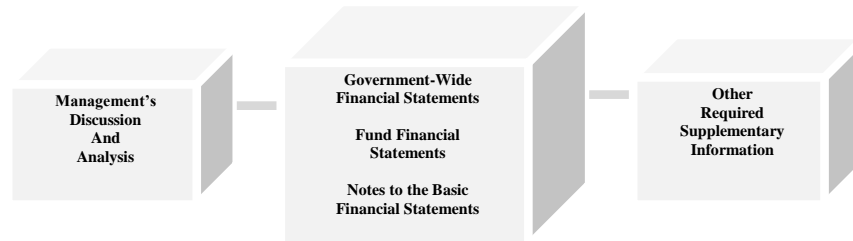
FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2013 are as follows:

- Total net position decreased from \$240.5 million in 2012 to \$187.5 million in 2013, primarily due to the recording of the long-term liability for OPEB future payments. This long-term liability increased from \$209.4 million in 2012 to \$237.6 million in 2013.
- Total revenue decreased from \$439.8 million in 2012 to \$408.4 million in 2013, a decrease of \$31.4 million. Several things contributed to this, including the decrease in Local option and State sales tax \$5.4 million, Other state revenue \$1.3 million, Title I funding \$1.6 million and School Reimbursement \$2 million.
- Total expenditures decreased from \$478.5 million in 2012 to \$454.9 million in 2013, a decrease of \$23.6 million primarily due to lower instructional costs and student activities.
- Ending governmental fund balances of SCBOE decreased from \$40.1 million in 2012 to \$22.9 million in 2013, a decrease of \$17.2 million primarily due to the use of the reserve to balance the General Fund Budget.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to SCBOE's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The following graphic summarizes the components of the report:



Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of SCBOE's finances in a manner similar to a private-sector business.

The Statement of Net Position provides information on the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the whole school district. Net position is the difference between the District's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, using the accrual basis of accounting used by most private sector companies. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the system is improving or diminishing, respectively.

The Statement of Activities presents information showing how net position changed during the fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave).

Fund financial statements

A fund is a grouping of related accounts. Funds are used to maintain control over resources that have been segregated for specific activities or objectives. Shelby County Board of Education, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The school district uses many funds to account for a multitude of financial transactions. All of the funds of Shelby County Board of Education can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These fund financial statements focus on the school district's most significant funds.

Governmental funds

Most of the school district's activities are reported in governmental fund financial statements. These statements focus on how monies flow into and out of those funds and the balances left at year-end that are available for spending in the future periods. These funds 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 of the school district's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term decisions. Both the *governmental funds balance sheet* and the *governmental funds statement of revenues, expenditures, and changes in fund balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Shelby County Board of Education maintains four governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund and Categorically Aided Fund. The Federal Projects Fund is comprised of two categories – federal and non-federal. Shelby County Schools adopts an annual appropriated budget for all its funds. Budgetary comparison statements have been provided to demonstrate compliance with budget.

Proprietary Funds. Shelby County Board of Education maintains one type of proprietary fund, the Internal Service Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally for its health self-insurance and unemployment benefits. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds (or Trust and Agency Funds) are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the school district's own programs. Shelby County Board of Education holds the Student Activity funds in a fiduciary capacity.

Notes to the financial statements

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

Supplemental Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding funding progress for retirement and other post-retirement benefits.

Government-wide financial analysis

(amounts expressed in millions of dollars)

The Statement of Net Position for 2013 has been summarized and compared with net position for 2012. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The school district's assets, as a whole, exceeded liabilities at June 30, 2013 and 2012 by \$187.5M and \$240.5M, respectively.

	2013	2012	Difference	% Change
Assets:				
Current and other assets	\$ 57.2	\$ 80.6	\$ (23.4)	(29.0)%
Capital assets	<u>395.8</u>	<u>402.0</u>	<u>(6.2)</u>	(1.5)%
Total Assets	<u>453.0</u>	<u>482.6</u>	<u>(29.6)</u>	(6.1)%
Liabilities:				
Long-term liabilities	237.6	209.4	28.2	13.5%
Other liabilities	<u>27.9</u>	<u>32.7</u>	<u>(4.8)</u>	(14.7)%
Total Liabilities	<u>265.5</u>	<u>242.1</u>	<u>23.4</u>	9.7%
Net Position:				
Net investments in capital assets	395.8	402.0	(6.2)	(1.5)%
Restricted	17.3	25.5	(8.2)	(32.2)%
Unrestricted	<u>(225.6)</u>	<u>(187.0)</u>	<u>(38.6)</u>	20.6%
Total Net Position	<u>\$ 187.5</u>	<u>\$ 240.5</u>	<u>\$ (53.0)</u>	(22.0)%

Capital assets (e.g., land, buildings, machinery, equipment and construction in progress) are the largest portion (87.37%) of the total assets. These assets are not available for future spending. The value of the on-going construction of new schools or renovation of existing facilities accounts for 2.03% of the capital assets. Total debt (including post-employment benefits and compensating absences) owed by the school district is 89.49% of total liabilities with 100% of the debt due after one year.

See next page

Governmental Activities. Governmental activities during fiscal year 2013, coupled with a prior period adjustment of the beginning balance, decreased the school district's net position by \$52,974,577 or 22.03% of total net position as compared to a decrease of \$38,675,532 or 13.85% during fiscal year 2012. The primary factor for the decrease can be attributed to the accounting requirements of the Governmental Accounting Standards Board (GASB) No. 45 requiring the recognition of actual and long-term expenditures for post-employment benefits.

Changes in Net Position From Operating Results
(amounts expressed in millions of dollars)

	2013	2012	Difference	% Change
<u>Governmental Activities</u>				
Program Revenues:				
Operating grants and contributions	\$ 220.1	\$ 199.2	\$ 20.9	10.5%
Charges for services	29.7	65.6	(35.9)	(54.7)%
General Revenues:				
Shelby County taxes	120.4	113.3	7.1	6.3%
Local option and state taxes	36.2	42.4	(6.2)	(14.6)%
Other	<u>2.0</u>	<u>19.3</u>	<u>(17.3)</u>	<u>(89.6)%</u>
Total Revenues	408.4	439.8	(31.4)	(7.1)%
Expenses:				
Instruction	278.7	285.4	(6.7)	(2.3)%
Support services	58.6	66.5	(7.9)	(11.9)%
Administration	49.5	44.1	5.4	12.2%
Plant Operations & maintenance	29.5	29.5	-	-
Transportation	17.4	18.5	(1.1)	(5.9)%
Food services	20.4	19.8	0.6	3.0%
Student activities	<u>0.8</u>	<u>14.7</u>	<u>(13.9)</u>	<u>(94.6)%</u>
Total Expenses	<u>454.9</u>	<u>478.5</u>	<u>(23.6)</u>	<u>(4.9)%</u>
Increase (Decrease) in Net Position	(46.5)	(38.7)	(7.8)	20.2%
Net Position - Beginning of Year	240.5	279.2	(38.7)	(13.9)%
Prior period adjustment	<u>(6.5)</u>	-	<u>(6.5)</u>	-
Net Position - Beginning of Year, restated	<u>\$ 234.0</u>	<u>\$ 279.2</u>	<u>\$ (45.2)</u>	<u>(16.2)%</u>
Net Position - End of Year	<u>\$ 187.5</u>	<u>\$ 240.5</u>	<u>\$ (53.0)</u>	<u>(22.0)%</u>

Revenues

Total revenue decreased \$31.4 million, or 7.1%, in 2013. \$13.6 million is due to moving Student Activity Fund to Fiduciary Fund - Agency.

Expenses

Total expenditures decreased from \$478.5 million in 2012 to \$454.9 million in 2013, a decrease of \$23.6 million due to lower instructional costs and student activities.

Governmental Activities

(amounts expressed in millions of dollars)

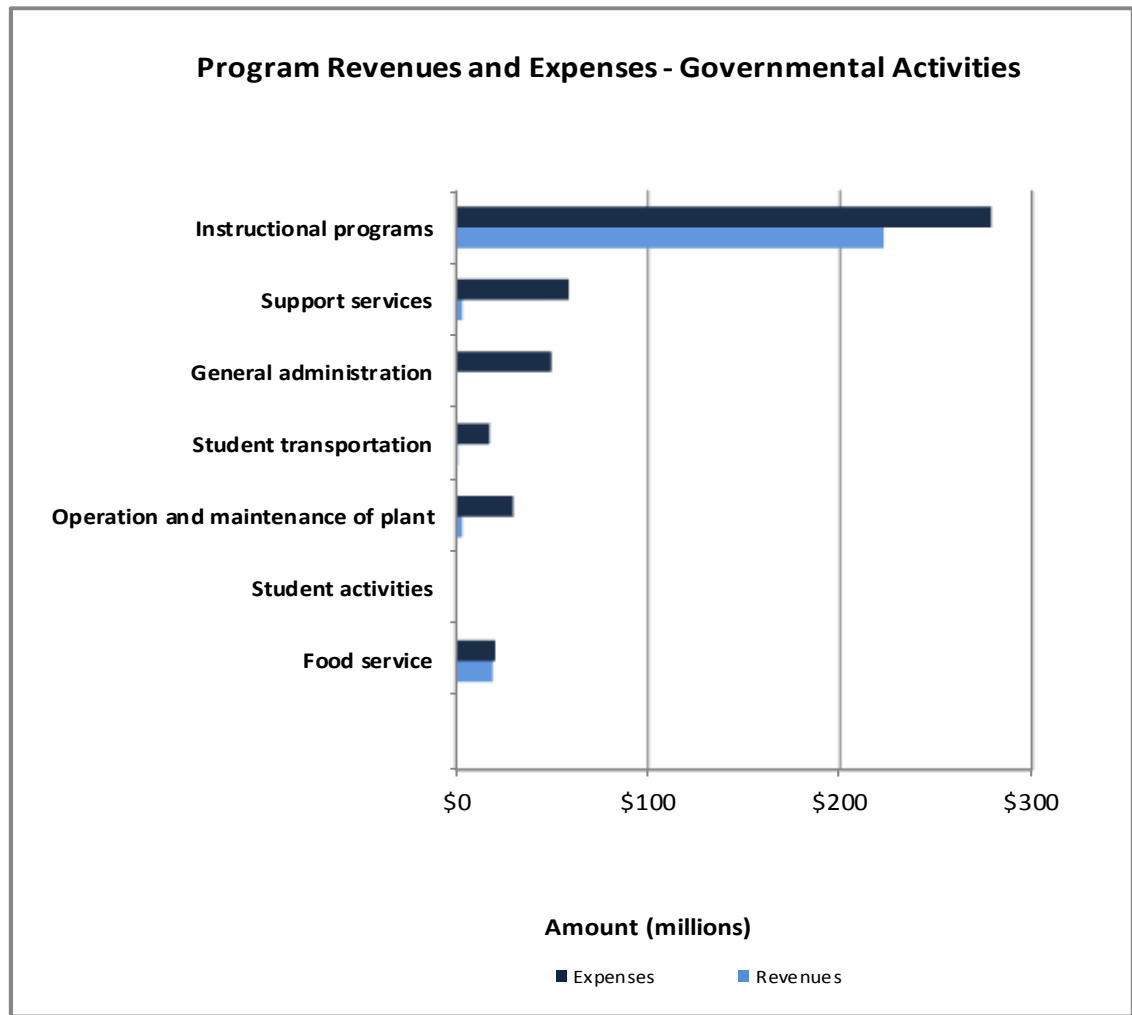
	Total Cost of Services			Net Cost of Services		
	2013	2012	Percentage Change	2013	2012	Percentage Change
Instructional programs	\$ 278.7	\$ 285.4	(2.3)%	\$ 56.1	\$ 55.5	1.1%
Support services	58.6	66.5	(11.9)%	55.4	63.9	(13.3)%
General administration	49.5	44.1	12.2%	49.0	43.7	12.1%
Operations and maintenance of plant	29.5	29.5	- %	26.5	29.1	(8.9)%
Student transportation	17.4	18.5	(5.9)%	16.5	17.8	(7.3)%
Food Services	20.4	19.8	3.0%	1.3	3.1	(58.1)%
Student activities	0.8	14.7	(94.6)%	0.3	0.6	0.0%
Total Expenses	<u>\$ 454.9</u>	<u>\$ 478.5</u>	(4.9)%	<u>\$ 205.1</u>	<u>\$ 213.7</u>	(4.0)%

The net costs of governmental activities shown above presents the total and net cost of seven major Shelby County Board of Education activities: instruction, support services, general administration, plant operations and maintenance, transportation, food services, and student activities.

Net cost of services is the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost shows the financial burden on the County's taxpayers by each activity. The total cost of governmental services in 2013 was \$454.9 million. Federal and State grants, subsidized programs, and contributions financed \$249.8 million of the cost. The district and state taxpayers financed the remainder of Shelby County Board of Education's cost, which was \$205.1 million for 2013.

The statement of activities reflects the cost of program services and the charges for those services in addition to grants and contributions offset by those services. The following chart of governmental activities shows the total cost of services with the revenues directly supporting the services.

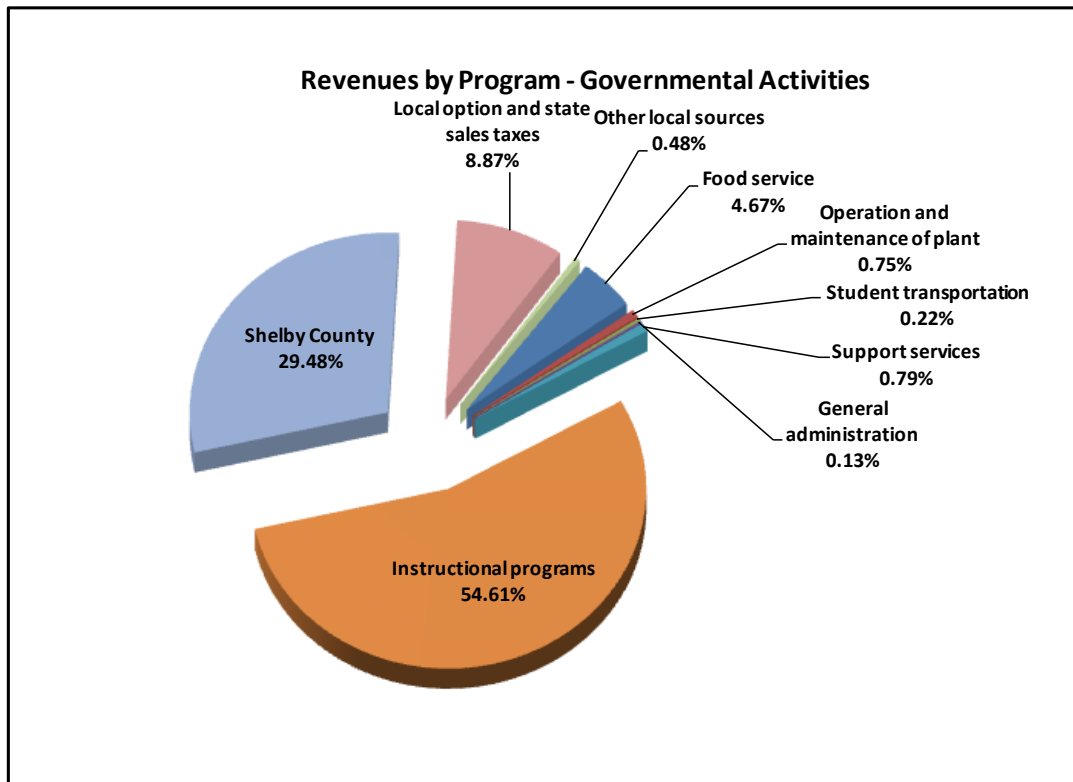
See next page



- Instructional expenses include activities directly linked to the teaching of pupils and the interaction between the teacher and pupil. The components include regular, exceptional children, alternative, vocational and adult instruction.
- Support services includes the activities assisting students in technical services (such as library, guidance, health, and alternative choices) and providing a safe school environment.
- General administration includes the Board of Education and Office of the Superintendent. Activities are centered on establishing and administering policy for operating the LEA. Other general services include commission fees assessed by the County Trustee for tax collection; external audit and legal services; and administrative supervision of the District and communications.

