

Report on the

# Chilton County Board of Education

Chilton County, Alabama

October 1, 2018 through September 30, 2019

Filed: August 28, 2020



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

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

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Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Chilton County Board of Education, Chilton County, Alabama, for the period October 1, 2018 through September 30, 2019, by Examiners Brooke P. Warren, Amanda Hensley and John Williamson. I, Brooke Warren, served as the Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results and findings of the audit.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Brooke P. Warren'.

Brooke P. Warren  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Chilton County Board of Education  
October 1, 2018 through September 30, 2019**

The Chilton County Board of Education (the “Board”) is governed by a seven-member body elected by the citizens of Chilton County. The members and administrative personnel in charge of governance of the Board are listed in Exhibit 14. The Board is the governmental agency that provides general administration and supervision for Chilton County public schools, preschool through high school.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Board complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means that the Board’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2019.

Problems were found with the Board’s internal controls over financial reporting and/or its internal controls over compliance for its federal assistance programs (Exhibit 17):

- ◆ 2019-001 relates to the Board’s failure to ensure all transactions are properly recorded and accurate financial statements are prepared. This finding was first reported to the Board in fiscal year 2018 as Finding 2018-001.
- ◆ 2019-002 relates to Board’s failure to ensure that established receipting procedures at local schools are followed.
- ◆ 2019-003 relates to purchases being made prior to purchase order approval and failure to retain adequate documentation of disbursements at local schools. This finding was first reported to the Board in fiscal year 2018 as Finding 2018-002.

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference held by telephone conference call. Individuals in attendance were: Hon. Jason Griffin, Superintendent; and Board Members: Jacqueline Sullivan, Chris Smith, Pam Price, and Angie Sanderson. Representing the Department of Examiners of Public Accounts were: Teresa Dekle, Audit Manager, and Brooke P. Warren, Examiner.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Chilton County Board of Education,  
Superintendent and Chief School Financial Officer  
Clanton, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chilton County Board of Education, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Chilton County Board of Education's basic financial statements, listed in the table of contents as Exhibits 1 through 6.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Chilton County Board of Education'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 Chilton County Board of Education's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Chilton County Board of Education, as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 7 through 12) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not an integral 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, economical, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

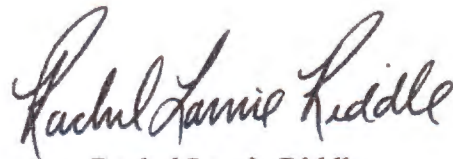
*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chilton County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2020, on our consideration of the Chilton 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Chilton County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Chilton County Board of Education's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 31, 2020



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# *Basic Financial Statements*

***Statement of Net Position***  
***September 30, 2019***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 14,320,384.92
Investments	1,443,069.47
Ad Valorem Property Taxes Receivable	4,665,981.25
Receivables (Note 4)	1,424,901.13
Inventories	224,867.27
Prepaid Items	4,643.25
Capital Assets (Note 5):	
Nondepreciable	2,375,172.27
Depreciable, Net	39,394,477.61
Total Assets	<u>63,853,497.17</u>
<b><u>Deferred Outflows of Resources</u></b>	
Loss on Refunding of Debt	54,314.83
Employer Pension Contribution	4,550,295.73
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	5,159,000.00
Employer Other Postemployment Benefit (OPEB) Contribution	2,053,754.00
Proportionate Share of Collective Deferred Outflows Related to Net OPEB Liability	2,295,940.00
Total Deferred Outflows of Resources	<u>14,113,304.56</u>
<b><u>Liabilities</u></b>	
Accounts Payable	3,611.98
Unearned Revenue	313,773.33
Salaries and Benefits Payable	5,695,193.42
Long-Term Liabilities:	
Portion Payable Within One Year	1,594,236.96
Portion Payable After One Year	119,400,866.95
Total Liabilities	<u>127,007,682.64</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	4,626,401.68
Revenue Received in Advance - Motor Vehicle Taxes	257,868.35
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	6,091,000.00
Proportionate Share of Collective Deferred Inflows Related to Net OPEB Liability	3,761,803.00
Total Deferred Inflows of Resources	<u>\$ 14,737,073.03</u>

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

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	<b>Governmental Activities</b>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	\$ 30,843,547.80
Restricted for:	
Capital Projects	4,269,604.76
Child Nutrition Program	537,968.34
Other Purposes	2,508,800.37
Unrestricted	<u>(101,937,875.21)</u>
Total Net Position	<u><u>\$ (63,777,953.94)</u></u>

**Statement of Activities**  
**For the Year Ended September 30, 2019**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Instruction	\$ 40,942,305.82	\$ 1,338,994.83	\$ 31,865,036.18
Instructional Support	9,529,782.26	459,321.87	7,337,908.53
Operation and Maintenance	6,051,049.05	141,649.94	2,835,564.03
Auxiliary Services:			
Student Transportation	4,935,582.15	150,811.02	3,790,499.27
Food Service	6,120,494.01	4,796,239.88	344,192.44
General Administrative and Central Support	3,220,629.87	5,572.42	2,190,470.40
Interest and Fiscal Charges	340,738.07		
Other Expenses	3,186,473.62	788,352.03	1,864,608.20
Total Governmental Activities	<u>\$ 74,327,054.85</u>	<u>\$ 7,680,941.99</u>	<u>\$ 50,228,279.05</u>

**General Revenues:**

- Taxes:
  - Property Taxes for General Purposes
  - Sales Tax
  - Other Taxes
- Grants and Contributions Not Restricted for Specific Programs
- Investment Earnings
- Miscellaneous
- Total General Revenues

Changes in Net Position

Net Position - Beginning of Year, as Restated (Note 13)

Net Position - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$ 1,917,041.09	\$ (5,821,233.72)
30,058.91	(1,732,551.86)
469,194.00	(3,043,776.17)
	(525,077.86)
	(980,061.69)
	(1,024,587.05)
	(340,738.07)
	(533,513.39)
<u>\$ 2,416,294.00</u>	<u>(14,001,539.81)</u>

4,735,872.92
4,528,602.71
42,829.79
23,881.44
117,182.18
1,559,818.78
<u>11,008,187.82</u>
(2,993,351.99)
<u>(60,784,601.95)</u>
<u>\$ (63,777,953.94)</u>

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

	General Fund	Special Revenue Fund
<b>Assets</b>		
Cash and Cash Equivalents	\$ 7,246,033.51	\$ 2,092,674.40
Investments	1,204,294.31	238,775.16
Ad Valorem Property Taxes Receivable	4,665,981.25	
Receivables (Note 4)	448,965.77	975,935.36
Due from Other Funds	168,217.00	31.98
Inventories		224,867.27
Prepaid Items	4,643.25	
Total Assets	<u>13,738,135.09</u>	<u>3,532,284.17</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
<b>Liabilities</b>		
Accounts Payable	2,388.98	1,223.00
Due to Other Funds	31.98	168,217.00
Unearned Revenues		313,773.33
Salaries and Benefits Payable	5,418,321.19	276,872.23
Total Liabilities	<u>5,420,742.15</u>	<u>760,085.56</u>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue - Property Taxes	4,626,401.68	
Revenue Received in Advance - Motor Vehicle Taxes	257,868.35	
Total Deferred Inflows of Resources	<u>4,884,270.03</u>	
<b>Fund Balances</b>		
Nonspendable:		
Inventories		224,867.27
Restricted:		
Capital Projects		
Fleet Renewal		
Child Nutrition Program		313,101.07
Other Purposes	1,796,728.12	
Assigned:		
Local Schools		2,183,865.71
Other Purposes		50,364.56
Unassigned	1,636,394.79	
Total Fund Balances	<u>3,433,122.91</u>	<u>2,772,198.61</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,738,135.09</u>	<u>\$ 3,532,284.17</u>

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

<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$ 4,981,677.01	\$ 14,320,384.92
	1,443,069.47
	4,665,981.25
	1,424,901.13
	168,248.98
	224,867.27
	4,643.25
<u>4,981,677.01</u>	<u>22,252,096.27</u>
	3,611.98
	168,248.98
	313,773.33
	<u>5,695,193.42</u>
	<u>6,180,827.71</u>
	4,626,401.68
	<u>257,868.35</u>
	<u>4,884,270.03</u>
	224,867.27
4,269,604.76	4,269,604.76
712,072.25	712,072.25
	313,101.07
	1,796,728.12
	2,183,865.71
	50,364.56
	1,636,394.79
<u>4,981,677.01</u>	<u>11,186,998.53</u>
<u>\$ 4,981,677.01</u>	<u>\$ 22,252,096.27</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
September 30, 2019***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 11,186,998.53

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

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

The Cost of Capital Assets is	\$ 70,060,782.99	
Accumulated Depreciation is	<u>(28,291,133.11)</u>	41,769,649.88

Losses on refunding of debt are reported as deferred outflows of resources and  
are not available to pay for current-period expenditures and, therefore, are  
deferred on the Statement of Net Position. 54,314.83

Deferred outflows and deferred inflows of resources related to the pension plan  
are applicable to future periods and, therefore, are not reported in the  
governmental funds. 3,618,295.73

Deferred outflows and deferred inflows of resources related to OPEB obligations  
are applicable to future periods and, therefore, are not reported in the  
governmental funds. 587,891.00

Long-term liabilities are not due and payable in the current period and, therefore,  
are not reported as liabilities in the governmental funds.

