

Report on the

Chilton County Board of Education

Chilton County, Alabama

October 1, 2014 through September 30, 2015

Filed: May 20, 2016



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

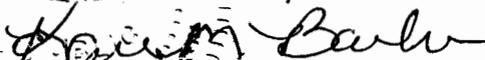
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Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the Chilton County Board of Education, Chilton County, Alabama, for the period October 1, 2014 through September 30, 2015.

Sworn to and subscribed before me this
the 15th day of April, 2016.


Notary Public Exp 10/17/17

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Respectfully submitted,


Brooke Phillips
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Chilton County Board of Education
October 1, 2014 through September 30, 2015**

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 12. 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 41-5-14.

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, 2015.

Findings are numbered and reported by the fiscal year in which the finding originally occurred.

Instances of noncompliance with state and local laws and regulations and other matters were found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and they are summarized below.

CURRENT FINDINGS

- ◆ 2015-001 relates to the Board's failure to remit payroll taxes in a timely manner.
- ◆ 2015-002 relates to the Board's failure to ensure compliance with the Alabama Opening Meetings Act relating to the preparation of the official minutes.

- ◆ 2015-003 relates to the Board's failure to retain proper bid documentation.
- ◆ 2015-004 relates to the Board's failure to report all wages paid to employee on a Form W-2.
- ◆ 2015-005 relates to the Board's failure to comply with advertising requirements for public works.

Problems were found with the Board's internal controls over financial reporting (Exhibit 15) and they are summarized below:

Findings that were presented in prior audits have not been resolved and they are summarized below.

UNRESOLVED PRIOR FINDINGS

- ◆ 2014-002 relates to the Board's failure to ensure all local school accounts are under the Board's EIN number.
- ◆ 2013-003 relates to problems with expenditures at the local schools tested.

The following individuals were invited to an exit conference to discuss the contents of this report: Superintendent: Tommy Glasscock; former Superintendent: Dave Hayden; Chief School Financial Officer: Steve Yeargan; and Board Members: Lori R. Patterson, James Shannon, Linda Hand, Joe Mims, Keith Moore, Pam Price, and Curtis Smith. The following individuals attended the exit conference, held at the Board's offices: Tommy Glasscock, Superintendent; Dave Hayden, former Superintendent; Steve Yeargan, Chief School Financial Officer; Board Members: Lori Patterson, James Shannon, Linda Hand, Joe Mims and Pam Price and representatives of the Department of Examiners of Public Accounts: Teresa Dekle, Audit Manager and Brooke Phillips, Examiner.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2015

Ref. No.	Finding/Noncompliance
2015-001	<p><u>Finding:</u> The Internal Revenue Service, Publication 15, requires employers to remit payroll taxes by certain deadlines. The Board failed to remit payroll taxes for the December 31, 2014, payroll by the required date. This resulted in the Board being assessed a penalty of \$13,281.08, which the Board subsequently paid.</p> <p><u>Recommendation:</u> The Board should implement adequate internal control procedures to ensure compliance with applicable Internal Revenue Service requirements to avoid paying penalties.</p>
2015-002	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 36-25A-4, requires governmental bodies to maintain accurate records of its meetings. The record is to include actions taken at each meeting. The State of Alabama, Local Government Records Commission <i>Guidelines for Taking and Preserving Formal Meeting Minutes</i> provide that all official actions or decisions should be reflected in the minutes, and that the minutes become official after they have been formally approved by the governing body at a subsequent meeting and signed by the presiding officer and secretary. We noted several financial transactions that were not recorded in the official minutes of the Board, and the appropriate officials did not always sign the minutes.</p> <p><u>Recommendation:</u> The Board should ensure compliance with the <i>Code of Alabama 1975</i>, Section 36-25A-4.</p>
2015-003	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 16-13B-1, requires all expenditures of funds of whatever nature for labor, services, work or for the purchase of materials, equipment, supplies or other personal property involving \$15,000 or more to be competitively bid. The <i>Code of Alabama 1975</i>, Section 16-13B-4(d), requires all original bids together with all documents to be retained for a period of at least seven years. The Board did not provide adequate documentation of solicitation of bids for the purchase of six motor vehicles, and failed to retain the bid information for the purchase of seven school buses. As a result, we were unable to determine that Board purchase contracts were awarded to the lowest responsible bidder.</p> <p><u>Recommendation:</u> The Board should ensure all bid documentation is retained for review.</p>

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2015

Ref. No.	Finding/Noncompliance
2015-004	<p><u>Finding:</u> The Internal Revenue Service regulations require the Board to report wages paid to an employee on IRS Form W-2. The Board paid a bus driver \$9,995.00 for maintenance work through accounts payable rather than through payroll. As a result, the amounts paid to the employee through accounts payable were not reported to the IRS.</p> <p><u>Recommendation:</u> The Board should ensure all employee wages are properly reported to the Internal Revenue Service.</p>
2015-005	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 39-2-2(a), provides that all Public Works contracts involving estimated expenditures in excess of \$50,000 must be let by competitive bidding, and requirements pertaining to contracts exceeding \$500,000 include advertising at least once in three newspapers of general circulation throughout the state. A public works contract totaling \$829,600 was let without advertising at least once in three newspapers of general circulation throughout the state.</p> <p><u>Recommendation:</u> The Chilton County Board of Education should comply with all aspects of the public works law including portions as defined in the <i>Code of Alabama 1975</i>, Section 39-2-2(a).</p>

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Independent Auditor's Report

Independent Auditor's Report

To: Members of the Chilton County Board of Education, Superintendent and Chief School Financial Officer

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Chilton County Board of Education, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Chilton County Board of Education's basic financial statements as 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting policies 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 and each major fund of the Chilton County Board of Education, as of September 30, 2015, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during fiscal year ended September 30, 2015, the Chilton County Board of Education adopted Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions*** - an amendment of GASB Statement Number 27. Our opinion is not modified with respect to this matter.