- Student transportation includes activities involved with the conveyance of students for regular, vocational and special educational instruction to and from school, as well as school activities, as provided by state and federal law.
- Operation and maintenance of plant services supports keeping of the school grounds, buildings, and equipment in an effective working condition and state of repair.
- Food service includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

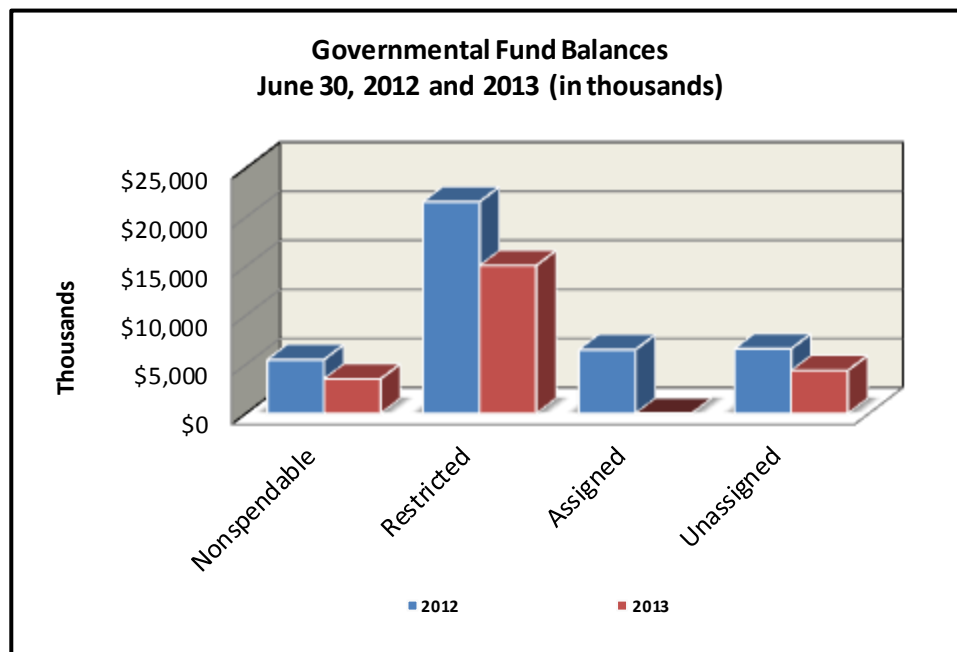
A major portion of the general revenues is not included above because the revenues are not directly identified as supporting a unique or specific activity. Instead, these revenues are general in their support for all activities. General revenues are primarily comprised of local tax revenues provided to support education as a whole. In contrast, State Basic Education Program and federal programs are directly supportive of specific activities. The dependence upon general tax revenues from the community for all governmental activities is clear. General tax revenues support 29.01% of the governmental activities. A breakdown of revenues by source is presented below.



Financial Analysis of Shelby County Board of Education Funds

The combined fund balance of all governmental funds was \$22.9 million. Approximately 19.02% of the total fund balance is unassigned. The remainder of the fund balance is either nonspendable or restricted for future specific spending. As noted earlier, Shelby County Board of Education uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Shelby County Board of Education’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the school district’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.



There was a \$10.8 million decrease in fund balance for all funds that included a \$10.4 million reduction in the general fund. The decrease in the general fund was primarily due to revenues being less than budget by \$9.3 million and expenses being less than budget by \$4.8 million. Additionally, there was a \$6.5 million reduction in governmental fund balance due to transfer of the Student Activities Fund to Fiduciary Fund, see Note 4 – Prior Period Adjustment.

Major Funds

General Fund

The General Fund is the general purpose and chief operating fund of the school district used to account for the ordinary operations and financial resources not accounted for in any other fund. Taxes, state equalization funding, and other general revenues finance the operations.

As a measure of liquidity, the General Fund unassigned fund balance was approximately \$37.5 million or 1.2% of total fund expenditures, while total fund balance represents 5.2% of that same amount. This amount is available for future appropriation. The total fund balance increased by \$22.7 million due to lower than anticipated revenues of \$9.4 million and expenditure savings of \$4.8 million. Expenditure savings were realized in benefits due to the District implementing a 63% effective cost share for health insurance. Additionally, the District Implemented Spouse Out. This means if a District employee's spouse has health insurance coverage through their employer, the spouse is not eligible for health insurance through the District. General Fund revenues decreased by \$16.1 million and expenditures decreased by \$25.1 million from the previous year (GAAP basis).

School Cafeteria Fund

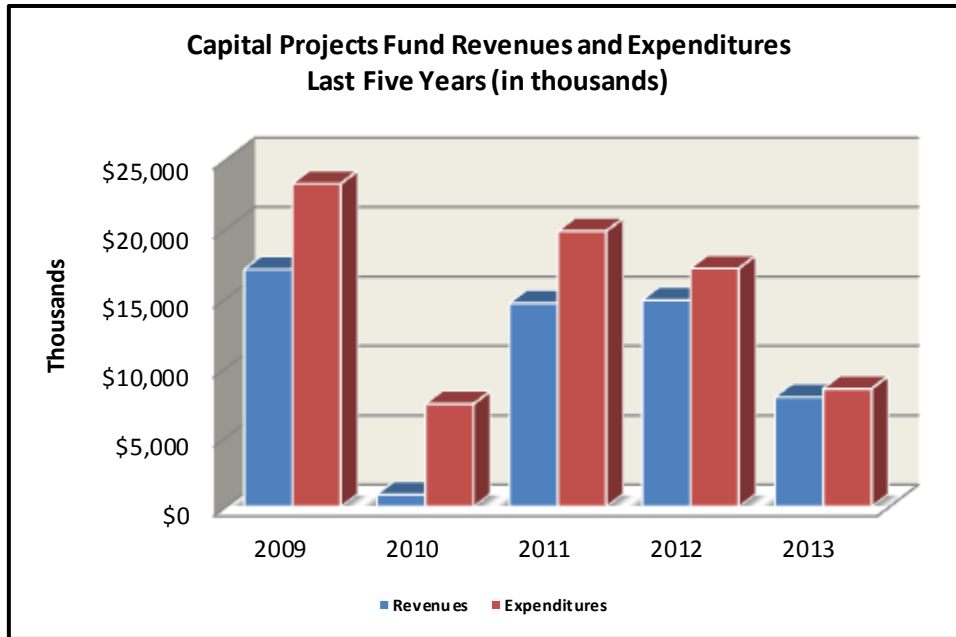
The School Cafeteria Fund is used to designate cafeteria transactions of preparing and serving regular and incidental meals, breakfast, lunches and snacks in connection with non-instructional services. Revenue is provided primarily from governmental agencies, which is restricted for the cafeterias.

Capital Projects Fund

The Capital Projects Fund accounts for transactions related to resources obtained and used for the acquisition, construction or improvement of capital facilities. The available fund balance was decreased by \$22.1 4,746 or 8.3% of total fund expenditures. The fund balance of the Capital Projects Fund is restricted for specific projects approved by funding bodies and may not be used for other purposes.

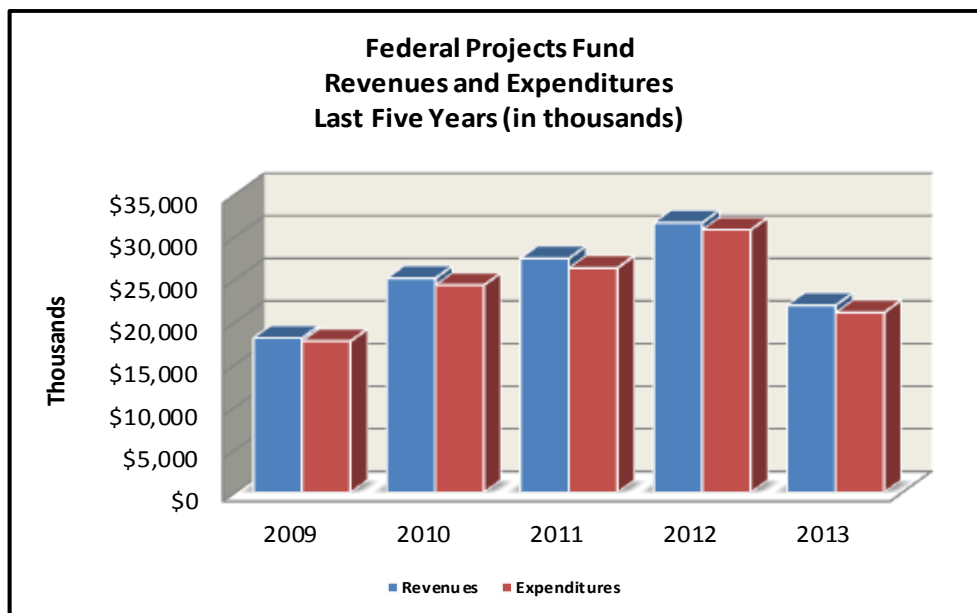
SCBOE uses capital projects funds to account for school construction and improvement projects, which are financed primarily through Shelby County bond issues. On October 6, 2010, SCBOE entered into an agreement with Shelby County Government through the Tennessee State School Bond Authority Act to apply for QSCB II funds. SCBOE was awarded \$17.6 million in funding for five construction projects: Elementary and Middle School Gym HVAC, Collierville Middle Replacement, Highland Oaks Elementary Roof, and Southwind Elementary Roof. For the year ending June 30, 2013, these five projects were completed and final payments were received. The final cost of these projects awarded under QSCB II funds was \$17.2 million.

In fiscal year 2013, Shelby County Government provided the District an allocation of \$13.9 million for the upgrade of the ERP system.



Federal Projects Fund

The Federal Projects accounts for restricted funds received from various agencies, state and federal governments that are to be spent for specific purposes, based on contractual agreements or grant applications.



Non-major Fund

Miscellaneous Governmental Funds

The Miscellaneous Governmental Funds are received from various agencies, state and federal governments that are to be spent for specified purposes based upon contractual agreements or grant applications. Thus, the funds are restricted and the Miscellaneous Governmental Fund is used to keep these funds segregated from other funds.

Proprietary Fund

Internal Service Fund

The school district's internal service fund accounts for the District's health self-insurance benefits. It provides the same type of information found in the government-wide financial statements (full accrual accounting based on economic substance of transactions), but in more detail.

See next page

Capital Assets

Shelby County Board of Education's investment in capital assets for its governmental activities as of June 30, 2013, shown in the table below, amounts to \$395.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment and furniture. Overall, capital assets decreased \$6.1 million for fiscal year 2013.

Capital Assets, net of depreciation (amounts expressed in millions of dollars)

	2013	2012	Percentage Change
Land	\$ 23.3	\$ 23.3	-
Construction in progress	8.0	23.2	(65.5)%
Equipment and furniture	13.0	15.2	(14.5)%
Buildings and improvements	351.5	340.2	3.3%
Total	<u>\$ 395.8</u>	<u>\$ 401.9</u>	(1.5)%

Long-term Debt

SCBOE has no long-term debt as the Board is fiscally dependent on Shelby County Government for the issuance of debt for its capital projects.

General Fund Budgetary Highlights

The general fund budget was not amended during the year. Total revenues were \$9.4 million less than anticipated. Key factors contributing to that variance were as follows:

- Local option and State sales taxes were \$5.4 million less than anticipated
- Interest income and other sources were \$2.8 million less than budget

Budgets for current property taxes are based on an estimated value of each tax penny, which will vary from actual collections.

General Fund Expenditures Budget

Actual general fund expenditures were \$4.8 million lower than budgeted. The majority of the variance can be attributed to leaner expenditures in the support services area. Sparing use of end of year funds was made for capital outlay at the end of 2013. Shelby County Schools had anticipated using \$6.5 million of the reserve to balance the 2013 budget; however \$11.8 million was actually used, reducing total fund balance as of June 30, 2013 to \$18.2 million from \$28.7 as of June 30, 2012.

Additionally, the District paid out \$209,810 for severance and unused vacation pay - which was directly related to the merger and the 26% reduction to Central Office staff.

General Fund Balance

The general fund balance decreased 36.3% to \$18.2 million in 2013. The fund balance equals 14.4 days of expenses. It also represents 5.07% of budgeted expenses. The State BEP requires a reserve equal to 3% of the 2014 budgeted expenses, and \$11.1 million has been reserved accordingly at June 30, 2013.

Economic Factors and Next Year's Budget

On December 20, 2010, the Memphis City Board of Commissioners voted to surrender Memphis City Schools' Charter. Tennessee Code Annotated requires that a referendum be held. Memphis voters ratified the Board's decision to transfer the administration of Memphis City Schools to Shelby County Schools on March 8, 2011. Shelby County Schools filed a complaint for declaratory judgment on February 11, 2011, and United States District Judge Samuel "Hardy" Mays ruled on August 8, 2011, that Memphis City Schools would cease to exist at the conclusion of the 2012-13 school year.

In order to remain in compliance with the Norris-Todd law (Tennessee Senate bill 25), a 21 member transition team was appointed by the Memphis City Schools Board of Commissioners, the Shelby County School Board, the Mayor of Shelby County, the Governor of Tennessee and the Speaker of the Tennessee House. The Transition Planning Commission worked with its consultant, The Boston Consulting Group, and developed assumptions and forecasts for the merged District. Many of these assumptions were used in developing the budget for the merged District – effective Fiscal Year 2013-14.

The State of Tennessee included a 1.5% COLA for certificated staff in its budget appropriation. The District sought a waiver from the State requirement of providing a COLA to certificated staff and harmonized the salaries of legacy Shelby County School teachers and legacy Memphis City Schools Principals and Assistant Principals.

The Shelby County Board of Commissioners voted to approve the Shelby County Schools' budget provided that the revenues from all County sources shall not exceed \$381,288,000. Education's share of the property tax levy is expected to remain at \$2.14 of the \$4.38 per \$100 of assessed property value. Shelby County Schools' combined 40th day end-of-month enrollment is expected to decrease from 149,819 to 149,653 day students.

The Shelby County Board of Education adopted the Fiscal Year 2013-14 General Fund budget in the amount of \$1,188,648,338 including transfers to charter schools. The Fiscal Year 2013-14 budget is a reduction of approximately \$75 million from the combined Memphis City Schools and Shelby County Schools Fiscal Year 2012-13 budgets. Ten new charter schools will open, bringing the total number of charter schools to thirty-nine, with an aggregate budget of \$67.4 million. Student enrollment is the primary driver of instruction and school expenditure budgets.

Enrollment is expected to decrease by 1,544 students. The District continues to face a challenging revenue environment while the cost of doing business continues to rise. The Shelby County Board of Education approved the planned use of \$12.6 million in unassigned fund balance to balance the general fund operating budget. The Basic Education Program reserve requires the District to set aside three percent of next year's General Fund Expenditure Budget of \$1,188,648,338, which equates to \$35,659,450. Readers of the financial statements will see the reserve allocated between the two districts based upon the WFTEADA. Memphis City Schools has reserved \$24,587,191 and Shelby County Schools has reserved \$11,072,259.

Shelby County Schools continues to maximize all of the financial resources available in order to provide a quality education for all students in Shelby County.

Requests for information

This financial report is designed to provide a general overview of the school district's finances for all those with an interest in Shelby County Schools' finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to:

Shelby County Board of Education
Chief Financial Officer
Room 226
160 South Hollywood Street
Memphis, Tennessee 38112

Basic Financial Statements



SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 35,617,098
Due from other governments	17,749,474
Other receivables	396,558
Inventories	3,500,859
Capital assets, not depreciated	31,359,735
Capital assets, depreciated	364,440,373
Total Assets	453,064,097
Liabilities	
Accounts payable and accrued expenses	21,242,213
Insurance claims payable	3,241,492
Unearned revenue	507,580
Claims payable	2,932,900
Long-term liability-OPEB	237,617,725
Total Liabilities	265,541,910
Net Position	
Net investment in capital assets	395,800,108
Restricted for:	
Insurance claims	2,254,559
Basic education program	11,072,259
Capital outlays	105,723
Food services	3,888,773
Unrestricted	(225,599,235)
Total Net Position	\$ 187,522,187

The notes to the financial statements are an integral part of this statement.

SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)

Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities
Governmental Activities:				
Instructional programs	\$ 278,662,284	\$ 11,286,642	\$ 211,372,876	\$ (56,002,766)
Support services	58,631,337	3,235,977	-	(55,395,360)
General Administration	49,521,741	539,329	-	(48,982,412)
Operation and maintenance of plant	29,540,909	3,066,439	-	(26,474,470)
Student transportation	17,406,176	898,882	-	(16,507,294)
Food service	20,414,717	10,349,814	8,728,662	(1,336,241)
Student activities	<u>793,703</u>	<u>359,553</u>	<u>-</u>	<u>(434,150)</u>
Total Governmental Activities	<u>\$ 454,970,867</u>	<u>\$ 29,736,636</u>	<u>\$ 220,101,538</u>	<u>(205,132,693)</u>
General Revenues:				
Shelby County				120,421,197
Local option and state sales taxes				36,228,227
Other local sources				<u>1,977,774</u>
Total General Revenues				<u>158,627,198</u>
Increase (Decrease) in Net Position				(46,505,495)
Net Position - Beginning of Year				240,496,764
Prior period adjustment				<u>(6,469,082)</u>
Net Position - Beginning of Year, restated				<u>234,027,682</u>
Net Position - End of Year				<u>\$ 187,522,187</u>

The notes to the financial statements are an integral part of this statement.

SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)
 Balance Sheet - Governmental Funds
 June 30, 2013

	General Fund	Capital Projects Fund	Special Revenue Funds		Miscellaneous Governmental Funds	Total Governmental Funds
			Federal Projects Fund	Cafeteria Funds		
ASSETS:						
Cash and cash equivalents	\$ 13,556,404	\$ 798,088	\$ -	\$ 10,638,630	\$ 462,139	\$ 25,455,261
Receivables:						
Due from Shelby County	12,079,795	2,897,759	-	-	-	14,977,554
State	-	-	2,194,736	-	583,605	2,778,341
Proprietary fund	4,542,633	-	-	-	-	4,542,633
Other	283,430	-	-	26,658	80,645	390,733
Due from other funds	11,660,959	-	142,104	123	-	11,803,186
Inventories	2,811,900	-	-	688,959	-	3,500,859
Total Assets	<u>\$ 44,935,121</u>	<u>\$ 3,695,847</u>	<u>\$ 2,336,840</u>	<u>\$ 11,354,370</u>	<u>\$ 1,126,389</u>	<u>\$ 63,448,567</u>
LIABILITIES:						
Accounts payable	1,389,384	965,124	174,810	43,391	26,622	2,599,331
Accrued payroll expenses	18,020,405	-	376,588	16,070	107,262	18,520,325
Due to other funds	144,882	2,625,000	1,782,238	6,292,524	958,542	11,803,186
Unearned revenue	45,760	-	3,204	424,653	33,963	507,580
Total Liabilities	<u>19,600,431</u>	<u>3,590,124</u>	<u>2,336,840</u>	<u>6,776,638</u>	<u>1,126,389</u>	<u>33,430,422</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue	7,090,603	-	-	-	-	7,090,603
Total Deferred Inflows of Resources	<u>7,090,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,090,603</u>
FUND BALANCES:						
Nonspendable:						
Inventories	2,811,900	-	-	688,959	-	3,500,859
Restricted for:						
Basic education program	11,072,259	-	-	-	-	11,072,259
Capital outlays	-	105,723	-	-	-	105,723
Food services	-	-	-	3,888,773	-	3,888,773
Unassigned	4,359,928	-	-	-	-	4,359,928
Total Fund Balances	<u>18,244,087</u>	<u>105,723</u>	<u>-</u>	<u>4,577,732</u>	<u>-</u>	<u>22,927,542</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 44,935,121</u>	<u>\$ 3,695,847</u>	<u>\$ 2,336,840</u>	<u>\$ 11,354,370</u>	<u>\$ 1,126,389</u>	<u>\$ 63,448,567</u>

The notes to the financial statements are an integral part of this statement.

SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)
 Reconciliation of Balance Sheet - Governmental Funds
 to the Statement of Net Position
 June 30, 2013

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

	<u>Amount</u>
Total Fund Balance - Total Governmental Funds	\$ 22,927,542
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	395,800,108
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.	7,090,603
Internal service funds are used by management to charge the costs of health and life insurance benefits to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	2,254,559
Long-term liability for OPEB future payments, not included in governmental funds	(237,617,725)
Long-term liability for legal claims contingencies, not included in governmental funds	<u>(2,932,900)</u>
Total Net Position - Governmental Activities	<u>\$ 187,522,187</u>

The notes to the financial statements are an integral part of this statement.

SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Capital Projects Fund	Special Revenue Funds		Miscellaneous Governmental Funds	Governmental Total Funds
			Federal Projects Fund	Cafeteria Fund		
Revenues:						
Shelby County	\$ 113,591,004	\$ 7,891,104	\$ -	\$ -	\$ -	\$ 121,482,108
State of Tennessee	187,977,990	-	-	165,468	842,223	188,985,681
Federal government	-	-	21,953,212	8,563,194	599,447	31,115,853
Local option and state sales taxes	36,228,227	-	-	-	-	36,228,227
Charges for current services	2,667,610	-	-	-	-	2,667,610
Other local sources	1,865,928	-	-	9,091,379	100,809	11,058,116
Total Revenues	342,330,759	7,891,104	21,953,212	17,820,041	1,542,479	391,537,595
Expenditures:						
Regular education program	187,756,031	-	4,194,716	-	363,613	192,314,360
Special education program	33,349,704	-	6,479,550	-	-	39,829,254
Vocational education program	6,514,155	-	366,653	-	-	6,880,808
Alternative education program	2,412,530	-	-	-	-	2,412,530
Early Childhood Development	-	-	1,156,041	-	-	1,156,041
Support services	43,728,241	-	7,328,056	3,000	428,717	51,488,014
General administration	9,907,762	-	-	-	-	9,907,762
School administration	26,061,269	-	-	-	10,742	26,072,011
Business administration	5,471,541	-	-	-	-	5,471,541
Operation and maintenance of plant	25,854,305	-	-	-	669,038	26,523,343
Student transportation	12,016,393	-	1,582,928	-	-	13,599,321
Food services	-	-	(219)	17,622,164	46,890	17,668,835
Capital outlays	542,660	8,495,850	-	-	-	9,038,510
Student activities	-	-	-	-	-	-
Total Expenditures	353,614,591	8,495,850	21,107,725	17,625,164	1,519,000	402,362,330
Excess (Deficiency) of Revenues over Expenditures	(11,283,832)	(604,746)	845,487	194,877	23,479	(10,824,735)
Other Financing Sources (Uses):						
Transfers in	868,966	-	-	-	-	868,966
Transfers out	-	-	845,487	-	23,479	868,966
Total Other Financing Sources (Uses)	868,966	-	(845,487)	-	(23,479)	-
Net Change in Fund Balances	(10,414,866)	(604,746)	-	194,877	-	(10,824,735)
Fund Balances, Beginning of Year	28,658,953	710,469	-	4,262,654	-	33,632,076
Change in reserve for inventories	-	-	-	120,201	-	120,201
Fund Balances, End of Year	\$ 18,244,087	\$ 105,723	\$ -	\$ 4,577,732	\$ -	\$ 22,927,542

The notes to the financial statements are an integral part of this statement.

**BOARD OF EDUCATION OF
SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

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

	<u>Amount</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (10,824,735)
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 and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	(6,403,701)
The net effect of the disposal of certain capital assets including sales and retirements is to decrease net assets.	239,964
Under the modified basis of accounting used in the governmental funds, expenditures for inventory are recorded when purchased (the purchases method), but in the statement of activities, inventory is expensed only when consumed (consumption method).	120,201
Recognition of unavailable revenue by Shelby County increases the Board's receivable from Shelby County. This amount is the net change during the period.	(1,060,911)
Increase in long-term liability for OPEB future payments, not included in governmental funds	(28,173,022)
Decrease in long-term liability for legal claims contingencies, not included in governmental funds	1,318,500
Internal service funds are used by management to charge the cost of health and life insurance benefits to the individual funds. The net revenue of the activities of the internal service fund is reported with governmental activities.	(1,721,791)
Change in Net Position of Governmental Activities	<u>\$ (46,505,495)</u>

The notes to the financial statements are an integral part of this statement.

**BOARD OF EDUCATION OF
SHELBY COUNTY, TENNESSEE**
(A Component Unit of Shelby County, Tennessee)
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Shelby County	\$ 114,762,920	\$ 114,762,920	\$ 113,591,004	\$ (1,171,916)
State of Tennessee	188,757,588	188,757,588	187,977,990	(779,598)
Federal Government	750,383	750,383	-	(750,383)
Local option and State sales taxes	41,667,690	41,667,690	36,228,227	(5,439,463)
Charges for current services	1,960,000	1,960,000	2,667,610	707,610
Other local sources	<u>3,813,294</u>	<u>3,813,294</u>	<u>1,865,928</u>	<u>(1,947,366)</u>
Total Revenues	<u>351,711,875</u>	<u>351,711,875</u>	<u>342,330,759</u>	<u>(9,381,116)</u>
Expenditures:				
Regular education program	181,575,900	181,575,900	188,007,628	(6,431,728)
Special education program	34,757,728	34,757,728	33,356,715	1,401,013
Vocational education program	6,902,682	6,902,682	6,514,155	388,527
Alternative education program	2,467,385	2,467,385	2,412,530	54,855
Support services	48,574,659	48,574,659	43,582,467	4,992,192
General administration	11,604,410	11,604,410	10,907,542	696,868
School administration	26,150,857	26,150,857	26,054,956	95,901
Business administration	5,167,211	5,167,211	5,544,025	(376,814)
Operation and maintenance of plant	27,921,667	27,921,667	25,865,915	2,055,752
Student transportation	12,743,615	12,743,615	12,056,458	687,157
Capital outlays	<u>1,923,351</u>	<u>1,923,351</u>	<u>684,722</u>	<u>1,238,629</u>
Total Expenditures	<u>359,789,465</u>	<u>359,789,465</u>	<u>354,987,113</u>	<u>4,802,352</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,077,590)</u>	<u>(8,077,590)</u>	<u>(12,656,354)</u>	<u>(4,578,764)</u>
Other Financing Sources (Uses):				
Transfers in	1,579,363	1,579,363	868,966	(710,397)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,579,363</u>	<u>1,579,363</u>	<u>868,966</u>	<u>(710,397)</u>
Net Change in Fund Balances	<u>\$ (6,498,227)</u>	<u>\$ (6,498,227)</u>	(11,787,388)	<u>\$ (5,289,161)</u>
Fund Balance-GAAP Basis-Beginning of Year			28,658,953	
Change in Encumbrances			<u>1,372,522</u>	
Fund Balance-GAAP Basis-End of Year			<u>\$ 18,244,087</u>	

The notes to the financial statements are an integral part of this statement.

**BOARD OF EDUCATION OF
SHELBY COUNTY, TENNESSEE**
(A Component Unit of Shelby County, Tennessee)
Statement of Net Position - Proprietary Fund
June 30, 2013

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Cash and cash equivalents	\$ 10,161,837
Accounts receivable	5,823
Due from other funds	<u>824</u>
Total Assets	<u>10,168,484</u>
Liabilities	
Accounts payable	129,800
Insurance claims payable	3,241,492
Due to governmental funds	<u>4,542,633</u>
Total Liabilities	<u>7,913,925</u>
Net Position	
Restricted for insurance claims	<u><u>\$ 2,254,559</u></u>

The notes to the financial statements are an integral part of this statement.

**BOARD OF EDUCATION OF
SHELBY COUNTY, TENNESSEE**
(A Component Unit of Shelby County, Tennessee)
Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2013

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues:	
Premium received	\$ 43,890,362
Operating Expenses:	
Claims incurred	35,935,319
Insurance premiums	1,489,499
Administrative expenses	<u>8,198,372</u>
Total Operating Expenses	<u>45,623,190</u>
Operating Income (Loss)	<u>(1,732,828)</u>
Nonoperating Revenue:	
Interest Income	4,897
Other Income	<u>6,140</u>
Total Nonoperating Revenue	<u>11,037</u>
Change in Net Position	(1,721,791)
Net Position - Beginning of Year	<u>3,976,350</u>
Net Position - End of Year	<u>\$ 2,254,559</u>

The notes to the financial statements are an integral part of this statement.

**BOARD OF EDUCATION OF
SHELBY COUNTY, TENNESSEE**
(A Component Unit of Shelby County, Tennessee)
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities:	
Premiums received	\$ 44,045,620
Claims paid	(36,308,723)
Payments to vendors	(9,763,766)
Other receipts	<u>6,140</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,020,729)</u>
Cash Flows From Investing Activities:	
Interest income	<u>4,897</u>
Net Cash Provided (Used) In Investing Activities	<u>4,897</u>
Cash Flows From Financing Activities:	
Advances from governmental funds	<u>4,542,633</u>
Net Cash Provided (Used) In Financing Activities	<u>4,542,633</u>
Net Increase in Cash and Cash Equivalents	2,526,801
Cash and Cash Equivalents, Beginning of Year	<u>7,635,036</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,161,837</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (1,732,828)
Other Income	6,140
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Operating Assets and Liabilities:	
Decrease in accounts receivable	155,257
Increase in due from other funds	(824)
Decrease in accounts payable	(75,894)
Decrease in insurance claims payable	<u>(372,580)</u>
Total Cash Provided (Used) by Operating Activities	<u>\$ (2,020,729)</u>

The notes to the financial statements are an integral part of this statement.

**BOARD OF EDUCATION OF
SHELBY COUNTY, TENNESSEE**
(A Component Unit of Shelby County, Tennessee)
Statement of Fiduciary Net Position
June 30, 2013

	Agency Fund
Assets	
Cash and cash equivalents	\$ 4,897,732
Investments	55,090
Inventories	123,291
Total Assets	5,076,113
Liabilities	
Due to students	5,076,113
Total Liabilities	5,076,113
Net Position	\$ -

The notes to the financial statements are an integral part of this statement.

**BOARD OF EDUCATION OF
SHELBY COUNTY, TENNESSEE**
(A Component Unit of Shelby County, Tennessee)
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Determination of the Reporting Entity

The Shelby County Board of Education (the “Board”) is a component unit of Shelby County, Tennessee. Accordingly, the accounts and transactions reported in the accompanying financial statements are included in the Shelby County, Tennessee Comprehensive Annual Financial Report as a discretely presented governmental component unit.

Government-wide financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information about the Board as a whole. These statements include the financial activities of the Board.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The result of these eliminations is a more accurate reporting of the Board’s overall revenues and expenses from its activities.

Fund financial statements

Fund financial statements are designed to present financial information of the Board at a more detailed level (and to demonstrate legal compliance). The focus of fund financial statements is on major funds. The Board’s major individual governmental funds are the general fund and capital projects fund and are reported as separate columns in the governmental funds financial statements. Non-major funds are aggregated and presented in a single column in the governmental fund financial statements. The Board’s proprietary fund is the internal service fund which is reported in the proprietary fund financial statements.

Governmental Funds

General Fund: The general fund, as the primary operating fund, is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund: Transactions related to resources obtained and used for the acquisition, construction or improvement of capital facilities are accounted for in the capital projects fund. The primary funding source is bond proceeds from Shelby County.

Federal Projects Fund: The federal project fund relates to resources obtained and used under certain federal and state programs and to other sources upon which legal restrictions are imposed.

Special Revenue Funds: School cafeteria represents the aggregate of individual school funds, which are accounted for in each school. The school cafeteria funds are used for operating child nutrition programs only.

Proprietary Funds

Internal Service Fund: This fund is comprised of the Board's self-insured health and life insurance fund. The fund accounts for employee and retiree group health and life insurance. The primary funding source is contributions from employees, retirees and the Board.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds (Not included in government-wide statements)

Agency Fund - Student Activity Fund: Transactions related to resources held in a fiduciary capacity as agent for the general school population, or in some cases, for a specific segment of the school population, are recorded in the Student Activity Fund. Agency funds are purely custodial and thus do not involve measurement of results of operations.

Major and Non-major Funds

The General Fund, Capital Projects Fund, Cafeteria Fund and the Federal Projects Fund are classified as major funds. The Miscellaneous Fund is the only non-major fund.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

The government wide financial statements are reported using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Budgeting and Budgetary Control

General and federal projects fund’s revenue and expenditures are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the operations of the Board. The budgetary basis of accounting differs from generally accepted accounting principles because encumbrances have been recorded as expenditures. The original budget and all subsequent amendments to the budget are approved by the Shelby County Board of Commissioners. The capital project fund, internal service fund, school cafeteria funds and the school student activity funds are not legally required to adopt an annual budget.

Basis of Accounting

The financial statements of the Board have been prepared in accordance with generally accepted accounting principles (GAAP) followed in the United States of America. In the United States, the Governmental Accounting Standards Board (GASB) is the established and recognized standard setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the Board.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

The fund financial statements, the General, Federal, Special Revenue, and Capital Projects Funds, are prepared on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual, which is defined as being both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized on the modified accrual basis which is defined as when measurable and when the related liability is incurred. 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. Revenue susceptible to accrual under the modified accrual basis is principally:

- a. Property taxes collected by Shelby County but not yet remitted to the Board.
- b. Grants and subsidies from other governments, to the extent measurable and available.
- c. Interest earned on investments as of year-end.

The Proprietary Fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenue is recorded as earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All other revenue is considered nonoperating revenue.

Receivables

Receivables consist primarily of grant funds receivable from the federal government and the State of Tennessee, property taxes receivables from Shelby County and funds due from Shelby County for capital projects.

Outstanding balances between funds are reported as "due to/from other funds." The transfer between funds is used to ensure current operations and programs are not interrupted.

Inventories

General Fund inventories consist of textbooks, maintenance and school supplies. Food Service Fund inventories consist of food and cafeteria supplies. Inventories are considered expenditures when issued from the central warehouse to the schools (Consumption Method) except food items, which are expensed when used. Inventories are reported in the balance sheet at average cost and are offset by a Fund Balance reserve of a like amount. Inventories in the Agency Fund are stated at cost determined by the first-in, first-out method.

On fund financial statements, inventories of governmental funds are stated at lower of cost or market. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Realty and Personal Property Taxes

The Board recognizes as revenue its share of realty and personal property taxes in the fiscal year of the levy if collected within two months following the end of the fiscal year. The Board does not have any taxing authority. Consequently, it relies on a share of realty and personal property taxes collected by the County. The County tax levy of \$4.02 per \$100 of assessed value includes \$1.91 for both the city and county schools.

Distribution of the \$1.91 to the city and county school systems is based on the average daily attendance of each system. Approximately 68.94% and 31.06% was distributed to the City of Memphis Schools and Shelby County Board of Education, respectively.

Cash Equivalents

Shelby County maintains a cash pool, of which the County Trustee is custodian. This pool is generally available for use by all Shelby County funds and related entities. At June 30, 2013, cash and cash equivalents include amounts in the pool and demand deposits at various financial institutions. The Board considers all highly liquid investments with maturities of three-months or less when purchased to be cash equivalents.

Investments

The County Trustee invests monies on behalf of other Shelby County funds and related entities. The Board's equity interest of amounts invested by the County Trustee in the State Treasurer's investment pool on behalf of the Board plus certificates of deposit are included in cash and cash equivalents. The amount in the State Treasurer's Local Government Investment Pool (LGIP) is stated at cost plus accrued interest, which approximates fair market value. The amount of certificates of deposit is stated at cost which approximates fair market value.

Deposits with LGIP may be withdrawn with a maximum of one day's notice and are classified as investments. The LGIP is not registered with the SEC as an investment company. However, the LGIP has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met, State statutes require the State Treasurer to administer the LGIP under the same terms and conditions, including collateral requirements, as required for other funds invested by the Treasurer. The reported value of the pool is the same as the fair value of the pool shares.