Current Portion of Long-Term Debt	\$ 1,594,236.96	
Noncurrent Portion of Long-Term Debt	<u>119,400,866.95</u>	<u>(120,995,103.91)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ (63,777,953.94)

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

***Statement of Revenues, Expenditures and Changes in Fund Balances***  
***Governmental Funds***  
***For the Year Ended September 30, 2019***

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b><u>Revenues</u></b>		
State	\$ 44,770,634.70	\$
Federal	301,368.95	8,859,543.86
Local	9,771,050.81	4,962,149.40
Other	140,364.52	76,247.56
Total Revenues	54,983,418.98	13,897,940.82
<b><u>Expenditures</u></b>		
Current:		
Instruction	33,255,059.31	5,608,495.06
Instructional Support	8,382,851.23	1,015,094.59
Operation and Maintenance	5,545,404.24	295,225.80
Auxiliary Services:		
Student Transportation	4,118,851.94	102,130.11
Food Service	42,253.05	6,116,635.92
General Administrative and Central Support	2,641,690.44	342,054.15
Other	1,522,160.58	1,718,869.08
Capital Outlay	120,817.09	184,566.49
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	55,629,087.88	15,383,071.20
Excess (Deficiency) of Revenues Over Expenditures	(645,668.90)	(1,485,130.38)
<b><u>Other Financing Sources (Uses)</u></b>		
Indirect Cost	506,816.67	
Proceeds from Debt Issuance		
Transfers In	402,894.21	1,905,947.65
Other Sources	13,180.08	
Transfers Out	(2,166,175.15)	(201,945.30)
Total Other Financing Sources (Uses)	(1,243,284.19)	1,704,002.35
Net Changes in Fund Balances	(1,888,953.09)	218,871.97
Fund Balances - Beginning of Year, as Restated (Note 13)	5,322,076.00	2,553,326.64
Fund Balances - End of Year	\$ 3,433,122.91	\$ 2,772,198.61

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

<b>Capital Projects Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Funds</b>
\$ 2,410,731.00	\$	\$ 47,181,365.70
25,364.50	3,067.48	9,160,912.81
		14,761,632.19
		216,612.08
<u>2,436,095.50</u>	<u>3,067.48</u>	<u>71,320,522.78</u>
		38,863,554.37
86,864.21		9,397,945.82
		5,927,494.25
		4,220,982.05
		6,158,888.97
		2,983,744.59
3,078,841.01		3,241,029.66
		3,384,224.59
1,143,642.54	255,000.00	1,398,642.54
382,424.75	5,227.50	387,652.25
<u>4,691,772.51</u>	<u>260,227.50</u>	<u>75,964,159.09</u>
<u>(2,255,677.01)</u>	<u>(257,160.02)</u>	<u>(4,643,636.31)</u>
		506,816.67
2,673,583.00		2,673,583.00
	260,227.50	2,569,069.36
		13,180.08
	(200,948.91)	(2,569,069.36)
<u>2,673,583.00</u>	<u>59,278.59</u>	<u>3,193,579.75</u>
417,905.99	(197,881.43)	(1,450,056.56)
<u>4,563,771.02</u>	<u>197,881.43</u>	<u>12,637,055.09</u>
<u>\$ 4,981,677.01</u>	<u>\$</u>	<u>\$ 11,186,998.53</u>

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2019***

Net Changes in Fund Balances - Total Governmental Funds \$ (1,450,056.56)

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

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

Capital Outlays	\$ 3,384,224.59	
Depreciation Expense	<u>(1,910,346.48)</u>	1,473,878.11

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,398,642.54

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (2,673,583.00)

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

Loss on Disposition of Capital Assets (314,043.10)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Deferred Losses on Debt Refunding	\$ 14,302.85	
Premiums on Debt Issued	(62,302.03)	
Discounts on Debt Issued	1,085.00	
Pension Expense, Current Year Increase/(Decrease)	(91,965.84)	
OPEB Expense, Current Year Increase/(Decrease)	<u>1,567,070.00</u>	<u>(1,428,189.98)</u>

Change in Net Position of Governmental Activities \$ (2,993,351.99)

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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

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

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

The Board is governed by a separately elected board composed of seven members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County.

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

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

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

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

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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

#### **Fund Financial Statements**

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The remaining governmental fund is reported as a nonmajor fund in the Other Governmental Fund column.

The Board reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
- ◆ **Special Revenue Fund** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I, and the Child Nutrition Program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.
- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. Also included in this fund are Alabama Department of Education appropriations which are restricted to their use.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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The Board reports the following fund type in the Other Governmental Fund column:

#### **Governmental Fund Type**

- ◆ **Debt Service Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances**

##### **1. Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits. Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledged of three-mill school tax and certificates of deposit. The Board's investments consisted of certificates of deposit that are reported at cost.

##### **2. Receivables**

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

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects, and other miscellaneous amounts.

##### **3. Inventories**

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

##### **4. Restricted Assets**

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, included in cash and cash equivalents on the financial statements, are considered restricted assets because they are maintained separately, and their use is limited. The Public School Capital Projects, Fleet Renewal, Bond Issue Payments, Bonds and Warrants funding sources are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses.



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

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**5. Capital Assets**

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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

	Capitalization Threshold	Estimated Useful Life
Land Improvements (Exhaustible)	\$50,000	20 years
Buildings	\$50,000	25 – 50 years
Building Improvements	\$50,000	7 – 30 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	8 – 15 years
Vehicles Under Capital Lease	\$ 5,000	10 years

**6. Deferred Outflows of Resources**

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

**7. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the debt. Bonds/Warrants payable are reported separately, with the applicable bond/warrant premium or discount reported on separate lines. Issuance costs are reported as an expense in the period incurred.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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In the fund financial statements, governmental fund types recognizes premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

#### **8. Deferred Inflows of Resources**

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

#### **9. Net Position/Fund Balances**

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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Fund balance is reported in governmental funds in the fund financial statements under the following five categories:

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balances shall not be available for financing general operating expenditures include inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove the constraint.
- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorizes the Superintendent or Chief School Financial Officer to make a determination of the assigned amount of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

#### **10. Minimum Fund Balance**

The Board has a policy that says that it will abide by the State Mandated Reserve amount of no less than one month's operating balance. This usually represents approximately \$4,000,000 per month for the Chilton County Board of Education.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

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**E. Pensions**

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

**F. Postemployment Benefits Other Than Pensions (OPEB)**

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

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

**Budgets**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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

#### **Note 3 – Deposits and Investments**

##### **A. Deposits**

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

##### **B. Investments**

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

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

**Note 4 – Receivables**

On September 30, 2019, receivables for the Board’s individual major funds are as follows:

	General Fund	Special Revenue Fund	Total
<b>Receivables:</b>			
Accounts Receivable	\$ 10,651.09	\$	\$ 10,651.09
Intergovernmental	99,904.30	975,637.36	1,075,541.66
Sales Taxes	338,410.38		338,410.38
Other		298.00	298.00
<b>Total Receivables</b>	<b>\$448,965.77</b>	<b>\$975,935.36</b>	<b>\$1,424,901.13</b>