State statutes authorize the County Trustee to invest in obligations of the U.S. Treasury, obligations guaranteed as to principal and interest by the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loans associations and federal chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the LGIP. State statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transactions.

Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, furniture and equipment and construction in progress, are reported in the government wide financial statements. Capital assets are defined by Board policy as assets with an initial, individual cost of \$5,000 or more with a useful life of more than one year.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets except land and construction in progress are depreciated. Depreciation is computed over the remaining useful lives of the related capital assets using the straight line method of depreciation. Estimated useful lives are as follows:

Building and Building improvements	25 to 50 years
Furniture and equipment	5 to 20 years

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a section for deferred inflow of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, the item unavailable revenue is reported only in the governmental fund balance sheet. The Board reports unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in net investment in capital assets, net of related debt.”

Governmental fund balances are reported, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as either Nonspendable, Restricted, Committed, and/or Unassigned.

The Shelby County Board of Education reports fund balance in its governmental funds in the classifications prescribed by GASB Statement 54. By doing so, the Board reflects the amount to which they are “bound to honor constraints on the specific purposes for which amounts in the fund can be spent.” Of the five categories allowed by GASB Statement 54, the District reports only three of these components in the 2013 fiscal year: Nonspendable, Restricted and Unassigned.

The Nonspendable Fund Balance reflects the amounts that can only be spent for inventories. The Restricted Fund Balance category reflects the resources that are subject to legal restrictions, such as BEP (Basic Education Program), capital outlay and the nutrition program. The District reports the residual net resources left after what is categorized in the other two components as Unassigned Fund Balance. This category is only reported in the General Fund.

Minimum Fund Balance Policy

In order to maintain and protect the long-term financial capacity of Shelby County Board of Education, total fund balance restricted for education in the General Fund is maintained at a level not less than required by Tennessee Code Annotated (TCA) 49-3-352.

Order of Expenditure of Funds

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, when multiple categories of fund balances are available, such as restricted and unrestricted resources in the General Fund, Capital Projects Fund, and Special Revenue Funds, the district will start spending from the most restricted category and spend those funds first before moving down to the next category with available funds. GASB Statement No. 54 required Shelby County Board of Education to adopt a spending prioritization policy. The policy enacted by the Board requires that funds be spent in the following order: Restricted, Committed, Assigned, and Unassigned.

Other Post Employment Benefits

Effective July 1, 2007, the Board implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. Prior to implementation of GASB Statement 45, the Board accounted for other post employment benefits (OPEB) under a pay as you go financing basis. With the adoption of GASB Statement 45, the Board measures and recognizes the cost of OPEB during the periods when employees render the services, and provides relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

NOTE 2 - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at June 30, 2013 consisted of the following:

Investments in State's local government investment pool (LGIP)	\$ 31,174,195
Deposit accounts	<u>4,442,903</u>
	<u>\$ 35,617,098</u>

Custodial Credit Risk - Bank deposits, in compliance with State statutes, are covered by federal depository insurance (FDIC) or are collateralized by a multiple financial institutional collateral pool administered by the State of Tennessee. When the Board has deposits with financial institutions that do not participate in the State collateral pool; a separate collateral equal to at least 105% of the uninsured deposit is collateralized and held in the Board's name by a third party. The responsibility for conducting the State's local government investment (LGIP) program resides with the State Treasurer pursuant to Tennessee Code Annotated, Section 9-4-602, an is exercised in accordance with this investment policy and resolutions of the State Funding Board. The LGIP is reported at the net asset value per share (NAV) by virtue of the amortized cost method. This method will be continued as long as the State Board believes that it fairly reflects market based NAV (in accordance with SE Rule 21-7). These provisions covered all Board deposits at year-end.

Deposits and investments are classified into three categories of credit risk based upon the following:

<u>Category</u>	<u>Description</u>
1	Insured or registered, ore securities held by the Board or its agent in the Board's name.
2.	Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the Board's name.
3.	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Board's name.

At June 30, 2013, the bank balance of the Board's sweep account was \$-0-. Sweep accounts are considered category 1 and LGIP investments are not required to be classified.

NOTE 3 – GENERAL LONG-TERM OBLIGATIONS:

Shelby County Board of Education has no long-term debt as the Board of Education is fiscally dependent on Shelby County Government for the issuance of debt for its capital projects.

Changes in long-term liabilities during the year were:

	<u>Balance Due June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Due June 30, 2013</u>	<u>Due Within One Year</u>
Governmental Activities:					
Claims payable	\$ 4,251,400	\$ 845,000	\$ (2,163,500)	\$ 2,932,900	\$ -
Other Postemployment benefit obligations	<u>209,444,702</u>	<u>40,504,906</u>	<u>(12,331,883)</u>	<u>237,617,725</u>	<u>-</u>
Total	<u>\$ 213,696,102</u>	<u>\$ 41,349,906</u>	<u>\$ (14,495,383)</u>	<u>\$ 240,550,625</u>	<u>\$ -</u>

NOTE 4 – ACCRUED LIABILITIES:

Accrued payroll as of year-end for SCBOE's individual funds disaggregated are as follows:

	<u>General Fund</u>	<u>Federal Fund</u>	<u>Cafeteria Fund</u>	<u>Miscellaneous Governmental Fund</u>	<u>Total Governmental</u>
Accrued Payroll	\$ 17,569,084	\$ 368,200	\$ 11,253	\$ 103,691	\$ 18,052,228
Accrued Vacation	<u>451,321</u>	<u>8,388</u>	<u>4,817</u>	<u>3,571</u>	<u>468,097</u>
Total	<u>\$ 18,020,405</u>	<u>\$ 376,588</u>	<u>\$ 16,070</u>	<u>\$ 107,262</u>	<u>\$ 18,520,325</u>

NOTE 5 - DEFINED BENEFIT PLAN:

Plan description - teachers

The Shelby County Board of Education contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools.

Funding policy - teachers

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for the Shelby County Board of Education is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2013 was 8.88% of annual covered payroll.

The employer contribution requirement for Shelby County Board of Education is established and may be amended by the TCRS Board of Trustees. The employer's contribution to TCRS for the years ending June 30, 2013, 2012, and 2011 were \$18,425,304, \$18,696,266, and \$18,256,591, respectively, equal to the required contributions for each year.

Plan description - non teachers

Employees of Shelby County Board of Education are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Shelby County Board of Education participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding policy

Shelby County Board of Education requires employees to contribute 5.0% of earnable compensation.

Shelby County Board of Education is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 7.83% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Shelby County Board of Education is established and may be amended by the TCRS Board of Trustees.

Annual pension cost

For the year ending June 30, 2013, Shelby County Board of Education's annual pension cost of \$4,113,626 to TCRS was equal to Shelby County Board of Education's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Shelby County Board of Education's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 2 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Fiscal Year Ending	Trend information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 4,113,626	100%	\$ -
June 30, 2012	\$ 4,634,670	100%	\$ -
June 30, 2011	\$ 4,419,473	100%	\$ -

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 97.44% funded. The actuarial accrued liability for benefits was \$139.44 million, and the actuarial value of assets was \$135.87 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.57 million. The covered payroll (annual payroll of active employees covered by the plan) was \$49.54 million, and the ratio of the UAAL to the covered payroll was 7.20%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

NOTE 6 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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 and reported as "depreciation expense." The details of this \$(6,403,701) difference are as follows:

Capital outlay	\$ 7,516,246
Depreciation expense	<u>(13,919,947)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental funds	<u>\$ (6,403,701)</u>

Another element of that reconciliation explains that "Recognition of Unavailable Revenue by Shelby County decreases the Receivable from Shelby County." The details of this \$(1,060,911) are as follows:

Change in Unavailable Property taxes	<u>\$ (1,060,911)</u>
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See next page

NOTE 7 - CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	Capital Assets, Not Depreciated		Capital Assets, Depreciated		
	Land	Construction in Progress	Equipment and Furniture	Buildings	Total
General Activities:					
Balance, July 1, 2012	\$ 23,325,374	\$ 23,212,757	\$ 38,736,042	\$ 482,850,797	\$ 568,124,970
Increases/Transfers	-	8,881,481	204,795	22,489,847	31,576,123
Decreases/Transfers	-	(24,059,877)	(94,959)	(55,887)	(24,210,723)
Balance, June 30, 2013	<u>23,325,374</u>	<u>8,034,361</u>	<u>38,845,878</u>	<u>505,284,757</u>	<u>575,490,370</u>
Accumulated Depreciation:					
Balance, July 1, 2012	-	-	23,507,736	142,653,389	166,161,125
Increases	-	-	2,730,674	11,189,273	13,919,947
Decreases	-	-	(355,598)	(35,212)	(390,810)
Balance, June 30, 2013	-	-	<u>25,882,812</u>	<u>153,807,450</u>	<u>179,690,262</u>
Total Capital Assets, Net	<u>\$ 23,325,374</u>	<u>\$ 8,034,361</u>	<u>\$ 12,963,066</u>	<u>\$ 351,477,307</u>	<u>\$ 395,800,108</u>

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 11,504,737
Student transportation	2,101,239
Food services	212,162
Operation and maintenance of plant	<u>101,809</u>
	<u>\$ 13,919,947</u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES:

The Board is involved in certain litigation proceedings which arose out of the normal course of operations. Management of the Board intends to vigorously defend each claim and believes no material losses will be incurred on such claims. The Board has recognized accrued liabilities for certain other claims and judgments of \$2,932,900. The liabilities are based on property damage and personal injury lawsuits arising in the course of operations. The Board believes this is a reasonable measure of the ultimate settlement of these matters.

At June 30, 2013, the Board had \$-0- in construction contracts outstanding.

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Interfund receivables and payables consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	School Cafeteria Fund	\$ 6,292,524
General Fund	Federal Projects Fund	1,782,238
General Fund	Miscellaneous	958,542
Federal Project Funds	General Fund	144,882
General Fund	Capital Projects Fund	<u>2,625,000</u>
		<u>\$ 11,803,186</u>

The interfund amounts payable to the General Fund represents amounts advanced to the payable funds to cover short-term cash flow requirements.

Transfers during the year were as follows:

Transfers Out:	Transfers In:	Amount:
Federal Funds	General Fund	\$ 845,487
Other Governmental Funds	General Fund	<u>23,479</u>
Total Transfers		<u>\$ 868,966</u>

Transfers are used to offset cash advances from General Fund during outstanding billing period for Federal Funds.

See next page

NOTE 10 - RISK MANAGEMENT:

Shelby County Board of Education maintains a self-insured health insurance fund for its active and retired employees and their dependents, funded by both the Board and its employees. The fund maintains a stop-loss insurance policy which limits the Board's liability for any specific medical claim. Incurred but not reported (IBNR) claims liabilities of the fund are actuarially determined based on prior paid claims history. The IBNR claims liability at June 30, 2013 totaled \$3,241,492. Changes in the balances of claims liabilities for the year ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Unpaid claims, beginning of year	\$ 3,614,072	\$ 2,862,316
Incurred claims (including IBNR)	35,105,015	38,654,093
Claims payments	<u>(35,477,595)</u>	<u>(37,882,337)</u>
Unpaid claims, end of year	<u>\$ 3,241,492</u>	<u>\$ 3,614,072</u>

The Board maintains commercial insurance to cover significant losses for all major programs related to property and liability. For insured programs, there have been no significant reductions in insurance coverage during the year. Settlement amounts have not exceeded insurance coverage for the current or three years prior.

NOTE 11 – CHARTER SCHOOLS:

In 2002, the State of Tennessee passed the Tennessee Public Charter Schools Act. The Act permits the Board of Education to authorize public charter schools with the primary purpose to improve learning for all students and close the achievement gap between high and low performing students. An agreement is entered between the sponsor of the charter school and the Board. The charter is approved for an initial period of ten years, but can be revoked by the Board or the State if the school violates certain requirements of the Act. Each school must be operated by a not-for-profit organization with exemption from Federal taxation under 501(c)3 of the Internal Revenue Code and is responsible for establishing their own governing body separate from that of the Board. The charter schools are supported by the Board as a pass-through from various funding sources. In 2010, the State of Tennessee amended the Charter Schools Act requiring the State to distribute the BEP for capital outlay directly to the charter schools. For the year ended June 30, 2013, total funds remitted or payable to the charter school totaled \$58,777.

Upon dissolution, any unencumbered public funds, property and improvements, furnishings, and equipment purchased with public funds shall revert to full ownership of the Board. All debts are the responsibility of the charter school.

NOTE 12 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

A. PLAN DESCRIPTION

Shelby County Board of Education (the School Board) administers the Shelby County Board of Education's Retiree Medical and Prescription Drug Plan (the Plan) as a single-employer defined benefit Other Post Employment Benefit plan (OPEB). The Plan provides for continuation of medical and life insurance benefits for certain retirees and their spouses and can be amended by action of the School Board subject to applicable collective bargaining and employment agreements. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

B. FUNDING POLICY

The obligations of the plan members, employers and other entities are established by action of the School Board pursuant to employment agreements. The required contribution rates of the employer and the members vary depending on the retiree's length of service and whether single or family coverage is elected. The School Board currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. Shelby County Board of Education funds on a cash basis as benefits are paid. The costs of administering the plan are paid by the School Board. No assets have been segregated and restricted to provide postretirement benefits.

C. ACCOUNTING POLICY

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets, if any, paid by a willing buyer to a willing seller.

D. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Shelby County Board of Education annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). Shelby County Board of Education has engaged an actuary to calculate the ARC and related information per the provisions of GASB 45 for employers in plans with more than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and to amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of Shelby County Board of Education's annual OPEB cost, the amount actually contributed to the plan, and the School District's net OPEB obligation of the Retiree Health and Life Plan at June, 30, 2013, and the preceding year:

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Annual OPEB Cost	Fiscal Year Ending June 30		
	2013	2012	2011
Normal Cost at beginning of the year	\$ 12,691,075	\$ 16,935,545	\$ 17,257,411
Amortization of UAAL	18,200,385	20,558,783	20,692,731
Interest	1,235,658	649,574	707,580
ARC	32,127,118	38,143,902	38,657,722
Interest on net OPEB Obligation	8,377,788	9,031,390	7,529,176
Adjustment to ARC	(12,331,883)	(11,190,570)	(9,329,214)
OPEB Expense	28,173,023	35,984,722	36,857,684
NET OPEB contributions(actuarial assumption)	- A	(7,167,827)	(6,813,402)
Increase in Net OPEB Obligation	28,173,023	28,816,895	30,044,282
Net OPEB Obligation, beginning of year	209,444,702	180,627,807	150,583,525
Net OPEB Obligation, end of year	<u>\$ 237,617,725</u>	<u>\$ 209,444,702</u>	<u>\$ 180,627,807</u>
Percentage of expense contributed	0.0%	19.9%	18.5%
Unfunded actuarial accrued liability	\$338,573,222	\$331,840,841	\$334,515,237
Covered Payroll	\$266,155,425	\$237,564,653	\$251,851,782
Ratio	127.21%	139.68%	132.82%

Note A- Amount does not include \$8,450,651 of pay-as-you-go contributions made by SCBOE during the year ended June 30, 2013. Amount will be reflected in subsequent year valuation.

E. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2013, the actuarial accrued liability for benefits was \$342,401,361 of which \$338,573,222 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$266,155,425, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 127%. The actuarial value of assets are \$3,828,139.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to the point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

i. Measurement Date

July 1, 2013

ii. Investment Return (Discount Rate) as of June 30, 2013, 4.0% per year compounded annually. This is the rate used to discount future benefit liabilities into today's dollars.

iii. Mortality Table

The RP Mortality Tables for Males and Females projected to 2015, combined healthy, no collar were used.

Mortality Assumption		
Annual Death Rate Per 1,000 Participants		
<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.259	0.150
25	0.323	0.168
30	0.412	0.227
35	0.717	0.402
40	0.957	0.563
45	1.239	0.882
50	1.628	1.296
55	2.718	2.409
60	5.297	4.689
65	10.309	9.003

iv. Withdrawal from Service

Withdrawal from Service follows select rates of 15% in the first year of service and 12% in the second, TCRS teacher's ultimate male and female withdrawal rates assumptions.

7/1/2012

<u>Age</u>	<u>Males</u>	<u>Females</u>
16	10.0%	0.0%
17	10.0%	0.0%
18	10.0%	0.0%
19	9.7%	0.0%
20	9.7%	10.5%
21	9.5%	10.5%
22	9.3%	10.5%
23	9.1%	10.5%
24	8.8%	10.5%
25	8.4%	9.9%
26	8.0%	9.9%
27	7.6%	9.9%
28	7.1%	9.9%
29	6.7%	9.9%
30	6.2%	7.7%
31	5.7%	7.7%
32	5.3%	7.7%
33	4.8%	7.7%
34	4.4%	7.7%
35	3.9%	5.1%
36	3.5%	5.1%
37	3.1%	5.1%
38	2.8%	5.1%
39	2.5%	5.1%
40	2.2%	2.7%
41	1.9%	2.7%
42	1.7%	2.7%
43	1.6%	2.7%
44	1.4%	2.7%
45	1.4%	1.3%
46	1.3%	1.3%
47	1.4%	1.3%
48	1.5%	1.3%
49	1.6%	1.3%
50	1.8%	1.5%
51	2.0%	1.5%
52	2.3%	1.5%
53	2.6%	1.5%
54	3.0%	1.5%
55	3.4%	3.7%
56	3.9%	3.7%
57	4.4%	3.7%
58	5.0%	3.7%
59	5.0%	3.7%
60	5.0%	5.0%
61	5.0%	5.0%
62	5.0%	5.0%
63	5.0%	5.0%
64	5.0%	5.0%
65+	0.0%	0.0%

v. Opt-out Rates

Ninety five percent (95%) of future retirees are assumed to elect medical coverage. Ninety seven percent (97%) of future retirees are assumed to elect life insurance coverage.

vi. Medicare

Medicare is expected to continue to cover the same portion of costs as it currently does. Retirees may participate in the Basic Plan PPO for pre-Medicare and Medicare eligible medical coverage.

Shelby County Board of Education receives a monthly subsidy (Medigap) from the State for all certificated Medicare eligible retirees based on service as follows:

<u>Years of Service</u>	<u>Monthly Subsidy</u>
30 or more	\$50.00
At least 20, less than 30	\$37.50
At least 15, less than 20	\$25.00
Less than 15	\$0.00

vii. Marriage Rates

Twenty-five percent (25%) of the retirees are assumed to cover a spouse under the medical plan. Females are assumed to be three years younger than males.

See next page

viii. Health Care Trend Factors and Inflation Assumptions

The health care trend assumes an inflation rate of 3.0%. The trend rate of incurred claims represents the rate of increase in employer claim payments. Health care costs are assumed to increase in accordance with the following schedule:

Years Beginning 7/1	Medical Annual Rates of Increase	Dental Annual Rates of Increase
2012	7.60%	5.70%
2013	7.40%	5.60%
2014	7.30%	5.50%
2015	7.20%	5.40%
2016	7.00%	5.30%
2017	6.90%	5.20%
2018	6.80%	5.10%
2019	6.60%	5.00%
2020	6.40%	5.00%
2021	6.20%	4.90%
2022	6.00%	4.90%
2023	5.80%	4.80%
2024	5.60%	4.80%
2025	5.40%	4.70%
2026	5.20%	4.70%
2027	5.00%	4.60%
2028	4.80%	4.60%
2029+	4.50%	4.50%

ix. Salary Scale

Salaries are assumed to increase 3.5% per year.

x. Retirement Rates

TCRS teachers' retirement rates assumption. Upon reaching age 60 and 15 years of service, the retirement rate is assumed to increase by 8.0% in that year. Upon 30 years of service before age 60, the retirement rate is assumed to increase by 12.5% in that year. Employees are assumed to retire In accordance with the following schedule:

7/1/2012		
	<u>Less than 30</u>	<u>30 or more</u>
<u>Age</u>	<u>Years of Service</u>	<u>Years of Service</u>
50	1.6%	6.5%
51	1.8%	7.0%
52	1.8%	7.0%
53	2.1%	8.5%
54	2.3%	9.0%
55	2.5%	10.0%
56	3.0%	12.0%
57	3.4%	13.5%
58	3.5%	14.0%
59	3.6%	14.5%
60	15.0%	15.0%
61	20.0%	20.0%
62	26.0%	26.0%
63	19.5%	19.5%
64	24.0%	24.0%
65	37.5%	37.5%
66	30.5%	30.5%
67	28.5%	28.5%
68	28.5%	28.5%
69	28.5%	28.5%
70+	100.0%	100.0%

xi. Change in Assumptions

The following actuarial assumptions have been changed since the prior year to better reflect the expected experience of the covered population.

- Demographic assumptions such as withdrawal, retirement, retiree participation and spouse participation
- Health care trend rates
- Medicare supplement premium rates
- Discount rate
- Additionally, the accrual liability shown on page 4 at June 30, 2013 reflects the expected per capita costs and retiree contributions for the new plan effective September 1, 2013.

The basis of the change in many of the actuarial assumptions was due to the merger of Memphis City Schools and Shelby County Board of Education.

xii. Change in Plan Provisions

Effective January 1, 2013, the Post-65 plan was changed to a Medicare Supplement for Medicare Eligible Retirees.

xiii. Method Used to Determine Actuarial Value of Assets

Fair Market Value.

xiv. Amortization Method

The unfunded actuarial liability is amortized as level percent of pay.

xv. Amortization Period

In developing the annual required contribution, 30 years closed amortization period from July 1, 2007.

xvi. Period Open or Closed

Shelby County Board of Education's annual required contribution was developed using period closed. With a closed amortization period, the amortization period is counted from one date and declines to zero (in 30 years). With an open amortization period, the amortization period is recalculated each time a new valuation is performed. There is a belief that an open amortization period is appropriate for amortization of unfunded liabilities arising from actuarial gains or losses, but that a closed amortization period is appropriate for amortization of liabilities relating to past underfunding of OPEB obligations because it would take Shelby County Board of Education substantially longer to amortize its liabilities using an open amortization period rather than closed.

xvii. Actuarial Cost Method

The valuation was developed using the projected unit cost actuarial cost method.

xviii. Actuarial Gains and Losses

The Plan experienced actuarial gains of \$37 million as of the valuation date of July 1, 2013. The major components of this gain can be described as follows:

- 1) A 15.8% gain due to updated census;
- 2) A 8.0% gain due to updated claims and retiree premium experience;
- 3) A 4.7% gain due to the change in trend assumptions and the change in the salary increase assumption
from 4.0% to 3.5%;
- 4) A 6.9% loss due to the change in the retirement assumptions and eligibility.
- 5) A 6.0% loss due to the change in turnover assumptions.
- 6) A 10.4% gain due to the change in participation and spousal election assumptions.
- 7) A 0.4% loss due to the excise tax and ACA fees.
- 8) A 19.4% loss due to the change in discount rate from 5.0% to 4.0%.

Please see Note 15 - Subsequent Events for additional information regarding the district's OPEB obligation.

NOTE 13 – FUND BALANCES BY PURPOSE:

Following is more detailed information on the governmental fund balances:

	General Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventories	\$ 2,811,900	\$ -	\$ -	\$ 2,811,900
Food Services Inventory	-	-	688,959	688,959
Restricted for:				
Capital Projects	-	105,723	-	105,723
BEP	11,072,259	-	-	11,072,259
Food Services	-	-	3,888,773	3,888,773
Unassigned:				
General purpose	<u>4,359,929</u>	<u>-</u>	<u>-</u>	<u>4,359,929</u>
Total Fund Balances	<u>\$ 18,244,088</u>	<u>\$ 105,723</u>	<u>\$ 4,577,732</u>	<u>\$ 22,927,543</u>

NOTE 14 – PRIOR PERIOD ADJUSTMENT:

During 2013, due to the merger of Memphis City Schools and Shelby County Schools - effective July 1, 2013 - a review of SCBOE's funds and the impact on financial statements was performed by management. In an effort to report funds consistently in both Districts' financial statements, the Student Activity Fund was moved from Other Governmental Funds to the Fiduciary Fund - Agency. The total restatement is \$6,469,082. Therefore, the beginning net position on the Changes in Net Position From Operating Results as of June 30, 2012, has been restated to reflect the decrease of the \$6.5 million. The Statement of Activities has also been adjusted to reflect the same adjustment.

NOTE 15 - SUBSEQUENT EVENTS:

The merger with Memphis City Schools was effective at the beginning of the 2013-14 school year. A combined budget was prepared for the 2013-2014 fiscal year and approved by the Shelby County Board of Education and the Shelby County Board of Commissioners. The assets and obligations of Memphis City Schools were transferred to the Shelby County Board of Education.

As of June 30, 2013, Shelby County Board of Education did not employ any former Memphis City Schools employees, nor did its medical plan cover former employees of or retirees from Memphis City Schools. No postretirement medical obligation associated with these employees and retirees is included in the Shelby County Board of Education obligation as of June 30, 2013. Subsequent to June 30, 2013, some former employees of and retirees from Memphis City County Schools were employed by Shelby County Board of Education or covered as retirees under the medical plan of Shelby County Board of Education. The obligation associated with the provision of postretirement medical benefits for these employees and retirees will be recorded by Shelby County Board of Education for the year ended June 30, 2014. The amount of this obligation, based on the plan provisions in effect July 1, 2013 and the employee population as of July 1, 2013, is estimated as follows:

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

<u>Annual OPEB Cost</u>	<u>June 30, 2013</u>
Normal Cost at beginning of the year	\$ 43,182,524
Amortization of UAL	45,862,717
Interest	3,561,810
ARC	92,607,051
Interest on net OPEB Obligation	17,146,599
Adjustment to ARC	(18,241,063)
OPEB Expense	91,512,587
NET OPEB contributions made during the fiscal year	(37,739,711)
Increase in Net OPEB Obligation	53,772,876
Net OPEB Obligation, beginning of year	428,664,974
Net OPEB Obligation, end of year	<u>\$ 482,437,850</u>
Percentage of expense contributed	41.2%
Unfunded actuarial accrued liability	\$1,130,585,514
Covered Payroll	\$615,953,221
Ratio	183.55%

Subsequent to fiscal year 2013, a physical inventory of assets was conducted by an independent asset auditing company. The asset audit summary reported 18.26% missing, 80.33% found, and 1.41 % as not verified. In addition, the audit identified 10,281 items that were not recorded in assets by the SCBOE. As a result, the SCBOE is currently undergoing an internal audit of assets to confirm the audit results. Based on management's estimates, capital assets would decrease by an estimated \$1.8 million (net of accumulated depreciation) due to missing items and increase by \$0.9 million (net of accumulated depreciation) for items identified as additions.

Required Supplementary Information



SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)
Schedule of Funding Progress
Shelby County Board of Education Defined Benefit Plan
(dollar amounts in thousands)

For the Year Ended June 30, 2013

Actual Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2011	\$ 135,868	\$ 139,437	\$ 3,569	97.44%	\$ 49,536	7.20%
June 30, 2009	\$ 110,442	\$ 115,444	\$ 5,001	95.67%	\$ 47,330	10.57%
June 30, 2007	\$ 103,860	\$ 110,101	\$ 6,241	94.33%	\$ 38,818	16.08%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The two most recent valuations are presented herein.

Schedule of Funding Progress
Other Post Employment Benefits Plan (OPEB)
For the Year Ended June 30, 2013

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
June 30, 2013	\$ 3,828,139	\$ 342,401,361	\$ 338,573,222	1.27%	\$ 266,155,452	127.270%
June 30, 2012	\$ 3,000,000	\$ 334,840,841	\$ 331,840,841	0.89%	\$ 237,564,653	139.680%
June 30, 2011	\$ 3,000,000	\$ 337,515,237	\$ 334,515,237	0.88%	\$ 251,851,782	132.82%

The Board began recognition of OPEB on July 1, 2007. Effective January 1, 2011, post 65 retirees formerly covered under the self-insured plan were converted to coverage under the insured Medicare Supplement plan which significantly reduced claim costs. Additional reductions are anticipated each year due to census changes, changes in retiree contributions, and any retirements or terminations that did not occur as expected in the prior valuation.

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Supplemental Information

SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)
Schedule of Revenues and Expenditures - By Type (Budgetary Basis) -
Federal Projects Funds
For the Year Ended June 30, 2013

	Title I	Carl Perkins	IDEA Part B	IDEA Preschool	Title II
Revenues	\$ 6,366,260	\$ 499,514	\$ 9,341,025	\$ 237,384	\$ 952,985
Expenditures					
Regular education program	2,349,716	-	-	-	621,655
Special education program	2,500	-	6,247,707	229,343	-
Early Childhood Development	-	-	-	-	-
Vocational education program	-	366,653	-	-	-
Support services	3,747,712	119,930	1,084,512	-	287,334
Student transportation	-	-	1,579,320	-	-
Food services	-	-	-	-	-
Total Expenditures	\$ 6,099,928	\$ 486,583	\$ 8,911,539	\$ 229,343	\$ 908,989
 Excess of Revenues Over Expenditures	 \$ 266,332	 \$ 12,931	 \$ 429,486	 \$ 8,041	 \$ 43,996

Early Childhood Education Pilot Project	Race to the Top	Revenue Implementation Fund	Other Non-Major Programs	Total
\$ 1,156,038	\$ 1,942,521	\$ 862,885	\$ 594,600	\$ 21,953,212
-	-	862,885	360,459	4,194,715
-	-	-	-	6,479,550
1,156,038	-	-	-	1,156,038
-	-	-	-	366,653
-	1,852,843	-	235,729	7,328,060
-	-	-	3,608	1,582,928
-	-	-	(219)	(219)
\$ 1,156,038	\$ 1,852,843	\$ 862,885	\$ 599,577	\$ 21,107,725
\$ -	\$ 89,678	\$ -	\$ (4,977)	\$ 845,487

SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)
Combining Fiduciary Funds - Statement of Changes in Net Position and Liabilities

	Student Activities Agency Fund			Ending Balance
	Beginning Balance	Additions	Deductions	
ASSETS				
Cash and cash equivalent	\$ 5,557,144	\$ 12,752,327	\$ 13,411,739	\$ 4,897,732
Investments	55,081	9	-	55,090
Accounts receivable	732,525	-	732,525	-
Inventories	<u>124,332</u>	<u>-</u>	<u>1,041</u>	<u>123,291</u>
Total Assets	<u>6,469,082</u>	<u>12,752,336</u>	<u>14,145,305</u>	<u>5,076,113</u>
LIABILITIES				
Accounts payable	-	-	-	-
Due to students	<u>6,469,082</u>	<u>12,752,336</u>	<u>14,145,305</u>	<u>5,076,113</u>
Total Liabilities	<u>6,469,082</u>	<u>12,752,336</u>	<u>14,145,305</u>	<u>5,076,113</u>
NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)
Schedule of Construction In Progress

	<u>Construction Program Expenditures For the Year Ended June 30, 2013</u>	<u>Cumulative Construction In Progress June 30, 2013</u>
Gray's Creek New Central Office	\$ 140,927	\$ -
Collierville Middle Replacement	(410,257)	-
ERP	7,304,066	7,304,066
Bus Barn Sewer Extebsuib	84,715	89,465
Millington High Master Plan II, III, IV	<u>192,000</u>	<u>640,830</u>
Total	<u>\$ 7,311,451</u>	<u>\$ 8,034,361</u>

The notes to the financial statements are an integral part of this statement.

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Statistical Section (unaudited)



STATISTICAL AND OTHER INFORMATION (UNAUDITED)

OVERVIEW

Year Ended June 30, 2013

SHELBY COUNTY
BOARD OF EDUCATION

This part of the Shelby County Board of Education Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School District's ability to generate revenues through property taxes levied by other governmental agencies.

Debt Capacity

These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.

The School District does not have taxing authority and does not have a legal debt margin. Accordingly, schedules regarding legal debt margin and overlapping debt are not applicable. In addition, the School District does not have any pledged revenue.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

These schedules contain information about the School District's operations and resources to help the reader understand how the School District's financial information relates to the services the School District provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

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Financial Trends

STATISTICAL AND OTHER INFORMATION (UNAUDITED)

FINANCIAL TRENDS

Net Position by Component

As of June 30

Net Position	2013	2012	2011	2010
Invested in investment in capital assets, net related debt	\$ 395,800,108	\$ 401,963,845	\$ 391,964,327	\$ 375,685,630
Restricted for:				
Capital projects	105,723	710,469	2,987,803	-
Insurance Claims	2,254,559	3,976,350	9,886,051	12,296,837
Student activities	-	6,344,750	5,954,246	5,505,780
Food service	3,888,773	3,710,791	3,117,887	-
Education	11,072,259	10,793,684	11,018,457	-
Unrestricted	<u>(225,599,235)</u>	<u>(187,003,125)</u>	<u>(145,756,475)</u>	<u>(72,619,489)</u>
	<u>\$ 187,522,187</u>	<u>\$ 240,496,764</u>	<u>\$ 279,172,296</u>	<u>\$ 320,868,758</u>

**SHELBY COUNTY
BOARD OF EDUCATION**

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 376,442,501	\$ 364,559,286	\$ 348,090,522	\$ 310,633,617	\$ 301,560,738	304,551,290
-	-	-	-	-	-
15,050,314	12,495,771	11,448,076	7,891,438	4,152,875	3,846,978
5,109,906	5,244,728	4,366,513	4,576,055	4,127,287	4,224,710
-	-	-	-	-	-
-	-	-	-	-	-
(36,674,608)	51,601,141	96,191,834	92,059,649	57,749,829	80,005,324
<u>\$ 359,928,113</u>	<u>\$ 433,900,926</u>	<u>\$ 460,096,945</u>	<u>\$ 415,160,759</u>	<u>\$ 367,590,729</u>	<u>\$ 392,628,302</u>

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Revenue Capacity

STATISTICAL AND OTHER INFORMATION (UNAUDITED)

REVENUE CAPACITY

Assessed Value and Estimated Actual Value of Taxable Property

Last ten fiscal years ending June 30

Fiscal Year	Tax Year	Real Property		Personal Property
		Farm and Residential (25%)	Commercial and Industrial (40%) (2)	Commercial and Industrial (30%) (1)
		Assessed Value	Assessed Value	Assessed Value
2004	2003	7,972,813,784	4,958,614,785	1,301,588,530
2005	2004	8,212,018,085	4,830,896,025	1,232,343,955
2006	2005	9,425,210,140	5,471,742,335	1,289,881,700
2007	2006	9,695,032,075	5,441,266,015	1,326,178,545
2008	2007	10,018,623,775	5,439,860,370	1,286,578,685
2009	2008	10,259,997,845	5,530,133,410	1,402,492,320
2010	2009	10,954,449,590	6,285,548,950	1,468,617,700
2011	2010	10,794,438,245	6,116,755,995	1,388,887,495
2012	2011	10,721,303,794	5,828,574,575	1,380,179,795
2013	2012	10,649,905,970	5,660,543,555	1,438,945,120