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance 10/01/2018	Additions	Retirements	Balance 09/30/2019
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 2,188,196.93	\$	\$	\$ 2,188,196.93
Construction in Progress	25,467.33	161,508.01		186,975.34
<b>Total Capital Assets, Not Being Depreciated</b>	<b>2,213,664.26</b>	<b>161,508.01</b>		<b>2,375,172.27</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements – Exhaustible	58,700.00			58,700.00
Buildings and Improvements	50,087,923.39	243,750.00	(414,703.04)	49,916,970.35
Equipment and Vehicles	9,373,670.99	2,978,966.58	(785,266.69)	11,567,370.88
Vehicles Under Capital Lease	6,142,569.49			6,142,569.49
<b>Total Capital Assets Being Depreciated</b>	<b>65,662,863.87</b>	<b>3,222,716.58</b>	<b>(1,199,969.73)</b>	<b>67,685,610.72</b>
<b>Less Accumulated Depreciation for:</b>				
Land Improvements – Exhaustible	(51,509.25)	(1,320.75)		(52,830.00)
Buildings and Improvements	(16,655,517.10)	(913,439.48)	231,481.27	(17,337,475.31)
Equipment and Vehicles	(6,957,336.90)	(613,577.87)	654,445.36	(6,916,469.41)
Vehicles Under Capital Lease	(3,602,350.01)	(382,008.38)		(3,984,358.39)
<b>Total Accumulated Depreciation</b>	<b>(27,266,713.26)</b>	<b>(1,910,346.48)</b>	<b>885,926.63</b>	<b>(28,291,133.11)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>38,396,150.61</b>	<b>1,312,370.10</b>	<b>(314,043.10)</b>	<b>39,394,477.61</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 40,609,814.87</b>	<b>\$ 1,473,878.11</b>	<b>\$ (314,043.10)</b>	<b>\$ 41,769,649.88</b>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
Instruction	\$1,024,185.71
Instructional Support	20,400.64
Operation and Maintenance	61,479.04
<b>Auxiliary Services:</b>	
Student Transportation	568,407.89
Food Service	228,613.79
General Administrative and Central Support Services	5,549.61
Other	1,709.80
Total Depreciation Expense – Governmental Activities	<u>\$1,910,346.48</u>

**Note 6 – Defined Benefit Pension Plan**

**A. Plan Description**

The Teachers’ Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the “Plan”), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

**B. Benefits Provided**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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

#### C. Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2019, was 12.41% of annual pay for Tier 1 members and 11.35% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$4,550,295.73 for the year ended September 30, 2019.



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

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**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2019, the Board reported a liability of \$53,465,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2017. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2018, the Board's proportion was 0.537742%, which was a decrease of 0.005164% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the Board recognized pension expense of \$4,461,000. At September 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,154,000.00	\$1,629,000.00
Changes of assumptions	2,972,000.00	
Net difference between projected and actual earnings on pension plan investments		4,036,000.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,033,000.00	426,000.00
Employer contributions subsequent to the measurement date	4,550,295.73	
Total	\$9,709,295.73	\$6,091,000.00

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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The \$4,550,295.73 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2020	\$ 728,000
2021	\$(856,000)
2022	\$(812,000)
2023	\$ (62,000)
2024	\$ 70,000
Thereafter	\$ 0

#### **E. Actuarial Assumptions**

The net pension liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25% - 5.00%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

Mortality rates were based on the sex distinct RP-2000 White Collar Mortality Table Projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the sex distinct RP-2000 Disabled Mortality Table Projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

(\*) Includes assumed rate of inflation of 2.50%

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

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**G. Sensitivity of the Board’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the Board’s proportionate share of the collective net pension liability calculated using the discount rate of 7.70%, as well as what the Board’s proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Board’s proportionate share of collective net pension liability	\$74,424,000	\$53,465,000	\$35,737,000

**H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2018. The auditor’s report dated August 16, 2019, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2018, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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

**A. Plan Description**

The Alabama Retired Education Employees’ Health Care Trust (the “Trust”) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees’ Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees’ Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the “State”) and is included in the State’s Comprehensive Annual Financial Report.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975*, Section 16-25A-4, (Act Number 83-455, Acts of Alabama) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

#### **B. Benefits Provided**

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The Medicare Advantage plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the United Healthcare plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

#### **C. Contributions**

The *Code of Alabama 1975*, Section 16-25A-8, and the *Code of Alabama 1975*, Section 16-25A-8.1, provide the PEEHIB with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIB is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

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For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

**D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At September 30, 2019, the Board reported a liability of \$56,549,687.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017. The Board's proportion of the collective net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2018, the Board's proportion was 0.688059 percent, which was an increase of 0.017805 percent from its proportion measured as of September 30, 2017.

For the year ended September 30, 2018, the Board recognized OPEB expense of \$3,617,610, with no special funding situations. At September 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,064,658.00	\$
Changes of assumptions		2,754,492.00
Net difference between projected and actual earnings on OPEB plan investments		302,993.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,231,282.00	704,318.00
Employer contributions subsequent to the measurement date	2,053,754.00	
Total	\$4,349,694.00	\$3,761,803.00

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2019**

The \$2,053,754.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending:	
September 30, 2020	\$(535,279)
2021	\$(535,279)
2022	\$(535,279)
2023	\$(467,257)
2024	\$ 466,906
Thereafter	\$ 140,325

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	4.18%
Municipal Bond Index Rate at the Prior Measurement Date	3.57%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2029
Single Equivalent Interest Rate at the Measurement Date	4.44%
Single Equivalent Interest Rate at the Prior Measurement Date	4.63%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.00%, beginning in 2019
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024
(1) Includes 3.00% wage inflation.	
(2) Compounded annually, net of investment expense, and includes inflation.	

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2017, valuation were based on a review of recent plan experience done concurrently with the September 30, 2017, valuation.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	

(\*) Geometric mean, includes 2.5% inflation

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2019**

**F. Discount Rate**

The discount rate, also known as the Single Equivalent Interest Rate (the “SEIR”), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2018, was 4.44%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.63%. Premiums paid to the Public Education Employees’ Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately 20.307% of the employer contributions were used to assist in funding retiree benefit payments in 2018 and it is assumed that the amount will increase by 2.75% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2029. The long-term rate of return is used until the assets are expected to be depleted in 2029, after which the municipal bond rate is used.

**G. Sensitivity of the Board’s Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates and in the Discount Rates**

The following table presents the Board’s proportionate share of the collective net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00% Decreasing to 3.75% for Pre-Medicare, and 4.00% Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (7.00% Decreasing to 4.75% for Pre-Medicare, and 5.00% Decreasing to 4.75% for Medicare Eligible)	1% Increase (8.00% Decreasing to 5.75% for Pre-Medicare, and 6.00% Decreasing to 5.75% for Medicare Eligible)
Board's Proportionate Share of Collective Net OPEB Liability	\$46,485,130	\$56,549,687	\$69,363,272

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

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The following table presents the Board’s proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 4.44%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.44%)	Current Rate (4.44%)	1% Increase (5.44%)
Board’s Proportionate Share of the Collective Net OPEB Liability	\$67,552,878	\$56,549,687	\$47,674,032

**H. OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan’s fiduciary net position is located in the Trust’s financial statements for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2018. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### Note 8 – Lease Obligations

##### Capital Leases

On May 17, 2011, the Board entered into a capital lease agreement in the amount of \$1,044,629.24 to finance the acquisition of eighteen school buses. The outstanding capital lease agreement contains a provision that in the event of default, the bank may, (1) declare the unpaid principal components of the installment payments immediately due and payable, (2) proceed by appropriate court action to enforce the Board’s performance of the applicable covenants of the agreement or to recover for the breach thereof; and (c) avail itself of all available remedies under the agreement, including execution as provided and recover attorney’s fees and other expenses. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2019.

Fiscal Year Ending	Governmental Activities
September 30, 2020	\$122,437.92
2021	84,070.40
Total Minimum Lease Payments	206,508.32
Less: Amount Representing Interest	(8,117.72)
Present Value of Net Minimum Lease Payments	\$198,390.60

On November 8, 2013 and December 4, 2014, the Board entered into capital lease agreements in the amount of \$1,102,068 and \$551,034, respectively to finance the acquisition of twenty-one total school buses. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2019.

Fiscal Year Ending	Governmental Activities
September 30, 2020	\$187,225.43
2021	186,955.43
2022	186,955.43
2023	186,954.63
2024	63,384.14
2025	63,384.14
Total Minimum Lease Payments	874,859.20
Less: Amount Representing Interest	(63,936.60)
Present Value of Net Minimum Lease Payments	\$810,922.60

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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On March 10, 2017, the Board entered into a capital lease agreement in the amount of \$1,491,060.10 to finance the acquisition of seventeen school buses. The outstanding capital lease agreement contains a provision that in the event of default, the bank may, (1) by written notice to the Board, the lender may declare all installment payments payable to the Board pursuant to the contract and other amounts payable by the Board under the contract to the end of the then current original term or renewal term to be immediately due and payable, (2) with or without terminating the contract term under the contract, the lender may enter the premises where the equipment is located and retake possession of the equipment or require the Board, at the Board's expense, to promptly return any or all of such equipment to the possession of the lender at such pace such equipment, continuing to hold the Board liable, but solely from legally available funds, for the difference between (i) the installment payments payable by the Board pursuant to such contract and other amounts related to such contract or the equipment listed therein that are payable by the Board to the end of the then current original term or renewal term as the case may be and (ii) the net proceeds of any such sale or leasing (after deducting all expenses of the lender in exercising its remedies under such contract, including without limitation all expenses of taking possession, storing, reconditioning and selling or leasing such equipment and all brokerage, auctioneer's and attorney's fees), subject, however to the provisions in the contract. The exercise of any such remedies in respect of any such event of default shall not relieve the Board of any other liabilities under any other contract or the equipment therein; (3) lender may terminated any escrow agreement relating to the contract and (4) lender may take whatever action at law or in equity may appear necessary or desirable to enforce its rights under the contract or as a security party in any or all of the equipment and any related escrow fund. Any net proceeds from the exercise of any remedy under the contract (after deducting all costs and expenses) shall be applied as follows: (i) if such remedy is exercised solely with respect to a single contract, equipment listed in the contract or such equipment; or (ii) if such remedy is exercised with respect to more than one contract, equipment listed in more than one contract or rights under more than one contract, then to amounts due pursuant to such contracts pro-rata. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2019.