Percentage of Total

2004	52.75%	32.81%	8.61%
2005	54.08%	31.81%	8.12%
2006	54.73%	31.78%	7.49%
2007	55.39%	31.09%	7.58%
2008	56.54%	30.70%	7.26%
2009	56.72%	30.57%	7.75%
2010	55.73%	31.98%	7.47%
2011	55.89%	31.67%	7.19%
2012	56.43%	30.68%	7.26%
2013	56.50%	30.03%	7.63%

(1) Includes intangible personal property which is assessed at 40%

(2) Includes multiple real estate assessed at 0-40% as well as greenbelt commercial at 25%, greenbelt industrial at 25% and greenbelt multiple real estate at 0-40%

**SHELBY COUNTY
BOARD OF EDUCATION**

**Utilities and Carriers (55%)
(Real and Personal)**

<u>Privately Owned</u>		<u>Total</u>		Assessed Value as a % of Actual Value	Total Direct Tax Rate
Assessed Value	Assessed Value	Estimated Actual Value	Assessed Value		
880,949,964	15,113,967,063	50,379,365,307	30.00%	4.04	
910,598,020	15,185,856,085	50,841,730,464	29.87%	4.04	
1,033,424,138	17,220,258,313	57,726,276,478	29.83%	4.04	
1,040,281,497	17,502,758,132	58,862,669,304	29.73%	4.04	
975,529,145	17,720,591,975	59,900,899,755	29.58%	4.04	
896,680,554	18,089,304,129	61,383,315,080	29.47%	4.04	
948,762,385	19,657,378,625	66,374,654,928	29.62%	4.02	
1,012,006,455	19,312,088,190	65,216,500,736	29.61%	4.02	
1,069,425,931	18,999,484,095	64,287,973,983	29.55%	4.02	
1,098,465,902	18,847,860,547	63,834,911,731	29.53%	4.02	
5.83%	100.00%	100.00%			
5.99%	100.00%	100.00%			
6.00%	100.00%	100.00%			
5.94%	100.00%	100.00%			
5.50%	100.00%	100.00%			
4.96%	100.00%	100.00%			
4.82%	100.00%	100.00%			
5.25%	100.00%	100.00%			
5.63%	100.00%	100.00%			
5.84%	100.00%	100.00%			

STATISTICAL AND OTHER INFORMATION (UNAUDITED)

REVENUE CAPACITY

Property Tax Rates and Levies

Last ten fiscal years ending June 30

Tax Rates per \$100 Assessed Value						
Fiscal Year	Tax Year	County	City	Total	County Allocation to Schools	Shelby County Schools Percent of County Allocation
2004	2003	4.04	3.23	7.27	2.03	70.69%
2005	2004	4.04	3.23	7.27	2.03	72.10%
2006	2005	4.04	3.43	7.47	2.03	71.51%
2007	2006	4.04	3.43	7.47	2.02	70.82%
2008	2007	4.04	3.43	7.47	2.02	69.57%
2009	2008	4.04	3.25	7.29	2.02	69.22%
2010	2009	4.02	3.20	7.22	1.98	68.67%
2011	2010	4.02	3.20	3.20	1.90	69.06%
2012	2011	4.02	3.19	3.19	1.91	69.24%
2013	2012	4.02	3.11	3.11	1.91	31.06%

Taxes are assessed as of January 1 and are due on October 1 for the County for Shelby County.

NOTE: Shelby County Schools does not have taxing authority and is not responsible for the collection of or the monitoring of the collection of taxes.

Source: Shelby County Government Finance Department

**SHELBY COUNTY
BOARD OF EDUCATION**

Tax Levies

<u>City</u>	<u>County</u>	<u>Total</u>
325,695,529	596,378,594	922,074,123
324,340,510	606,615,294	930,955,804
380,947,344	681,245,173	1,062,192,517
384,877,389	704,279,575	1,089,156,964
392,477,211	717,010,251	1,109,487,462
375,803,751	730,042,595	1,105,846,346
389,347,038	768,641,959	1,157,988,997
380,172,801	756,936,983	1,137,109,784
376,723,118	754,262,345	1,130,985,463
369,997,811	759,276,758	1,129,274,569

STATISTICAL AND OTHER INFORMATION (UNAUDITED)
REVENUE CAPACITY
Principal Property Tax Payers
Current Year and Nine Years Ago

Name of Taxpayer	2013	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Federal Express	\$ 578,276,395	3.07%
Bell South Telecommunications	119,381,575	0.63%
AT & T Mobility LLC	65,781,432	0.35%
Belz Investco Group	64,339,215	0.34%
AMISUB (St. Francis Hospital)	63,542,400	0.34%
G& I VII Retail Carriage LLC	59,700,080	0.32%
Wolfchase Galleria, LTD	58,317,110	0.31%
Kroger Companies	57,541,060	0.31%
Boyle Investment Co	52,874,110	0.28%
Lightman Michael A	52,372,315	0.28%
Total Assessed Valuation of Top 10 Taxpayers	1,172,125,692	6.22%
Balance of Assessed Valuation	17,675,734,855	93.78%
	<u>\$ 18,847,860,547</u>	<u>100.00%</u>

Source: Shelby County Government Finance Department

**SHELBY COUNTY
BOARD OF EDUCATION**

	2004	
Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Federal Express	\$ 366,735,073	2.43%
Bell South Telecommunications	182,464,170	1.21%
Belz Enterprises	83,166,650	0.55%
Wolfchase Galleria, LTD	53,899,240	0.36%
Union Planters	35,762,770	0.24%
AMISUB (St. Francis Hospital) Inc.	32,889,680	0.22%
Northwest Airlines, Inc.	32,099,591	0.21%
Mid-American Apartments LP	30,535,785	0.20%
First Tennessee Bank	28,294,175	0.19%
Premcor Refinancing Company	24,646,770	0.16%
	870,493,904	5.76%
	14,243,473,159	94.24%
	\$ 15,113,967,063	100.00%

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Demographic and Economic Information



STATISTICAL AND OTHER INFORMATION (UNAUDITED)

DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and Economic Statistics

Last ten fiscal years ending June 30

**SHELBY COUNTY
BOARD OF EDUCATION**

Fiscal Year	Population	Personal income (in thousands)	Per Capita Personal Income	Unemployment Rate
2003	906,733	31,504,263	34,745	6.0%
2004	906,643	33,095,510	36,383	6.1%
2005	913,201	34,129,205	37,373	6.2%
2006	920,106	36,103,204	39,238	5.7%
2007	921,119	37,635,149	40,858	5.3%
2008	920,685	37,507,530	40,739	7.0%
2009	922,541	35,742,501	38,744	10.1%
2010	928,930	36,813,844	39,630	10.0%
2011	935,088	38,116,646	40,763	9.9%
2012	940,764	N/A	N/A	9.1%

Source: Shelby County Government Financial Department

STATISTICAL AND OTHER INFORMATION (UNAUDITED)
DEMOGRAPHIC AND ECONOMIC INFORMATION
Principal Employers
Current Year and Nine Years Ago

	2013	
	Employees	Percentage of Total City Employment
Federal Express Corporation	31,000	3.93%
Shelby County Schools (a)	15,969	2.02%
United States Government	13,900	1.76%
Methodist Le Bonheur Healthcare	9,250	1.17%
Tennessee State Government	8,600	1.09%
Baptist Memorial Health Care Corp.	7,286	0.92%
Memphis City Government	7,152	0.91%
Wal-Mart Stores, Inc.	6,000	0.76%
Shelby County Government	5,704	0.72%
Naval Support Activity Mid-South	4,076	0.52%
Total	108,937	13.81%

(a) In 2013 City and County Schools merged into what is now Shelby County Schools

Source: Shelby County Government Finance Department

**SHELBY COUNTY
BOARD OF EDUCATION**

Name of Employer	2004	
	Employees	Percentage of Total City Employment
Federal Express Corporation	30,000	3.90%
Memphis City Schools	15,240	1.98%
United States Government	14,800	1.92%
Methodist Healthcare	7,258	0.94%
Shelby County Government	6,976	0.91%
Baptist Memorial Health Care Corp.	6,792	0.88%
Memphis City Government	6,698	0.87%
Tennessee State Government	5,200	0.68%
Wal-Mart Stores, Inc.	5,030	0.65%
Shelby County Schools	5,000	0.65%
Total	102,994	13.38%

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Operating Information

STATISTICAL AND OTHER INFORMATION (UNAUDITED)**OPERATING INFORMATION****Summary of Buildings and Sites****Last ten fiscal years ending June 30**

School/Building	2013	2012	2011	2010
Alturia ES (1976)				
Square Feet	88,321	88,321	88,321	88,321
Classrooms	55	55	55	55
Design Capacity	1,100	1,100	1,100	1,100
Enrollment	787	750	759	753
Appling MS (1995)				
Square Feet	96,000	96,000	96,000	96,000
Classrooms	50	50	50	50
Design Capacity	1,250	1,250	1,250	1,250
Enrollment	652	706	744	745
Arlington ES (1972)				
Square Feet	87,949	87,949	87,949	87,949
Classrooms	58	58	58	58
Design Capacity	1,160	1,160	1,160	1,160
Enrollment	920	935	920	890
Arlington HS (2004)				
Square Feet	327,069	327,069	327,069	327,069
Classrooms	116	116	116	116
Design Capacity	2,320	2,320	2,320	2,320
Enrollment	2,314	2,356	2,408	2,200
Arlington MS (2000)				
Square Feet	91,097	91,097	91,097	91,097
Classrooms	56	56	56	56
Design Capacity	1,400	1,400	1,400	1,400
Enrollment	1,201	1,139	1,115	1,098

**SHELBY COUNTY
BOARD OF EDUCATION**

2009	2008	2007	2006	2005	2004
88,321	88,321	88,321	88,321	88,321	88,321
55	55	55	55	55	55
1,100	1,100	1,100	1,100	1,100	1,100
772	812	795	800	712	750
96,000	96,000	96,000	96,000	96,000	96,000
50	50	50	50	50	50
1,250	1,250	1,250	1,250	1,250	1,250
706	885	856	879	892	855
87,949	87,949	87,949	87,949	87,949	87,949
58	58	58	58	58	58
1,160	1,160	1,160	1,160	1,160	1,160
1,200	1,133	946	771	621	458
327,069	327,069	327,069	327,069	327,069	327,069
116	116	116	116	116	116
2,320	2,320	2,320	2,320	2,320	2,320
2,016	1,880	1,346	795	383	
91,097	91,097	91,097	91,097	91,097	91,097
56	56	56	56	56	56
1,400	1,400	1,400	1,400	1,400	1,400
1,094	1,359	1,278	1,134	958	835

STATISTICAL AND OTHER INFORMATION (UNAUDITED)**OPERATING INFORMATION****Summary of Buildings and Sites****Last ten fiscal years ending June 30**

School/Building	2013	2012	2011	2010
Bailey Station ES (2005)				
Square Feet	113,691	113,691	113,691	113,691
Classrooms	64	64	64	64
Design Capacity	1,280	1,280	1,280	1,280
Enrollment	909	907	955	901
Barret's ES (1960)				
Square Feet	81,021	81,021	81,021	81,021
Classrooms	33	33	33	33
Design Capacity	660	660	660	660
Enrollment	302	293	274	264
Bartlett ES (1990)				
Square Feet	104,630	104,630	104,630	104,630
Classrooms	65	65	65	65
Design Capacity	1,300	1,300	1,300	1,300
Enrollment	877	841	776	811
Bartlett HS (1962)				
Square Feet	220,160	220,160	220,160	220,160
Classrooms	109	109	109	109
Design Capacity	2,180	2,180	2,180	2,180
Enrollment	1,840	1,660	1,538	1,478
Bolton HS (1960)				
Square Feet	293,200	293,200	293,200	293,200
Classrooms	103	103	103	103
Design Capacity	2,060	2,060	2,060	2,060
Enrollment	1,942	1,940	1,956	1,847

**SHELBY COUNTY
BOARD OF EDUCATION**

2009	2008	2007	2006	2005	2004
113,691	113,691	113,691	113,691		
64	64	64	64		
1,280	1,280	1,280	1,280		
860	871	835	653		
81,021	81,021	81,021	81,021	81,021	81,021
33	33	33	33	33	33
660	660	660	660	660	660
266	269	287	301	333	327
104,630	104,630	104,630	104,630	104,630	104,630
65	65	65	65	65	65
1,300	1,300	1,300	1,300	1,300	1,300
889	908	976	973	1,023	1,059
220,160	220,160	220,160	220,160	220,160	220,160
109	109	109	109	109	109
2,180	2,180	2,180	2,180	2,180	2,180
1,434	1,560	1,565	1,750	1,888	1,904
293,200	293,200	293,200	293,200	293,200	293,200
103	103	103	103	103	103
2,060	2,060	2,060	2,060	2,060	2,060
1,877	1,975	2,129	2,267	2,371	2,359

STATISTICAL AND OTHER INFORMATION (UNAUDITED)**OPERATING INFORMATION****Summary of Buildings and Sites****Last ten fiscal years ending June 30**

School/Building	2013	2012	2011	2010
Bon Lin ES (2005)				
Square Feet	110,658	110,658	110,658	110,658
Classrooms	63	63	63	63
Design Capacity	1,260	1,260	1,260	1,260
Enrollment	830	808	874	833
Bon Lin MS (2008)				
Square Feet	111,442	111,442	111,442	111,442
Classrooms	52	52	52	52
Design Capacity	1,300	1,300	1,300	1,300
Enrollment	613	654	673	669
Central Office East (1965)				
Square Feet	13,642	13,642	13,642	13,642
Classrooms	N/A	N/A	N/A	N/A
Design Capacity	Not Available	Not Available	Not Available	Not Available
Enrollment	Administration	Administration	Administration	Administration
Central Office Grays Creek (2012)				
Square Feet	225,586	225,586		
Classrooms	N/A	N/A		
Design Capacity	Not Available	Not Available		
Enrollment	Administration	Administration		
Central Office West (1968)				
Square Feet	27,364	27,364	27,364	27,364
Classrooms	N/A	N/A	N/A	N/A
Design Capacity	Not Available	Not Available	Not Available	Not Available
Enrollment	Administration	Administration	Administration	Administration
Chimneyrock ES	Annexed by the City of Memphis in 2011.			
Square Feet				49,538
Classrooms				28
Design Capacity				640
Enrollment				1,001

**SHELBY COUNTY
BOARD OF EDUCATION**

2009	2008	2007	2006	2005	2004
110,658	110,658	110,658	110,658		
63	63	63	63		
1,260	1,260	1,260	1,260		
766	762	741	694		
111,442					
52					
1,300					
549					
13,642	13,642	13,642	13,642	13,642	13,642
N/A	N/A	N/A	N/A	N/A	N/A
Not Available Administration	Not Available Administration	Not Available Administration	Not Available Administration	Not Available Administration	Not Available Administration
27,364	27,364	27,364	27,364	27,364	27,364
N/A	N/A	N/A	N/A	N/A	N/A
Not Available Administration	Not Available Administration	Not Available Administration	Not Available Administration	Not Available Administration	Not Available Administration
49,538	49,538	49,538	49,538	49,538	49,538
28	28	28	28	28	28
640	640	640	640	640	640
1,020	1,036	1,115	933	900	898

STATISTICAL AND OTHER INFORMATION (UNAUDITED)

OPERATING INFORMATION

Summary of Buildings and Sites

Last ten fiscal years ending June 30

School/Building	2013	2012	2011	2010
Collierville ES (1968)				
Square Feet	114,081	114,081	114,081	114,081
Classrooms	66	66	66	66
Design Capacity	1,320	1,320	1,320	1,320
Enrollment	754	762	775	756
Collierville HS (1975)				
Square Feet	281,172	281,172	281,172	281,172
Classrooms	107	107	107	107
Design Capacity	2,140	2,140	2,140	2,140
Enrollment	1,973	1,939	1,884	1,953
Collierville MS (2011)	New building constructed in 2011.			
Square Feet	114,865	114,865	114,865	114,865
Classrooms	54	54	54	54
Design Capacity	1,350	1,350	1,350	1,350
Enrollment	890	878	901	915
Cordova HS	Annexed by the City of Memphis in 2005.			
Square Feet				
Classrooms				
Design Capacity				
Enrollment				
Crosswind ES (1993)				
Square Feet	90,629	90,629	90,629	90,629
Classrooms	52	52	52	52
Design Capacity	1,040	1,040	1,040	1,040
Enrollment	711	733	770	770
Dexter ES (2002)				
Square Feet	119,082	119,082	119,082	119,082
Classrooms	65	65	65	65
Design Capacity	1,300	1,300	1,300	1,300
Enrollment	568	552	594	936