Fiscal Year Ending	Governmental Activities
September 30, 2020	\$ 149,106.01
2021	149,106.01
2022	149,106.01
2023	149,106.01
2024	149,106.01
2025-2026	298,212.02
Total Minimum Lease Payments	1,043,742.07
Less: Amount Representing Interest	(106,151.58)
Present Value of Net Minimum Lease Payments	<u>\$ 937,590.49</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### Note 9 – Long-Term Debt

On April 1, 2009, the Board issued the Capital Outlay Refunding Warrants, Series 2009, in the amount of \$2,170,000 with interest rates ranging from 2.25% to 4.10% to advance refund the Capital Outlay School Warrants, Series 1999, dated June 1, 1999. The Board paid the principal and interest due for these warrants from the Public School Fund allocations, which are received from the Alabama Department of Education. The Warrants were paid in full during fiscal year 2019.

On March 14, 2012, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued PSCA Pool Refunding Bonds, Series 2012-A, with interest rates ranging from 4.00% to 5.00% to refund and retire Capital Improvement Pool Bonds, Series 2002-A. The Board has a 7.190% participation in the bond resulting in the Board's share of principal in the amount of \$4,134,084.49. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. In the event of default, whether due to failure to comply with the terms and conditions of the Bonds or in failure to pay amounts due on the Bonds, the Alabama Public School and College Authority may (1) withhold all leveraged funds due to the Board until full compliance with the terms or (2) file suit to compel performance of the obligations of the Board under the bond agreement.

On May 28, 2014, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued PSCA Capital Improvement Pool Refunding Bonds, Series 2014-A, with interest rates ranging from 2.00% to 5.00% to refund and retire Capital Improvement Pool Warrants, Series 2006. The Board has 7.40740% participation in the bonds resulting in the Board's share of principal in the amount of \$2,646,664.02. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. In the event of default, whether due to failure to comply with the terms and conditions of the Bonds or in failure to pay amounts due on the Bonds, the Alabama Public School and College Authority may (1) withhold all leveraged funds due to the Board until full compliance with the terms or (2) file suit to compel performance of the obligations of the Board under the bond agreement.

On May 15, 2015, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued PSCA Capital Improvement Pool Refunding Bonds, Series 2015-B, with interest rates of 5.00% to refund and retire Capital Improvement Pool Warrants, Series 2008-A. The Board has 10.4551% participation in the bonds resulting in the Board's share of principal in the amount of \$2,920,546.25. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. In the event of default, whether due to failure to comply with the terms and conditions of the Bonds or in failure to pay amounts due on the Bonds, the Alabama Public School and College Authority may (1) withhold all leveraged funds due to the Board until full compliance with the terms or (2) file suit to compel performance of the obligations of the Board under the bond agreement.

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

During fiscal years 2011, 2014, 2015 and 2017 the Board entered into capital lease agreements for the purchase of eighteen, fourteen, seven and seventeen school buses, respectively. The Board's Fleet Renewal funding source repays these capital leases.

During the fiscal year 2019, the Board entered into a Note from Direct Borrowing in the amount of \$2,673,583.00 to pay the cost associated with the purchase of thirty-three school buses. This will require repayment in equal installments of \$306,385.70 over the next ten years. In the event of default, the creditor may garnish the Board's accounts, including deposits accounts. However, the default shall not apply if there is a good faith dispute by the Board as to the validity or the reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if the Board gives lender written notice of the creditor or forfeiture proceeding and deposits with lender monies or a surety bond for the credit or forfeiture proceeding, in an amount determined by the lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2019:

	Debt Outstanding 10/01/2018	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2019	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds/Warrants Payable:</b>					
Capital Outlay Refunding Warrants, Series 2009	\$ 255,000.00	\$	\$ (255,000.00)	\$	\$
Capital Improvement Pool Refunding Bonds, Series 2012-A	2,024,054.82		(411,636.85)	1,612,417.97	432,218.65
Capital Improvement Pool Refunding Bonds, Series 2014-A	1,888,516.63		(206,666.46)	1,681,850.17	216,296.08
Capital Improvement Pool Refunding Bonds, Series 2015-B	2,920,546.25		(130,047.43)	2,790,498.82	238,931.48
Notes from Direct Borrowings: 2019 Buses		2,673,583.00		2,673,583.00	237,888.50
<b>Deferred Amounts:</b>					
Unamortized Premium	337,469.29		(62,302.03)	275,167.26	62,302.03
Unamortized Discount	(1,085.00)		1,085.00		
<b>Total Warrants/Bonds and Notes from Direct Borrowings</b>	<b>7,424,501.99</b>	<b>2,673,583.00</b>	<b>(1,064,567.77)</b>	<b>9,033,517.22</b>	<b>1,187,636.74</b>
<b>Other Liabilities:</b>					
Capital Leases	2,342,191.49		(395,291.80)	1,946,899.69	406,600.22
Net Pension Liability	53,359,000.00	106,000.00		53,465,000.00	
Net OPEB Liability	49,782,639.00	6,767,048.00		56,549,687.00	
<b>Total Other Liabilities</b>	<b>105,483,830.49</b>	<b>6,873,048.00</b>	<b>(395,291.80)</b>	<b>111,961,586.69</b>	<b>406,600.22</b>
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$112,908,332.48</b>	<b>\$9,546,631.00</b>	<b>\$(1,459,859.57)</b>	<b>\$120,995,103.91</b>	<b>\$1,594,236.96</b>

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

Payments on the Capital Improvement Pool Refunding Bonds, Series 2012-A; Capital Improvement Pool Refunding Bonds, Series 2014-A; and Capital Improvements Pool Refunding Bonds, Series 2015-B, are made by the Capital Projects Fund with Public School Funds withheld from the Board's allocation from the Alabama Department of Education. Payments on the Capital Outlay Refunding Warrants, Series 2009, were made by the Capital Projects Fund with sales taxes. Capital Lease and Notes from Direct Borrowing payments are made by the Capital Projects Fund with Fleet Renewal Funds.

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	Bonds/Warrants Payable		Capital Leases	
	Principal	Interest	Principal	Interest
September 30, 2020	\$ 887,446.21	\$ 276,332.79	\$ 406,600.22	\$ 52,169.14
2021	931,836.50	230,850.66	377,256.71	42,875.13
2022	979,340.98	183,071.29	304,585.98	31,475.46
2023	649,435.67	142,351.86	312,770.98	23,289.66
2024	681,932.55	110,341.62	197,606.38	14,883.77
2025-2029	1,954,775.05	175,962.77	348,079.42	13,512.74
Totals	\$6,084,766.96	\$1,118,910.99	\$1,946,899.69	\$178,205.90

**Deferred Inflows/Outflows on Refunding, Discounts and Premiums**

The Board has deferred charges on refunding and a discount in connection with the issuance of its Capital Outlay Refunding Warrants, Series 2009, which were fully amortized during fiscal year 2019. Also, the Board has deferred charges on refunding and a premium in connection with the issuance of its Capital Improvement Pool Refunding Bonds, Series 2012-A, which is being amortized over a period of twelve years.

	Deferred Loss on Refunding	Premium	Discount
Total Deferred Inflows/Outflows on Refunding, Premium and Discount	\$187,675.98	\$894,180.79	\$21,700.00
Amount Amortized Prior Years	119,058.30	556,711.50	20,615.00
Balance Deferred Inflows/Outflows on Refunding, Premium and Discount	68,617.68	337,469.29	1,085.00
Current Amount Amortized	14,302.85	62,302.03	1,085.00
Balance Deferred Inflows/Outflows on Refunding, Premium and Discount	\$ 54,314.83	\$275,167.26	\$



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

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Notes from Direct Borrowings		Total Principal and Interest Requirements to Maturity
Principal	Interest	
\$ 237,888.50	\$ 68,497.20	\$ 1,928,934.06
244,153.71	62,231.99	1,889,204.70
250,391.83	55,993.87	1,804,859.41
256,789.34	49,596.36	1,434,233.87
263,232.41	43,153.29	1,311,150.02
1,421,127.21	110,801.29	4,024,258.48
<u>\$2,673,583.00</u>	<u>\$390,274.00</u>	<u>\$12,392,640.54</u>

**Pledged Revenues**

The Board issued Capital Improvement Pool Refunding Bonds, Series 2012-A; Capital Improvement Pool Refunding Bonds, Series 2014-A; and Capital Improvement Pool Refunding Bonds, Series 2015-B, which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$7,203,677.95 are pledged to repay the principal and interest on the bonds at September 30, 2019. Pledged funds in the amount of \$1,067,796.25 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2019. This amount represents 100 percent of the pledged funds received by the Board. The Capital Improvement Pool Refunding Bonds, Series 2012-A; Capital Improvement Pool Refunding Bonds, Series 2014-A; and Capital Improvement Pool Refunding Bonds, Series 2015-B, will mature in fiscal years 2024, 2026, and 2029 respectively.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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The Board issued Capital Outlay Refunding Warrants, Series 2009, for the purpose of refunding the Capital Outlay School Warrants, Series 1999. The Board pledged to repay the warrants from the proceeds of the Special Sales Tax pursuant to provision of the *Code of Alabama 1975*, Section 40-12-4, of which the Board receives 100% of the proceeds. Proceeds of the sales tax in the amount of \$3,413,946.15 were received by the Board during the fiscal year ended September 30, 2019, of which \$260,227.50 was used to pay principal and interest on the warrants. The warrants matured during the fiscal year 2019.

#### **Note 10 – Risk Management**

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

Settled claims resulting from these risks have not exceeded the Board's coverage in any of the past three fiscal years.

The Board does not have insurance coverage of job-related injuries. Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama 1975*, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs which the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

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**Note 11 – Interfund Transactions**

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2019, were as follows:

	Transfers Out			Totals
	General Fund	Special Revenue Fund	Other Governmental Fund	
<b>Transfers In</b>				
General Fund	\$	\$201,945.30	\$200,948.91	\$ 402,894.21
Special Revenue Fund	1,905,947.65			1,905,947.65
Other Governmental Fund	260,227.50			260,227.50
<b>Totals</b>	<b>\$2,166,175.15</b>	<b>\$201,945.30</b>	<b>\$200,948.91</b>	<b>\$2,569,069.36</b>

The Board typically used transfers to fund ongoing operating subsidies and to recoup certain expenditures paid on-behalf of the local schools.

**Note 12 – Subsequent Event**

Recently, the United States has encountered a COVID-19 pandemic which is adversely affecting the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions have been modified to ensure the safety of its citizenry as well as its employees. It is highly anticipated that revenues from all sources, including taxes and federal grants that are received by the Board will be severely impacted by this pandemic. Additionally, it is anticipated that there will be a significant increase in costs associated with the aftermath of COVID-19. Because so much is unknown at this time, it will be extremely difficult for the Board to prepare budgets for the upcoming fiscal year to anticipate the impact of the pandemic. The Board anticipates that its financial operations will be adversely impacted by this pandemic; however, the duration and severity of its effects is indeterminable at this time.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### Note 13 – Restatements

In fiscal year 2019, the Board made adjustments to restate beginning fund balances to correct prior period errors. The net position was also restated to reflect the prior period errors. The impact of the restatements is as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Other Governmental Fund	Total
Fund Balances, September 30, 2018, as Previously Reported	\$5,095,950.01	\$3,013,614.79	\$4,676,855.31	\$197,881.43	\$ 12,984,301.54
Restatement to Correct Prior Period Adjustments	226,125.99	(460,288.15)	(113,084.29)		(347,246.45)
Fund Balances, September 30, 2018	<u>\$5,322,076.00</u>	<u>\$2,553,326.64</u>	<u>\$4,563,771.02</u>	\$197,881.43	<u>\$ 12,637,055.09</u>
Governmental Activities Net Position, September 30, 2018, as Previously Reported					\$(60,437,355.50)
Restatement Due to Errors					<u>(347,246.45)</u>
Governmental Activities, Net Position, September 30, 2018, as Restated					<u>\$(60,784,601.95)</u>

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*Required Supplementary Information*

***Schedule of the Employer's Proportionate Share of the  
Collective Net Pension Liability  
For the Year Ended September 30, 2019  
(Dollar amounts in thousands)***

	<b>2019</b>	<b>2018</b>
Employer's proportion of the collective net pension liability	0.537742%	0.542906%
Employer's proportionate share of the collective net pension liability	\$ 53,465	\$ 53,359
Employer's covered payroll during the measurement period (*)	\$ 35,928	\$ 31,083
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	148.81%	171.67%
Plan fiduciary net position as a percentage of the total collective pension liability	72.29%	71.50%

(\*) Employer's covered payroll during the measurement period is the total covered payroll.  
(See GASB Statement Number 82.) For fiscal year 2019, the measurement period is  
October 1, 2017 through September 30, 2018.

This schedule is intended to show information for 10 years. Additional years will be displayed  
as they become available.



<b>2017</b>	<b>2016</b>	<b>2015</b>
0.529074%	0.526289%	0.524137%
\$ 57,278	\$ 55,080	\$ 47,616
\$ 29,641	\$ 31,751	\$ 29,511
193.24%	173.47%	161.35%
67.93%	67.51%	71.01%

***Schedule of the Employer's Contributions - Pension***  
***For the Year Ended September 30, 2019***  
***(Dollar amounts in thousands)***

	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 4,550	\$ 4,314
Contributions in relation to the contractually required contribution	<u>\$ 4,550</u>	<u>\$ 4,314</u>
Contribution deficiency (excess)	\$	\$
Employer's covered payroll	\$ 37,415	\$ 35,928
Contributions as a percentage of covered payroll	12.16%	12.01%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



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2017		2016		2015	
\$	4,241	\$	3,975	\$	3,881
\$	4,241	\$	3,975	\$	3,881
\$		\$		\$	
\$	31,083	\$	29,641	\$	31,751
	13.64%		13.41%		12.22%

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***Schedule of the Employer's Proportionate Share of the Collective  
Net Other Postemployment Benefits (OPEB) Liability  
Alabama Retired Education Employees' Health Care Trust  
For the Fiscal Year Ended September 30, 2019  
(Dollar amounts in thousands)***

	<b>2019</b>	<b>2018</b>
Employer's proportion of the collective net OPEB liability	0.688059%	0.670254%
Employer's proportionate share of the collective net OPEB liability	\$ 56,550	\$ 49,783
Employer's covered-employee payroll during the measurement period (*)	\$ 35,928	\$ 31,083
Employer's proportionate share of the net collective OPEB liability (asset) as a percentage of its covered-employee payroll	157.40%	160.16%
Plan fiduciary net position as a percentage of the total collective OPEB liability	14.81%	15.37%

(\*) Employer's covered-employee payroll during the measurement period is the total covered-employee payroll. For fiscal year 2019, the measurement period is October 1, 2017 through September 30, 2018.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions -  
Other Postemployment Benefits (OPEB)  
Alabama Retired Education Employees' Health Care Trust  
For the Fiscal Year Ended September 30, 2019  
(Dollar amounts in thousands)***

	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 2,054	\$ 1,693
Contributions in relation to the contractually required contribution	\$ 2,054	\$ 1,693
Contribution deficiency (excess)	\$	\$
Employer's covered-employee payroll	\$ 37,415	\$ 35,928
Contributions as a percentage of covered-employee payroll	5.49%	4.71%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2019***

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**Changes in Actuarial Assumptions**

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

**Recent Plan Changes**

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the United Healthcare Medicare Advantage Plan with Prescription Drug Coverage (MAPD).

The Plan is changed periodically to reflect the Affordable Care Act (ACA) maximum annual out-of-pocket amounts.