**SHELBY COUNTY
BOARD OF EDUCATION**

2009	2008	2007	2006	2005	2004
114,081	114,081	114,081	114,081	114,081	114,081
66	66	66	66	66	66
1,320	1,320	1,320	1,320	1,320	1,320
799	783	800	838	807	851
281,172	281,172	281,172	281,172	281,172	281,172
107	107	107	107	107	107
2,140	2,140	2,140	2,140	2,140	2,140
1,989	2,045	2,246	2,185	2,165	2,150
114,865	114,865	114,865	114,865	114,865	114,865
54	54	54	54	54	54
1,350	1,350	1,350	1,350	1,350	1,350
891	925	927	951	960	977
					278,000
					112
					1,800
					2,155
90,629	90,629	90,629	90,629	90,629	90,629
52	52	52	52	52	52
1,040	1,040	1,040	1,040	1,040	1,040
764	760	741	746	1,032	1,017
119,082	119,082	119,082	119,082	119,082	119,082
65	65	65	65	65	65
1,300	1,300	1,300	1,300	1,300	1,300
960	962	975	879	846	806

STATISTICAL AND OTHER INFORMATION (UNAUDITED)**OPERATING INFORMATION****Summary of Buildings and Sites****Last ten fiscal years ending June 30**

School/Building	2013	2012	2011	2010
Dexter MS (2002)				
Square Feet	112,072	112,072	112,072	112,072
Classrooms	53	53	53	53
Design Capacity	1,325	1,325	1,325	1,325
Enrollment	411	452	618	668
Dogwood ES (1976)				
Square Feet	88,000	88,000	88,000	88,000
Classrooms	50	50	50	50
Design Capacity	1,000	1,000	1,000	1,000
Enrollment	597	586	620	634
Donelson ES (2009)				
Square Feet	113,202	113,202	113,202	113,202
Classrooms	65	65	65	65
Design Capacity	1,300	1,300	1,300	1,300
Enrollment	613	592	591	533
Ellendale ES (1976)				
Square Feet	84,693	84,693	84,693	84,693
Classrooms	53	53	53	53
Design Capacity	1,060	1,060	1,060	1,060
Enrollment	539	555	558	567
Elmore Park MS (1957)				
Square Feet	69,943	69,943	69,943	69,943
Classrooms	52	52	52	52
Design Capacity	1,300	1,300	1,300	1,300
Enrollment	645	639	657	663

**SHELBY COUNTY
BOARD OF EDUCATION**

2009	2008	2007	2006	2005	2004
112,072	112,072	112,072	112,072	112,072	112,072
53	53	53	53	53	53
1,325	1,325	1,325	1,325	1,325	1,325
698	681	645	623	598	569
88,000	88,000	88,000	88,000	88,000	88,000
50	50	50	50	50	50
1,000	1,000	1,000	1,000	1,000	1,000
654	709	710	740	729	746
84,693	84,693	84,693	84,693	84,693	84,693
53	53	53	53	53	53
1,060	1,060	1,060	1,060	1,060	1,060
564	580	634	642	765	765
69,943	69,943	69,943	69,943	69,943	69,943
52	52	52	52	52	52
1,300	1,300	1,300	1,300	1,300	1,300
661	640	689	722	750	834

STATISTICAL AND OTHER INFORMATION (UNAUDITED)**OPERATING INFORMATION****Summary of Buildings and Sites****Last ten fiscal years ending June 30**

School/Building	2013	2012	2011	2010
Farmington ES (1973)				
Square Feet	73,908	73,908	73,908	73,908
Classrooms	48	48	48	48
Design Capacity	960	960	960	960
Enrollment	752	740	736	708
Germantown ES (1975)				
Square Feet	84,584	84,584	84,584	84,584
Classrooms	42	42	42	42
Design Capacity	840	840	840	840
Enrollment	759	749	791	709
Germantown HS (1964)				
Square Feet	231,717	231,717	231,717	231,717
Classrooms	101	101	101	101
Design Capacity	2,020	2,020	2,020	2,020
Enrollment	2,029	2,046	2,000	1,731
Germantown MS (1979)				
Square Feet	81,834	81,834	81,834	81,834
Classrooms	44	44	44	44
Design Capacity	1,100	1,100	1,100	1,100
Enrollment	672	708	697	621
E. A. Harold ES (1961)				
Square Feet	50,200	50,200	50,200	50,200
Classrooms	22	22	22	22
Design Capacity	440	440	440	440
Enrollment	399	391	392	419

**SHELBY COUNTY
BOARD OF EDUCATION**

2009	2008	2007	2006	2005	2004
73,908	73,908	73,908	73,908	73,908	73,908
48	48	48	48	48	48
960	960	960	960	960	960
672	676	694	678	885	869
84,584	84,584	84,584	84,584	84,584	84,584
42	42	42	42	42	42
840	840	840	840	840	840
740	755	729	634	652	642
231,717	231,717	231,717	231,717	231,717	231,717
101	101	101	101	101	101
2,020	2,020	2,020	2,020	2,020	2,020
1,687	1,664	1,911	2,061	2,148	2,189
81,834	81,834	81,834	81,834	81,834	81,834
44	44	44	44	44	44
1,100	1,100	1,100	1,100	1,100	1,100
776	779	773	598	571	536
50,200	50,200	50,200	50,200	50,200	50,200
22	22	22	22	22	22
440	440	440	440	440	440
432	399	426	416	381	356

STATISTICAL AND OTHER INFORMATION (UNAUDITED)**OPERATING INFORMATION****Summary of Buildings and Sites****Last ten fiscal years ending June 30**

School/Building	2013	2012	2011	2010
Highland Oaks ES (1993)				
Square Feet	107,971	107,971	107,971	107,971
Classrooms	66	66	66	66
Design Capacity	1,320	1,320	1,320	1,320
Enrollment	984	960	1,046	1,034
Highland Oaks MS (2009)				
Square Feet	118,130	118,130	118,130	118,130
Classrooms	57	57	57	57
Design Capacity	1,425	1,425	1,425	1,425
Enrollment	895	947	952	953
Houston MS (1992)				
Square Feet	92,750	92,750	92,750	92,750
Classrooms	50	50	50	50
Design Capacity	1,250	1,250	1,250	1,250
Enrollment	859	890	858	848
Houston HS (1989)				
Square Feet	263,689	263,689	263,689	263,689
Classrooms	111	111	111	111
Design Capacity	2,220	2,220	2,220	2,220
Enrollment	1,787	1,678	1,681	1,761
E.E. Jeeter ES (1949)				
Square Feet	70,058	70,058	70,058	70,058
Classrooms	28	28	28	28
Design Capacity	560	560	560	560
Enrollment	180	175	188	212

**SHELBY COUNTY
BOARD OF EDUCATION**

2009	2008	2007	2006	2005	2004
107,971	107,971	107,971	107,971	107,971	107,971
66	66	66	66	66	66
1,320	1,320	1,320	1,320	1,320	1,320
855	875	860	1,307	1,184	1,069
92,750	92,750	92,750	92,750	92,750	92,750
50	50	50	50	50	50
1,250	1,250	1,250	1,250	1,250	1,250
803	789	858	927	934	961
263,689	263,689	263,689	263,689	263,689	263,689
111	111	111	111	111	111
2,220	2,220	2,220	2,220	2,220	2,220
1,953	2,146	2,428	2,340	2,161	1,869
70,058	70,058	70,058	70,058	70,058	70,058
28	28	28	28	28	28
560	560	560	560	560	560
213	226	238	230	223	246

STATISTICAL AND OTHER INFORMATION (UNAUDITED)

OPERATING INFORMATION

Summary of Buildings and Sites

Last ten fiscal years ending June 30

School/Building	2013	2012	2011	2010
Kate Bond	Annexed by the City of Memphis in 2005.			
Square Feet				
Classrooms				
Design Capacity				
Enrollment				
Lakeland ES (2001)				
Square Feet	115,780	115,780	115,780	115,780
Classrooms	65	65	65	65
Design Capacity	1,300	1,300	1,300	1,300
Enrollment	805	832	845	864
Lowrance ES (1995)	School name changed from Southwind MS to Lowrance ES in 2010.			
Square Feet	112,374	112,374	112,374	112,374
Classrooms	65	65	65	65
Design Capacity	1,300	1,300	1,300	1,300
Enrollment	897	896	896	895
Lucy ES (1921)				
Square Feet	102,446	102,446	102,446	102,446
Classrooms	48	48	48	48
Design Capacity	960	960	960	960
Enrollment	687	630	558	554
Macon Hall ES (1997)				
Square Feet	93,481	93,481	93,481	93,481
Classrooms	66	66	66	66
Design Capacity	1,320	1,320	1,320	1,320
Enrollment	1,151	1,148	1,188	1,110

**SHELBY COUNTY
BOARD OF EDUCATION**

2009	2008	2007	2006	2005	2004
					88,867
					40
					1,140
					1,016
115,780	115,780	115,780	115,780	115,780	115,780
65	65	65	65	65	65
1,300	1,300	1,300	1,300	1,300	1,300
1,051	1,005	994	926	1,002	908
102,446	102,446	102,446	102,446	102,446	102,446
48	48	48	48	48	48
960	960	960	960	960	960
570	580	586	631	507	511
93,481	93,481	93,481	93,481	93,481	93,481
66	66	66	66	66	66
1,320	1,320	1,320	1,320	1,320	1,320
1,065	1,051	1,018	1,146	1,047	925

STATISTICAL AND OTHER INFORMATION (UNAUDITED)**OPERATING INFORMATION****Summary of Buildings and Sites****Last ten fiscal years ending June 30**

School/Building	2013	2012	2011	2010
Millington ES (1997)				
Square Feet	115,104	115,104	115,104	115,104
Classrooms	63	63	63	63
Design Capacity	1,260	1,260	1,260	1,260
Enrollment	581	598	577	625
Millington HS (1971)				
Square Feet	309,026	309,026	309,026	309,026
Classrooms	103	103	103	103
Design Capacity	2,060	2,060	2,060	2,060
Enrollment	1,347	1,324	1,386	1,456
Millington MS (1971)				
Square Feet	80,784	80,784	80,784	80,784
Classrooms	30	30	30	30
Design Capacity	750	750	750	750
Enrollment	480	469	440	510
Mt. Pisgah MS (2007)	New building constructed in 2007.			
Square Feet	125,900	125,900	125,900	125,900
Classrooms	65	65	65	65
Design Capacity	1,625	1,625	1,625	1,625
Enrollment	541	600	1,146	1,288
Northhaven ES (1978)				
Square Feet	84,468	84,468	84,468	84,468
Classrooms	44	44	44	44
Design Capacity	880	880	880	880
Enrollment	368	326	409	424

**SHELBY COUNTY
BOARD OF EDUCATION**

2009	2008	2007	2006	2005	2004
115,104	115,104	115,104	115,104	115,104	115,104
63	63	63	63	63	63
1,260	1,260	1,260	1,260	1,260	1,260
617	638	679	782	769	851
309,026	309,026	309,026	309,026	309,026	309,026
103	103	103	103	103	103
2,060	2,060	2,060	2,060	2,060	2,060
1,522	1,625	1,580	1,688	1,560	1,564
80,784	80,784	80,784	80,784	80,784	80,784
30	30	30	30	30	30
750	750	750	750	750	750
505	556	566	635	607	644
125,900	125,900	125,900	125,900	125,900	125,900
65	65	65	65	65	65
1,625	1,625	1,625	1,625	1,625	1,625
1,232	1,242	1,262	1,250	1,125	1,039
84,468	84,468	84,468	84,468	84,468	84,468
44	44	44	44	44	44
880	880	880	880	880	880
450	455	495	550	586	654

STATISTICAL AND OTHER INFORMATION (UNAUDITED)**OPERATING INFORMATION****Summary of Buildings and Sites****Last ten fiscal years ending June 30**

School/Building	2013	2012	2011	2010
Oak ES (1986)				
Square Feet	106,420	106,420	106,420	106,420
Classrooms	69	69	69	69
Design Capacity	1,380	1,380	1,380	1,380
Enrollment	608	587	598	592
Rivercrest ES (1998)				
Square Feet	109,536	109,536	109,536	109,536
Classrooms	64	64	64	64
Design Capacity	1,280	1,280	1,280	1,280
Enrollment	654	695	912	978
Riverdale ES (1968)				
Square Feet	88,199	88,199	88,199	88,199
Classrooms	45	45	45	45
Design Capacity	900	900	900	900
Enrollment	1,185	1,174	1,147	1,085
Schilling Farms MS (1999)				
Square Feet	97,250	97,250	97,250	97,250
Classrooms	48	48	48	48
Design Capacity	1,200	1,200	1,200	1,200
Enrollment	1,004	1,044	1,077	1,034
Shadowlawn MS (1967)				
Square Feet	108,936	108,936	108,936	108,936
Classrooms	57	57	57	57
Design Capacity	1,425	1,425	1,425	1,425
Enrollment	855	904	909	880

**SHELBY COUNTY
BOARD OF EDUCATION**

2009	2008	2007	2006	2005	2004
106,420	106,420	106,420	106,420	106,420	106,420
69	69	69	69	69	69
1,380	1,380	1,380	1,380	1,380	1,380
642	687	677	721	981	947
109,536	109,536	109,536	109,536	109,536	109,536
64	64	64	64	64	64
1,280	1,280	1,280	1,280	1,280	1,280
1,025	1,035	965	941	1,102	1,011
88,199	88,199	88,199	88,199	88,199	88,199
45	45	45	45	45	45
900	900	900	900	900	900
1,076	1,034	1,039	1,009	1,009	996
97,250	97,250	97,250	97,250	97,250	97,250
48	48	48	48	48	48
1,200	1,200	1,200	1,200	1,200	1,200
991	950	972	938	934	976
108,936	108,936	108,936	108,936	108,936	108,936
57	57	57	57	57	57
1,425	1,425	1,425	1,425	1,425	1,425
861	970	962	1,073	1,118	1,328

STATISTICAL AND OTHER INFORMATION (UNAUDITED)**OPERATING INFORMATION****Summary of Buildings and Sites****Last ten fiscal years ending June 30**

School/Building	2013	2012	2011	2010
Southwind ES (1990)				
Square Feet	108,303	108,303	108,303	108,303
Classrooms	68	68	68	68
Design Capacity	1,360	1,360	1,360	1,360
Enrollment	861	842	842	819
Southwind MS	School name changed to Lowrance ES in 2010.			
Square Feet				
Classrooms				
Design Capacity				
Enrollment				
Southwind HS (2007)				
Square Feet	326,926	326,926	326,926	326,926
Classrooms	116	116	116	116
Design Capacity	2,320	2,320	2,320	2,320
Enrollment	1,698	1,690	1,931	1,884
Sycamore ES (2000)				
Square Feet	127,627	127,627	127,627	127,627
Classrooms	64	64	64	64
Design Capacity	1,280	1,280	1,280	1,280
Enrollment	823	794	791	834
Tara Oaks ES (1995)				
Square Feet	109,405	109,405	109,405	109,405
Classrooms	69	69	69	69
Design Capacity	1,380	1,380	1,380	1,380
Enrollment	682	729	745	780

**SHELBY COUNTY
BOARD OF EDUCATION**

2009	2008	2007	2006	2005	2004
108,303	108,303	108,303	108,303	108,303	108,303
68	68	68	68	68	68
1,360	1,360	1,360	1,360	1,360	1,360
1,127	1,126	1,055	1,161	1,136	1,117
112,374	112,374	112,374	112,374	112,374	112,374
65	65	65	65	65	65
1,300	1,300	1,300	1,300	1,300	1,300
1,082	1,197	1,139	1,239	1,102	1,028
326,926	326,926				
116	116				
2,320	2,320				
1,473	1,038				
127,627	127,627	127,627	127,627	127,627	127,627
64	64	64	64	64	64
1,280	1,280	1,280	1,280	1,280	1,280
788	704	691	630	784	674
109,405	109,405	109,405	109,405	109,405	109,405
69	69	69	69	69	69
1,380	1,380	1,380	1,380	1,380	1,380
770	834	893	935	973	1,002

STATISTICAL AND OTHER INFORMATION (UNAUDITED)

OPERATING INFORMATION

Summary of Buildings and Sites

Last ten fiscal years ending June 30

School/Building	2013	2012	2011	2010
Woodstock MS (1956)				
Square Feet	84,850	84,850	84,850	84,850
Classrooms	43	43	43	43
Design Capacity	1,075	1,075	1,075	1,075
Enrollment	468	485	516	520
Total SCS Buildings				
Square Feet	6,761,225	6,761,225	6,535,639	6,585,177
Classrooms	3,202	3,202	3,202	3,230
Design Capacity	67,595	67,595	67,595	68,235
Enrollment	45,899	45,728	47,214	48,013
SCS schools on non-SCS property (enrollment)				
Alternative MS				
Alternative HS				
Highland Oaks Primary	Students transferred to Highland Oaks ES in 2010.			
Total non-SCS property (enrollment)	-	-	-	-
Charter Schools (enrollment)				
New Consortium of Law and Business	13	13		
Total Charter School Enrollments	13	13	-	-
District Total Enrollment	<u>45,912</u>	<u>45,741</u>	<u>47,214</u>	<u>48,013</u>

Sources: Enrollment - District School Choice and Student Accounting Office
Other Data - District Facilities Office

**SHELBY COUNTY
BOARD OF EDUCATION**

2009	2008	2007	2006	2005	2004
84,850	84,850	84,850	84,850	84,850	84,850
43	43	43	43	43	43
1,075	1,075	1,075	1,075	1,075	1,075
553	562	637	692	695	759
6,353,845	6,242,403	5,915,477	5,915,477	5,691,128	5,730,926
3,108	3,056	2,940	2,940	2,813	2,849
65,510	64,210	61,890	61,890	59,350	59,970
46,960	47,133	46,363	46,414	44,909	47,002
397	380	397		10 48	
397	380	397	-	58	-
-	-	-	-	-	-
<u>47,357</u>	<u>47,513</u>	<u>46,760</u>	<u>46,414</u>	<u>44,967</u>	<u>47,002</u>

**STATISTICAL AND OTHER INFORMATION (UNAUDITED)
OPERATING INFORMATION**

**Weighted Full-time Average Daily Attendance
Last ten fiscal years ending June 30**

**SHELBY COUNTY
BOARD OF EDUCATION**

Fiscal Year	Shelby County Schools		Memphis City Schools	
	Weighted Full- time Equivalent Average Daily Attendance	Percent of Total	Weighted Full- time Average Daily Attendance	Percent of Total
2004	56,039	29.31%	135,183	70.69%
2005	53,435	27.91%	138,043	72.09%
2006	54,943	28.49%	137,932	71.51%
2007	55,745	29.18%	135,268	70.82%
2008	56,799	30.43%	129,872	69.57%
2009	56,503	30.78%	127,073	69.22%
2010	56,905	31.34%	124,691	68.66%
2011	56,162	30.94%	125,369	69.06%
2012	54,823	30.76%	123,400	69.24%
2013	54,887	31.06%	121,806	68.94%

Source: Letter of notification, State of Tennessee

NOTE: Local funding is based on Weighted Full-time Equivalent Average Daily Attendance.