**Method and Assumptions Used in Calculations of Actuarially Determined Contributions**

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of September 30, 2016, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2019***

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>
<b><u>Revenues</u></b>			
State	\$ 42,430,571.93	\$ 42,598,897.57	\$ 44,770,634.70
Federal	2,201.43	2,201.43	301,368.95
Local	9,824,190.44	9,824,190.44	9,798,728.78
Other	74,157.76	74,157.76	140,364.52
Total Revenues	52,331,121.56	52,499,447.20	55,011,096.95
<b><u>Expenditures</u></b>			
Current:			
Instruction	34,325,803.94	34,434,662.49	33,124,503.94
Instructional Support	7,075,534.07	7,300,530.84	8,326,446.03
Operation and Maintenance	4,823,019.84	5,101,108.75	5,537,229.53
Auxiliary Services:			
Student Transportation	3,993,316.64	4,042,976.11	4,079,319.32
Food Services	40,899.11	40,899.11	42,253.05
General Administrative and Central Support	1,700,993.41	1,838,186.78	2,634,867.50
Other	593,445.39	599,849.26	1,400,635.06
Capital Outlay	154,121.11	154,121.11	120,817.09
Total Expenditures	52,707,133.51	53,512,334.45	55,266,071.52
Excess (Deficiency) of Revenues Over Expenditures	(376,011.95)	(1,012,887.25)	(254,974.57)
<b><u>Other Financing Sources (Uses)</u></b>			
Indirect Cost	270,502.33	349,442.14	506,816.67
Transfers in	109,154.52	109,154.52	402,894.21
Other Sources	11,232.40	11,232.40	13,180.08
Sale of Capital Assets	17,728.25	17,728.25	
Transfers Out	(1,103,581.31)	(1,276,665.79)	(2,166,175.15)
Total Other Financing Sources (Uses)	(694,963.81)	(789,108.48)	(1,243,284.19)
Net Change in Fund Balances	(1,070,975.76)	(1,801,995.73)	(1,498,258.76)
Fund Balances - Beginning of Year, as Restated	7,204,583.83	10,182,901.37	10,229,581.26
Fund Balances - End of Year	\$ 6,133,608.07	\$ 8,380,905.64	\$ 8,731,322.50

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$ 44,770,634.70
		301,368.95
(1)	(27,677.97)	9,771,050.81
		140,364.52
	<u>(27,677.97)</u>	<u>54,983,418.98</u>
(2)	130,555.37	33,255,059.31
(2)	56,405.20	8,382,851.23
(2)	8,174.71	5,545,404.24
(2)	39,532.62	4,118,851.94
		42,253.05
(2)	6,822.94	2,641,690.44
(2)	121,525.52	1,522,160.58
		120,817.09
	<u>363,016.36</u>	<u>55,629,087.88</u>
	<u>(390,694.33)</u>	<u>(645,668.90)</u>
		506,816.67
		402,894.21
		13,180.08
		<u>(2,166,175.15)</u>
		<u>(1,243,284.19)</u>
	(390,694.33)	(1,888,953.09)
(3)	<u>(4,907,505.26)</u>	<u>5,322,076.00</u>
	<u>\$ (5,298,199.59)</u>	<u>\$ 3,433,122.91</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2019***

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**Explanation of differences between Actual Amounts on  
Budgetary Basis and Actual Amounts GAAP Basis:**

The Board budgets on the modified accrual basis of accounting with the following exceptions:

- (1) The Board budgets ad valorem taxes as collected, rather than on the modified accrual basis (GAAP).
- (2) The Board budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

Net Change in Fund Balances - Budget to GAAP

- (3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) because of the cumulative effect of transactions such as those described above.



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\$ (27,677.97)

(363,016.36)

\$ (390,694.33)

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2019***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<b>Revenues</b>			
Federal	\$ 9,428,349.15	\$ 9,730,660.65	\$ 8,859,543.36
Local	2,368,864.21	2,421,826.75	4,962,149.90
Other	165,087.14	165,087.14	76,247.56
Total Revenues	<u>11,962,300.50</u>	<u>12,317,574.54</u>	<u>13,897,940.82</u>
<b>Expenditures</b>			
Current:			
Instruction	5,177,304.53	5,349,079.73	5,608,495.06
Instructional Support	1,158,264.56	1,093,193.28	1,015,094.59
Operation and Maintenance	88,781.14	130,294.65	295,225.80
Auxiliary Services:			
Student Transportation	66,314.60	72,486.87	102,130.11
Food Service	5,003,741.58	5,432,087.36	6,137,692.37
General Administrative and Central Support	282,744.52	339,883.17	342,054.15
Other	1,072,602.44	1,183,735.88	1,718,869.08
Capital Outlay	245,103.07	258,035.26	184,566.49
Total Expenditures	<u>13,094,856.44</u>	<u>13,858,796.20</u>	<u>15,404,127.65</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,132,555.94)</u>	<u>(1,541,221.66)</u>	<u>(1,506,186.83)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	1,718,497.92	1,652,993.69	1,905,947.65
Sale of Capital Assets	106.66	607.65	
Transfers Out	(724,071.13)	(485,482.42)	(201,945.30)
Total Other Financing Sources (Uses)	<u>994,533.45</u>	<u>1,168,118.92</u>	<u>1,704,002.35</u>
Net Change in Fund Balances	(138,022.49)	(373,102.74)	197,815.52
Fund Balances - Beginning of Year, as Restated	<u>1,348,889.53</u>	<u>3,311,542.67</u>	<u>2,851,255.32</u>
Fund Balances - End of Year	<u>\$ 1,210,867.04</u>	<u>\$ 2,938,439.93</u>	<u>\$ 3,049,070.84</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$ 8,859,543.86
		4,962,149.40
		76,247.56
		<u>13,897,940.82</u>
		5,608,495.06
		1,015,094.59
		295,225.80
		102,130.11
(1)	(21,056.45)	6,116,635.92
		342,054.15
		1,718,869.08
		184,566.49
	<u>(21,056.45)</u>	<u>15,383,071.20</u>
	<u>21,056.45</u>	<u>(1,485,130.38)</u>
		1,905,947.65
		<u>(201,945.30)</u>
		<u>1,704,002.35</u>
	21,056.45	218,871.97
(2)	<u>(297,928.68)</u>	<u>2,553,326.64</u>
	<u>\$ (276,872.23)</u>	<u>\$ 2,772,198.61</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2019***

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**Explanation of differences between Actual Amounts on  
Budgetary Basis and Actual Amounts GAAP Basis:**

The Board budgets on the modified accrual basis of accounting with the following exceptions:

- (1) The Board budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

Net Change in Fund Balances - Budget to GAAP

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) because of the cumulative effect of transactions such as those described above.

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\$ 21,056.45

\$ 21,056.45

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2019***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Identifying Number</b>	<b>Expenditures</b>
<b><u>U. S. Department of Education</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Title I Grants to Local Educational Agencies (M)	84.010	N.A.	\$ 2,159,535.32
Special Education Cluster:			
Special Education - Grants to States	84.027	N.A.	1,791,308.90
Special Education - Preschool Grants	84.173	N.A.	93,732.00
Sub-Total Special Education Cluster (M)			<u>1,885,040.90</u>
Career and Technical Education - Basic Grants to States	84.048	N.A.	159,527.06
Rural Education	84.358	N.A.	130,594.75
English Language Acquisition State Grants	84.365	N.A.	51,870.63
Supporting Effective Instruction State Grants	84.367	N.A.	299,274.84
Student Support and Academic Enrichment Program	84.424	N.A.	158,478.81
<b><u>Passed Through Alabama Department of Early Childhood Development</u></b>			
Preschool Development Grants	84.419	N.A.	230,118.80
Total U. S. Department of Education			<u>5,074,441.11</u>
<b><u>U. S. Department of Agriculture</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N.A.	881,582.53
National School Lunch Program:			
Cash Assistance	10.555	N.A.	2,498,330.06
Non-Cash Assistance (Commodities)	10.555	N.A.	303,178.90
Sub-Total National School Lunch Program			<u>2,801,508.96</u>
Summer Food Service Program for Children	10.559	N.A.	45,771.22
Total Child Nutrition Cluster			<u>3,728,862.71</u>
Child and Adult Care Food Program	10.558	N.A.	314,300.65
State Administrative Expenses for Child Nutrition	10.560	N.A.	17,028.90
<b><u>Passed Through Chilton County Commission</u></b>			
Schools and Roads - Grants to States	10.665	N.A.	23,881.44
Total U. S. Department of Agriculture			<u>4,084,073.70</u>
<b><u>Social Security Administration</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Social Security - Disability Insurance	96.001	N.A.	2,398.00
Total Expenditures of Federal Awards			<u>\$ 9,160,912.81</u>

(M) = Major Program

N.A. = Not Available or Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.



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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2019***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Chilton County Board of Education under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Chilton County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Chilton County Board of Education.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Chilton County Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

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## *Additional Information*

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***Board Members and Administrative Personnel***  
***October 1, 2018 through September 30, 2019***

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<b>Board Members</b>		<b>Term Expires</b>
Hon. Brian Jackson	President	November 2024 (*)
Hon. Jacqueline Sullivan	Vice-President	November 2024
Hon. Joe Mims	Member	November 2018
Hon. James C. Shannon	Member	November 2018
Hon. Linda L. Hand	Member	November 2018
Hon. Keith Moore	Member	November 2024
Hon. Curtis Smith	Member	November 2018
Hon. Lori R. Patterson	Member	November 2024
Hon. Pam Price	Member	November 2024
Hon. Chris Smith	Member	November 2024
Hon. Angie Sanderson	Member	November 2024

**Administrative Personnel**

Hon. Jason Griffin	Superintendent	December 31, 2022
LaVerne Williams	Chief School Financial Officer	Resigned September 30, 2019

(\*) Resigned from Board effective May 31, 2020

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

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**Independent Auditor's Report**

Members of the Chilton County Board of Education,  
Superintendent and Chief School Financial Officer  
Clanton, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chilton County Board of Education, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Chilton County Board of Education's basic financial statements and have issued our report thereon dated July 31, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Chilton 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 the Chilton County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Chilton County Board of Education's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

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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 Chilton County Board of Education's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as finding 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as findings 2019-002 and 2019-003 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Chilton 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*.

**Chilton County Board of Education's Response to the Findings**

The Chilton County Board of Education's response to the findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Chilton County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

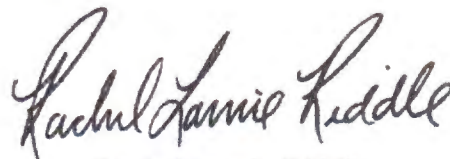
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***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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**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 Chilton County Board of Education'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 Chilton County Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 31, 2020

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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance***

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***Independent Auditor's Report***

Members of the Chilton County Board of Education,  
Superintendent and the Chief School Financial Officer  
Clanton, Alabama

***Report on Compliance for Each Major Federal Program***

We have audited the Chilton County Board of Education's (the "Board") compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2019. The Board's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

The management of the Board is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance***

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***Opinion on Each Major Federal Program***

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

***Report on Internal Control Over Compliance***

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 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.

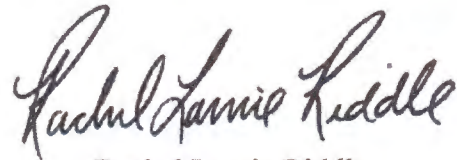
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify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

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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance***

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The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

July 31, 2020

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2019***

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

**Financial Statements**

Type of opinion issued: Unmodified

Internal control over financial reporting:  
 Material weakness(es) identified?  X  Yes   No

Significant deficiency(ies) identified?  X  Yes   None reported

Noncompliance material to financial statements noted?   Yes  X  No

**Federal Awards**

Internal control over major federal programs:  
 Material weakness(es) identified?   Yes  X  No

Significant deficiency(ies) identified?   Yes  X  None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?   Yes  X  No

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee?   Yes  X  No

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2019***

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

**Reference Number:** 2019-001  
**Type of Finding:** Internal Control  
**Internal Control Impact:** Material Weakness  
**Compliance Impact:** None

**The financial statements were materially misstated by \$260,277.50 because internal controls were not in place to properly record debt transactions. The Board made material adjustments to correct the financial statements after being notified of these errors.**

**Finding**

Generally accepted accounting principles require financial statements to be materially correct and contain amounts that are supported by the accounting records. The Chilton County Board of Education (the “Board”) failed to accurately record transactions during the fiscal year involving \$260,277.50, in which cash was transferred from the General Fund to the Debt Service Fund in order to make debt principal and interest payments. The Board did not have internal controls in place to ensure that all financial transactions were accurately recorded in the accounting records. As a result, cash and operating transfers in were understated by \$260,277.50 in the Debt Service Fund and cash was overstated and operating transfers out were understated by \$260,277.50 in the General Fund. The management of the Board was notified of these errors and made adjustments to the financial statements to correct the misstatements.

This finding was first reported to the Board in fiscal year 2018 as Finding 2018-001.

**Recommendation**

The Board should implement adequate internal controls to ensure cash and operating transfers are properly recorded in the financial statements.

**Views of Responsible Officials of the Auditee**

The Board agreed with the finding.

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## *Schedule of Findings and Questioned Costs*

### *For the Year Ended September 30, 2019*

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**Reference Number:** 2019-002  
**Type of Finding:** Internal Control  
**Internal Control Impact:** Significant Deficiency  
**Compliance Impact:** None

**The Board failed to ensure internal control policies were followed at Jemison Intermediate School and Verbena High School related to the receipting of funds.**

#### **Finding**

The Chilton County Board of Education's (the "Board") Local School and Reporting policy states, in part, that receipting of currency should "indicate if the funds are cash or check on the teacher receipt, the original teacher receipt should be handed out to the students, the master receipt book with pages intact must be secured for audits, funds should be counted and verified with the amount in the teacher receipt book." At the local schools tested, the following matters were noted related to receipting:

Jemison Intermediate School ("JIS"):

- ◆ JIS did not maintain a listing of receipt books issued to each teacher; therefore, it could not be verified that all teacher receipt books issued were made available for audit testing.
- ◆ JIS reuses teacher receipt books until all receipts are used, rather than limiting them to use for specific fiscal years. Some of the receipt pages were torn from teacher receipt books; therefore, the completeness and sequence of all receipts issued could not be verified.
- ◆ Instances were noted in which the breakdown of currency type (i.e. cash or check) indicated on teacher receipts did not agree with the breakdown of currency indicated on master receipts maintained by the school's office.

Verbena High School ("VHS"):

- ◆ VHS did not maintain a listing of receipt books issued to each teacher; therefore, it could not be verified that all teacher receipt books were made available for audit testing.
- ◆ Teachers did not always indicate on the written receipt whether the amounts collected were cash or check.
- ◆ Instances were noted in which the student's copy of teacher receipts remained attached in the receipt book indicating the student was not given a receipt.

Controls were not in place at the local schools to ensure compliance with the Board's policy and procedures established for the receipting of school funds. As a result, numerous receipting errors were noted which could expose money to loss or theft.

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2019***

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**Recommendation**

The Board should ensure the schools follow Board policy relating to receipting.

**Views of Responsible Officials of the Auditee**

The Board agreed with the finding.

<b>Reference Number:</b>	2019-003
<b>Type of Finding:</b>	Internal Control
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	None

**The Board failed to ensure internal control policies were followed at Verbena High School related to the disbursement of funds.**

**Finding**

The Board's Financial Operations Manual states all purchases for the Chilton County Board of Education (the "Board") will be made through the use of purchase orders with the exception of "contracts, signed agreements/leases, utility payments, approved travel reimbursements, and similar type of expenditures." Upon the receipt of a good or service, the invoice, purchase order, packing slip, and any other pertinent documentation are submitted for review and approved by an authorized reviewer prior to payment. Local school expenditure testing at Verbena High School (the "School") revealed numerous errors with the School's purchasing procedures. The School failed to ensure all purchase orders were approved by the appropriate individuals and were supported by adequate documentation prior to payment of the invoices. Controls were not in place at the School to ensure compliance with applicable policy and procedures established to approve and document purchases from the School. As a result, numerous expenditures were not properly approved and documented in accordance with the Board's Financial Operations Manual.

This finding was first reported to the Board in fiscal year 2018 as Finding 2018-002.

**Recommendation**

The Board should ensure the School follows Board policy related to purchase orders.

**Views of Responsible Officials of the Auditee**

The Board agreed with the finding.

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*Schedule of Findings and Questioned Costs*  
*For the Year Ended September 30, 2019*

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

No matters were reportable.

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*Summary Schedule of Prior Audit Findings*

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***Summary Schedule of Prior Audit Findings***  
***For the Year Ended September 30, 2019***

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As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, the Chilton County Board of Education has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2019.

<b>Finding Ref. No.</b>	<b>Status of Prior Audit Finding</b>
2018-001	<p>Generally accepted accounting principles require that the financial statements be presented free of material misstatements and that they contain amounts that are supported by the accounting records. The Chilton County Board of Education (the "Board") failed to accurately record transactions during the fiscal year involving \$179,446.10, in which cash was transferred from the General Fund to the Debt Service Fund in order to make debt principal and interest payments. The Board did not have internal controls in place to ensure that all financial transactions were accurately recorded in the accounting records. As a result, cash and operating transfers in were understated by \$179,446.10 in the Debt Service Fund and cash was overstated and operating transfers out were understated by \$179,446.10 in the General Fund. The management of the Board was notified of these errors and made adjustments to the financial statements to correct the misstatements.</p> <p>Response: Corrective action was taken in FY2020 and was removed from the trial balance.</p>
2018-002	<p>The Board's Financial Operations Manual states that all purchases for the Chilton County Board of Education (the "Board") will be made through the use of approved purchase orders with the exception of contracts, signed agreements/leases, utility payments, approved travel reimbursements, and similar types of expenditures. Upon the receipt of a good or service, the invoice, purchase order, packing slip, and any other pertinent documentation are submitted for review and approval by an authorized reviewer prior to payment. Local school expenditure testing at Jemison Elementary School and Chilton County High School (the "Schools") revealed numerous errors in the Schools' purchasing practices. The Schools failed to ensure all purchase orders were approved by the appropriate individuals and were supported by adequate documentation prior to payment of the invoices. Controls were not in place at the local schools to ensure compliance with applicable policy and procedures established to approve and document purchases from local school funds. As a</p>

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result, numerous expenditures not properly approved and documented in accordance with the Board's Financial Operations Manual.