STATISTICAL AND OTHER INFORMATION (UNAUDITED)

OPERATING INFORMATION

Staff by Type

Last ten fiscal years ending June 30

**SHELBY COUNTY
BOARD OF EDUCATION**

	<u>2013</u>
Full Time Staff	
Officials/Administration/Management	51
Principals	36
Assistant Principals, Teachers	-
Assistant Principals, Non-Teachers	118
Elementary Classroom Teachers	1,852
Secondary Classroom Teachers	743
Other Classroom Teachers	348
Guidance	113
Psychological	18
Librarian/Audiovisual	44
Consultants/Supervisors	37
Other Professional	198
Teachers Aides	306
Technicians	43
Clerical/Secretarial	617
Service Workers	651
Skilled Crafts	51
Laborers Unskilled	39
Totals	<u>5,265</u>
Part-Time Staff	
Professional Instructional	13
All Others	147
Totals	<u>160</u>
New Hires	
Officials/Administration/Management	-
Principals/Assistant Principals	-
Classroom Teachers	293
Other Professionals	46
Non Professionals	149
Totals	<u>488</u>

Source: Elementary-Secondary Staff Information (EEO-5) Report, as of October 1

Note: Prior to FY 2009, figures were only reported every other year.

N/A - Not available

STATISTICAL AND OTHER INFORMATION (UNAUDITED)

OPERATING INFORMATION

Schedule of Surety Bonds

June 30, 2013

**SHELBY COUNTY
BOARD OF EDUCATION**

<u>Position Covered</u>	<u>Amount of Bond</u>
Chief Financial Officer	\$ 25,000
Director of Finance	\$ 25,000
Budget Anaylst	\$ 25,000

STATISTICAL AND OTHER INFORMATION (UNAUDITED)

OPERATING INFORMATION

Graduation Information

Last ten fiscal years ending June 30

**SHELBY COUNTY
BOARD OF EDUCATION**

<u>Fiscal Year</u>	<u>Regular Diploma</u>	<u>Honors Diploma</u>	<u>Special Education Certificate</u>	<u>Total</u>
2008	2,905	274	130	3,309
2009	2,589	323	88	3,000
2010	2,396	495	51	2,942
2011	2,639	533	34	3,206
2012	2,980	530	95	3,605
2013	2,548	594	53	3,195

Source: Tennessee Department of Education - Number of High School Graduates from Public Schools

NOTE: 2013 state approved graduation rates not available

STATISTICAL AND OTHER INFORMATION (UNAUDITED)**OPERATING INFORMATION****School Lunch Program****Last ten fiscal years ending June 30**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Charge per lunch to students:			
Paid Elementary	\$2.25	\$2.00	\$2.00
Paid Secondary	\$2.25	\$2.00	\$2.00
Paid High School	\$2.25	\$2.00	\$2.00
Reduced	\$0.40	\$0.40	\$0.40
Charge per lunch to adults	\$3.25	\$3.00	\$3.00
Number of days served	178	177	176
Number of free lunches served	1,878,650	1,849,565	1,918,868
Percent of total lunches served	52.62%	46.28%	45.02%
Average number of free lunches served daily	10,554	10,450	10,903
Number of paid lunches served at reduced price	266,969	10,450	10,903
Percent of total lunches served	7.48%	0.26%	0.26%
Number of paid lunches served at regular price	1,424,529	1,858,175	2,066,310
Percent of total lunches served	39.90%	46.49%	48.48%
Average number of paid lunches served daily:			
At reduced price	1500	59	62
At regular price	8003	10,498	11,740
Total number of lunches served	3,570,148	3,996,777	4,262,168
Average number of lunches served daily	20,057	22,581	24,217
Total number of students	43,454	43,578	45,146

**SHELBY COUNTY
BOARD OF EDUCATION**

2010	2009	2008	2007
\$1.75	\$1.75	\$1.75	\$1.50
\$2.00	\$2.00	\$2.00	\$1.75
\$2.00	\$2.00	\$2.00	\$1.75
\$0.40	\$0.40	\$0.40	\$0.40
\$3.00	\$3.00	\$3.00	\$2.50
175	180	180	179
1,765,495	1,581,974	1,461,637	1,305,209
40.34%	35.56%	32.40%	29.22%
10,089	8,789	8,120	7,292
10,089	8,789	8,120	7,292
0.23%	0.20%	0.18%	0.16%
2,299,477	2,526,128	2,724,235	2,868,644
52.54%	56.78%	60.39%	64.23%
58	49	45	41
13,140	14,034	15,135	16,026
4,376,275	4,448,631	4,510,970	4,466,504
25,007	24,715	25,061	24,953
46,067	45,017	45,270	44,333

STATISTICAL AND OTHER INFORMATION (UNAUDITED)

OPERATING INFORMATION

Pupil Transportation

Last ten fiscal years ending June 30

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
School Buses				
Type I	312	311	316	309
Type II			-	-
Total	<u>312</u>	<u>311</u>	<u>316</u>	<u>309</u>
Daily one-way miles traveled for all buses				
From residence to first pick-up	1,857	2,010	1,879	1,960
From first pick-up to last school served	12,416	8,470	8,691	8,719
Total	<u>14,273</u>	<u>10,480</u>	<u>10,570</u>	<u>10,679</u>
Pupils Transported				
Enrolled				
Regular	23,331	23,153	22,777	26,236
Special Education	667	440	370	337
ADT 1 1/2 miles +				
Regular	23,331	22,496	22,188	23,833
Special Education	667	396	343	307
Number of drivers				
Male	79	79	74	70
Female	170	169	172	175
Injuries				
Treated and released	3	2	3	-
Confined overnight	-	-	-	-
Fatalities				
On board	-	-	-	-
Off board	-	-	-	-
Type Accident				
Property damage	55	48	52	66
Personal injury	7	8	2	7

Source: Annual Pupil Transportation Report

**SHELBY COUNTY
BOARD OF EDUCATION**

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
298	294	294	291	310	294
-	-				
<u>298</u>	<u>294</u>	<u>294</u>	<u>291</u>	<u>310</u>	<u>294</u>
1,906	1,896	1,887	1,846	1,806	1,818
<u>8,602</u>	<u>8,697</u>	<u>8,336</u>	<u>8,427</u>	<u>8,018</u>	<u>7,773</u>
10,508	10,593	10,223	10,273	9,824	9,591
24,174	24,407	24,164	24,276	22,916	23,897
352	394	450	574	512	482
23,673	23,897	24,164	24,276	22,336	23,171
345	381	450	574	415	394
78	96	91	93	95	103
167	178	175	26	178	163
19	5	82	25	2	21
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
59	63	57	59	63	47
11	6	6	14	3	12

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Statutory Reporting Section

SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

Catalog of Federal Domestic Assistance Number	Program Name	Grantor
U.S. Department of Agriculture Pass-Thru Programs:		
Child Nutrition Cluster:		
10.553	School Breakfast Program	U.S. Department of Agriculture
10.555	National School Lunch Program - Non-Cash Assistance	U.S. Department of Agriculture
10.555	National School Lunch Program - Cash Assistance	U.S. Department of Agriculture
10.582	Fresh Fruits & Vegetables	U.S. Department of Agriculture
	Total Child Nutrition Cluster/ U.S. Department of Agriculture	
U.S. Department of Education Direct Programs:		
84.184L	Safe Schools/Healthy Students Grants	U.S. Department of Education
	Total Direct Programs	
U.S. Department of Education Pass-Thru Programs:		
Title I, Part A Cluster:		
84.010A	Title I Grants to Local Educational Agencies	U.S. Department of Education
	Total Title I, Part A Cluster	
Special Education Cluster:		
84.027	Special Education - Grants to States	U.S. Department of Education
84.173	Special Education - Preschool Grants	U.S. Department of Education
	Total Special Education Cluster	
84.048A	Carl D. Perkins Vocation and Ed. Act	U.S. Department of Education
84.048A	Carl Perkins Reserve 2012	U.S. Department of Education
84.367A	Improving Teacher Quality	U.S. Department of Education
84.351C	Professional Development for Art Education	U.S. Department of Education
84.196A	Title X, Part C, McKinney?Vento Homeless Discretionary	U.S. Department of Education
84.298A	Innovative Programs?Title V- A	U.S. Department of Education
84.364A	English Language Acquisition	U.S. Department of Education
84.364A	English Language Acquisition	U.S. Department of Education
84.374A	Teacher Incentive Fund	U.S. Department of Education
84.395	Tennessee First to the Top (ARRA)	U.S. Department of Education
84.287C	21st Century Community Learning Centers Program	U.S. Department of Education
84.41	Education Jobs	U.S. Department of Education
	Subtotal	
	Total Pass-Thru Programs	
	Total U.S. Department of Education	
U.S. Department of Health & Human Services Pass-Thru Program:		
93.558	Early Childhood Education Pilot Project	U.S. Department of Health & Human Services
	Total U.S. Department of Health & Human Services	
	Total Federal Expenditures	
Other Grants - State Only:		
N/A	Coordinated School Health	Tennessee Department of Education
N/A	Family Resource Center	Tennessee Department of Education
N/A	Tennessee Arts Commission ? Student Ticket Subsidy	Tennessee Arts Commission
N/A	Pollution Control	Shelby County Government
N/A	Business Partnership	
	Total Other Grants	

Pass-Through Entity	Receivable (Unearned Revenue)			Receipts	Expenditures	Receivable (Unearned Revenue)		
	June 30, 2012						June 30, 2013	
Tennessee Department of Education	\$	-	\$	1,949,052	\$	1,949,052	\$	-
Tennessee Department of Education		124,574		768,723		685,263		-
Tennessee Department of Education		-		6,614,142		6,614,142		41,114
Tennessee Department of Education		(27,939)		18,951		46,890		-
		96,635		9,350,868		9,295,347		41,114
		5,650		5,650		-		-
		5,650		5,650		-		-
Tennessee Department of Education		387,676		6,395,739		6,366,260		358,197
		387,676		6,395,739		6,366,260		358,197
Tennessee Department of Education		953,532		9,307,435		9,341,024		987,121
Tennessee Department of Education		7,086		131,175		237,383		113,294
		960,618		9,438,610		9,578,407		1,100,415
Tennessee Department of Education		19,028		454,501		499,515		64,042
Tennessee Department of Education		81,794		81,794	-			-
Tennessee Department of Education		74,906		988,041		952,984		39,849
Tennessee Department of Education		14,435		182,276		206,440		38,599
Tennessee Department of Education		21,432		57,643		61,897		25,686
Tennessee Department of Education		(1,225)		(1,225)	-			-
Tennessee Department of Education		27,016		210,922		197,895		13,989
Tennessee Department of Education		7,282		8,533		1,591		340
Tennessee Department of Education		193,986		1,188,275		1,001,723		7,434
Tennessee Department of Education		199,242		1,560,181		1,942,521		581,582
Tennessee Department of Education		115,815		296,641		346,118		165,292
Tennessee Department of Education		1,110,387		1,304,766		194,379		-
		1,864,098		6,332,348		5,405,063		936,813
		3,212,392		22,166,697		21,349,730		2,395,425
		3,218,042		22,172,347		21,349,730		2,395,425
Shelby County, TN		194,631		1,044,881		1,156,039		305,789
		194,631		1,044,881		1,156,039		305,789
	\$	3,509,308	\$	32,568,096	\$	31,801,116	\$	2,742,328
Tennessee Department of Education	\$	19,950	\$	143,317	\$	173,000	\$	49,633
Tennessee Department of Education		21,102		26,938		14,036		8,200
Tennessee Department of Education		(62)		11,918		10,742		(1,238)
Shelby County Government		231,581		231,581		-		-
		(29,749)		-		2,565		(27,184)
	\$	242,822	\$	413,754	\$	200,343	\$	29,411

SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)
Notes to the Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2013

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the schedule) has been generally prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of those activities represented by Shelby County Board of Education for the year ended June 30, 2013, which have been financed by the U.S. Government (federal awards). For the purpose of the schedule, federal awards include all of federal assistance and procurement relationships entered into directly and indirectly with the Shelby County Board of Education. It is not intended to and does not present either the financial position or the changes in net assets of Shelby County Board of Education. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

Individual awards within each category of federal awards are identified by CFDA number and program name if the award is individually significant to the category of award. All other awards are presented in total by funding agency.

REVENUE AND EXPENDITURE RECOGNITION

Revenue is recognized when earned by the organization using the accrual method of accounting.

Expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the U.S. Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local and Indian Tribal Governments. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

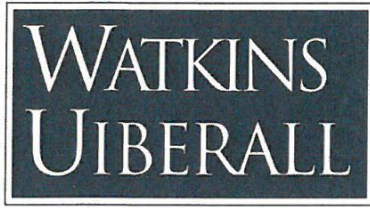
FOOD DONATION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2013, the Shelby County Board of Education had food commodities totaling \$41,114 in inventory.

FEDERAL EXPENDITURES RECONCILIATION

The following schedule reconciles federal expenditures per Schedule of Federal Awards to Federal government revenue per Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds:

Federal expenditures per Schedule of Federal Awards	\$ 31,801,116
Less commodities - non-cash expenditures	<u>(685,263)</u>
Federal revenue per Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 31,115,853</u>



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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***

To the Chairman and Members of the
Shelby County Board of Education

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 Shelby County Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Shelby County Board of Education's basic financial statements, and have issued our report thereon dated November 20, 2013. Our report includes a reference to other auditors who audited the financial statements of the School Cafeteria Fund and the School Student Activity Fund as described in our report on the Shelby County Board of Education's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shelby County Board of Education'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 Shelby County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Shelby County Board of Education'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 Shelby County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

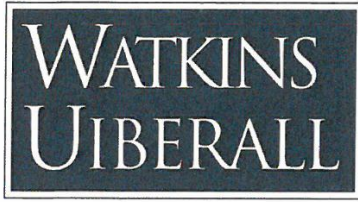
We noted other matters involving internal control and its operation that we have reported to management of Shelby County Board of Education in a separate letter dated November 20, 2013.

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.

Watkins Universal, PLLC
Banks, Jindry, White & Co.

Memphis, Tennessee
November 20, 2013



Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
Independent Member of BKR International



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

To the Chairman and Members of the
Shelby County Board of Education

Report on Compliance for Each Major Federal Program

We have audited Shelby County Board of Education'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 Shelby County Board of Education's major federal programs for the year ended June 30, 2013. Shelby County Board of Education'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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Shelby County Board of Education'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 Shelby County Board of Education'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 Shelby County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, Shelby County Board of Education 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 June 30, 2013.

Report on Internal Control Over Compliance

Management of Shelby County Board of Education, 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, we considered Shelby County Board of Education'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 Shelby County Board of Education'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.

*Watkins Yikwall, JPC
Banks, Finley, White & Co.*

Memphis, Tennessee
November 20, 2013

**SHELBY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

SHELBY COUNTY BOARD OF EDUCATION
(A Component Unit of Shelby County, Tennessee)
 Schedule of Findings and Questioned Cost
 For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|---|------------|
| 1. Type of auditor's report issued on the financial statements. | Unmodified |
| 2. Material noncompliance relating to the financial statements. | No |
| 3. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None noted |

Federal Awards:

- | | |
|---|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None noted |
| 6. Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. CFDA #84.374 Teacher Incentive Fund | |
| b. CFDA #84.010 Title I Grants to Local Educational Agencies | |
| c. CFDA #84.395 SFSF Tennessee First to the Top (ARRA) | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$953,818 |
| 9. Auditee qualified as a low-risk auditee? | Yes |

10. Prior fiscal year audit findings and questioned costs relative to federal awards which would require auditee to prepare a summary schedule of prior audit findings as discussed in Section____.315(b) of OMB Circular A-133? No

Section II: Findings - Financial Statement Audit

- A. No Findings

Section III: Findings and Questioned Costs - Major Federal Awards Programs

- A. No Findings or Questioned Costs.