Response: Additional training will be provided to all principals and local school bookkeepers on the proper method of approving purchase orders.

2018-003 Title 26 of the Internal Revenue Code requires governmental agencies to file returns (Form 1099-MISC) to report payments made to another person in the amount of \$600 or more in a taxable year for services performed, and who are not treated as employees of the agency. At Chilton County High School and Jemison Elementary School, a Form 1099-MISC was not issued to several individuals who received payments for services in excess of \$600. The Chilton County Board of Education (the "Board") did not have controls in place to ensure individuals receiving payments in the amount of \$600 or more were issued Form 1099-MISC. As a result, taxable payments to vendors were not reported to the Internal Revenue Service.

Response: Corrective action was taken in FY2019.

2018-004 The Chilton County Board of Education's (the "Board") policy provides that fundraising activities will not be permitted on school or Board property unless the activities are approved by the Principal, and adequate provisions have been made for the security and proper accounting of funds collected, along with other requirements. The Board's requires this to be documented through a "Fundraiser Request Form" and a "Fundraiser Accountability Form". The Fundraiser Request Form documents the purpose of the activity, responsible party, etc. and must be signed by the Faculty Sponsor/Teacher and approved by the Principal.

The Fundraiser Accountability Form documents:

- ✓ The date of the event
- ✓ The group/club sponsoring the sale and responsible persons
- ✓ The vendor used for purchase of the products to be sold
- ✓ Description of items sold (if applicable)
- ✓ Calculated anticipated profit, actual profit, and an explanation of variances between the anticipated profit and the actual profit.

This form must also be signed by the Sponsor/Teacher and the deposits must be verified by someone other than the Sponsor/Teacher.

At Jemison Elementary School (the "School"), the "Fundraiser Request Forms" were not signed by the responsible faculty personnel, nor were they approved by the Principal. Also, the "Fundraiser Accountability Forms" were not provided to adequately document the results of the fundraiser activities. Controls were not in place to ensure the School documented fundraisers in accordance with Board policy. As a result, the School failed to properly approve the fundraiser activity, a determination could not be made to ensure the fundraisers operated at a profit, and

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we were unable to determine that all money received from fundraisers was properly recorded and deposited.

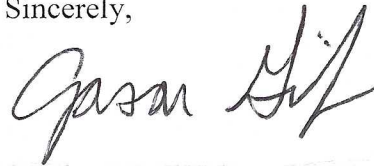
Response: Corrective action was taken in FY2019.

2018-005

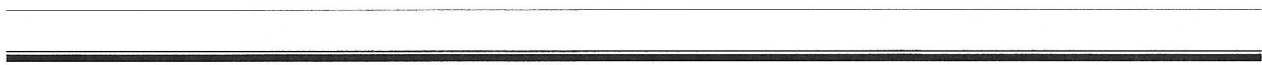
Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* require the Chilton County Board of Education (the “Board”) to use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and standards identified under the *Uniform Guidance*. The *Code of Alabama 1975*, Section 16-13B-1, requires certain goods and services costing \$15,000 or more purchased by a board of education to be made through open and competitive bidding. During the audit period, the Board purchased a vehicle from a vendor who was awarded a contract through a competitively bid State contract in the amount of \$23,574.00. The Board paid the vendor the base bid price, plus \$32,328.00 for upgrades, for a total purchase price of \$55,902.00. The Board did not provide documentation to show that the upgrades were included in the bid contract awarded by the State of Alabama. Controls were not in place to ensure the Board made purchases in compliance with Alabama’s competitive bid statutes and the *Uniform Guidance*. As a result, the Board failed to comply with Alabama competitive bid requirements and federal procurement compliance requirements.

Response: Corrective action was taken in FY2019.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Griffin", written in a cursive style.

Jason Griffin  
Superintendent



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*Auditee Response/Corrective Action Plan*



**Superintendent**  
Jason Griffin

**Telephone**  
205-280-3000

**Fax**  
205-755-6549

1705 Lay Dam Road  
Clanton, Alabama 35045  
www.chiltonboe.com

**Board Members**

Brian Jackson - President  
Jacqueline Sullivan - Vice-President  
Keith Moore  
Lori Patterson  
Pam Price  
Angie Sanderson  
Chris Smith

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***Corrective Action Plan***  
***For the Year Ended September 30, 2019***

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**Finding**  
**Ref.**  
**No.**

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**Finding 2019-001:** Generally accepted accounting principles require that the financial statements be presented free of material misstatements and that they contain amounts that are supported by the accounting records. The Chilton County Board of Education (the “Board”) failed to accurately record transactions during the fiscal year involving \$260,277.50, in which cash was transferred from the General Fund to the Debt Service Fund in order to make debt principal and interest payments. The Board did not have internal controls in place to ensure that all financial transactions were accurately recorded in the accounting records. As a result, cash and operating transfers in were understated by \$260,227.50 in the Debt Service Fund and cash was overstated and operating transfers out were understated by \$260,277.50 in the General Fund. The management of the Board was notified of these errors and made adjustments to the financial statements to correct the misstatements.

**Response to Finding 2019-001**

Corrective action was taken in FY2020 and was removed from the trial balance.

**Contact Person:**

Rachel Woodham, Interim CSFO

**Anticipation Completion Date:**

July 22, 2020

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**Finding 2019-002:** The Chilton County Board of Education’s (the “Board”) Local School and Reporting policy states, in part, that receipting of currency should “indicate if the funds are cash or check on the teacher receipt, the original teacher receipt should be handed out to the students, the master receipt book with pages intact must be

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**Superintendent**  
Jason Griffin

**Telephone**  
205-280-3000

**Fax**  
205-755-6549

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Clanton, Alabama 35045  
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**Board Members**

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Keith Moore  
Lori Patterson  
Pam Price  
Angie Sanderson  
Chris Smith

secured for audits, funds should be counted and verified with the amount in the teacher receipt book”. At the local schools tested, the following matters were noted related to receipting: Jemison Intermediate School (“JIS”):

- JIS did not maintain a listing of receipt books issued to each teacher; therefore, it could not be verified that all teacher receipt books issued were made available for audit testing.
- JIS reuses teacher receipt books until all receipts are used, rather than limiting them to use for specific fiscal years. Some of the receipt pages were torn from teacher receipt books; therefore, the completeness and sequence of all receipts issued could not be verified.
- Instances were noted in which the breakdown of currency type (i.e. cash or check) indicated on teacher receipts did not agree with the breakdown of currency indicated on master receipts maintained by the school’s office.

Verbena High School (“VHS”):

- VHS did not maintain a listing of receipt books issued to each teacher; therefore, it could not be verified that all teacher receipt books were made available for audit testing.
- Teachers did not always indicate on the written receipt whether the amounts collected were cash or check.
- Instances were noted in which the student’s copy of teacher receipts remained attached in the receipt book indicating the student was not given a receipt.

Controls were not in place at the local schools to ensure compliance with the Board’s policy and procedures established for the receipting of school funds. As a result, numerous receipting errors were noted which could expose money to loss or theft.

**Response to Finding 2019-002**

Additional training will be provided to all principals and local school bookkeepers on the proper method of receipting funds by teachers.

**Contact Person:**

Rachel Woodham, Interim CSFO

**Anticipation Completion Date:**

August 15, 2020



**Superintendent**  
Jason Griffin

**Telephone**  
205-280-3000

**Fax**  
205-755-6549

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Clanton, Alabama 35045  
[www.chiltonboe.com](http://www.chiltonboe.com)

**Board Members**

Brian Jackson - President  
Jacqueline Sullivan - Vice-President  
Keith Moore  
Lori Patterson  
Pam Price  
Angie Sanderson  
Chris Smith

**Finding 2019-003:** The Board's Financial Operations Manual states all purchases for the Chilton County Board of Education (the "Board") will be made through the use of purchase orders with the exception of "contracts, signed agreements/leases, utility payments, approved travel reimbursements, and similar type of expenditures". Upon the receipt of a good or service, the invoice, purchase order, packing slip, and any other pertinent documentation are submitted for review and approved by an authorized reviewer prior to payment. Local school expenditure testing at Verbena High School (the "School") revealed numerous errors with the School's purchasing procedures. The School failed to ensure all purchase orders were approved by the appropriate individuals and were supported by adequate documentation prior to payment of the invoices. Controls were not in place at the School to ensure compliance with applicable policy and procedures established to approve and document purchases from the School. As a result, numerous expenditures were not properly approved and documented in accordance with the Board's Financial Operations Manual.

**Response to Finding 2019-003**

Additional training will be provided to all principals and local school bookkeepers on the proper method of purchase orders.

**Contact Person:**

Rachel Woodham, Interim CSFO

**Anticipation Completion Date:**

August 15, 2020

Sincerely,

Jason Griffin  
Superintendent