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 Net Pension Liability, Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, (Exhibits 7 through 10), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Chilton County Board of Education has not presented a Management Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Supplementary Other 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 11) as required by U. S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying 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 April 8, 2016, 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 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 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.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

April 8, 2016

Basic Financial Statements

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Statement of Net Position
September 30, 2015

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 15,786,142.65
Investments	1,443,567.62
Ad Valorem Property Taxes Receivable	3,637,833.44
Receivables (Note 4)	1,414,622.63
Inventories	400,204.33
Capital Assets (Note 5):	
Nondepreciable	2,188,196.93
Depreciable, Net	38,761,997.31
Total Assets	<u>63,632,564.91</u>
<u>Deferred Outflows of Resources</u>	
Loss on Refunding of Debt	117,541.86
Employer Pension Contribution	3,880,907.83
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	8,000.00
Total Deferred Outflows of Resources	<u>4,006,449.69</u>
<u>Liabilities</u>	
Payables (Note 8)	241,890.75
Unearned Grant Revenue	404,559.02
Salaries and Benefits Payable	4,574,509.67
Long-Term Liabilities:	
Portion Due or Payable Within One Year	1,542,011.66
Portion Due or Payable After One Year	59,499,283.66
Total Liabilities	<u>66,262,254.76</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	3,637,833.44
Revenue Received in Advance - Motor Vehicle Taxes	272,994.02
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	3,570,000.00
Total Deferred Inflows of Resources	<u>7,480,827.46</u>
<u>Net Position</u>	
Net Investment in Capital Assets	27,642,440.78
Restricted for:	
Capital Projects	5,598,758.78
Other Purposes	2,128,565.60
Unrestricted	<u>(41,473,832.78)</u>
Total Net Position	<u>\$ (6,104,067.62)</u>

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

Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 37,661,067.03	\$ 1,218,156.64	\$ 32,147,495.67
Instructional Support	7,986,943.86	709,933.05	6,073,476.92
Operation and Maintenance	5,486,617.22	73,739.77	2,682,060.60
Auxiliary Services:			
Student Transportation	3,980,553.90	125,712.21	3,065,905.43
Food Service	5,526,017.15	4,212,945.34	260,744.96
General Administrative and Central Support	1,647,172.60	11,178.29	1,222,716.75
Interest and Fiscal Charges	234,101.68		
Other Expenses	1,550,989.43	517,850.56	730,906.65
Total Governmental Activities	<u>\$ 64,073,462.87</u>	<u>\$ 6,869,515.86</u>	<u>\$ 46,183,306.98</u>

General Revenues:

Taxes:

 Property Taxes for General Purposes

 Sales Tax

Grants and Contributions Not Restricted
for Specific Programs

Investment Earnings

Gain on Disposition of Capital Assets

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>
\$ 1,604,336.28	\$ (2,691,078.44)
802,135.73	(1,203,533.89)
486,000.00	(1,928,681.12)
	(302,936.26)
	(1,052,326.85)
	(413,277.56)
	(234,101.68)
	(302,232.22)
<u>\$ 2,892,472.01</u>	<u>(8,128,168.02)</u>

4,463,298.14
3,599,256.59
33,623.92
11,367.09
56,004.24
<u>1,974,305.28</u>
<u>10,137,855.26</u>
2,009,687.24
<u>(8,113,754.86)</u>
<u>\$ (6,104,067.62)</u>

Balance Sheet
Governmental Funds
September 30, 2015

	General Fund	Special Revenue Fund
Assets		
Cash and Cash Equivalents	\$ 7,142,823.35	\$ 2,571,226.85
Investments	1,190,795.70	252,771.92
Ad Valorem Property Taxes Receivable	3,637,833.44	
Receivables (Note 4)	333,598.71	688,462.45
Inventories	180,727.27	219,477.06
Total Assets	<u>12,485,778.47</u>	<u>3,731,938.28</u>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Payables (Note 8)	240,000.00	1,890.75
Unearned Grant Revenues	142,500.00	262,059.02
Salaries and Benefits Payable	4,329,035.74	245,473.93
Total Liabilities	<u>4,711,535.74</u>	<u>509,423.70</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	3,637,833.44	
Revenue Received in Advance - Motor Vehicle Taxes	272,994.02	
Total Deferred Inflows of Resources	<u>3,910,827.46</u>	
Fund Balances		
Reserved for:		
Nonspendable:		
Inventories	180,727.27	219,477.06
Restricted for:		
Capital Projects		
Child Nutrition		1,043,193.40
Fleet Renewal		
Assigned to:		
Local Schools		1,866,880.06
Other Purposes		92,964.06
Unassigned	3,682,688.00	
Total Fund Balances	<u>3,863,415.27</u>	<u>3,222,514.58</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,485,778.47</u>	<u>\$ 3,731,938.28</u>

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

Capital Projects Fund	Total Governmental Funds
\$ 6,072,092.45	\$ 15,786,142.65
	1,443,567.62
	3,637,833.44
392,561.47	1,414,622.63
	400,204.33
<u>6,464,653.92</u>	<u>22,682,370.67</u>
	241,890.75
	404,559.02
	<u>4,574,509.67</u>
	<u>5,220,959.44</u>
	3,637,833.44
	<u>272,994.02</u>
	<u>3,910,827.46</u>
	400,204.33
5,598,758.78	5,598,758.78
	1,043,193.40
865,895.14	865,895.14
	1,866,880.06
	92,964.06
	<u>3,682,688.00</u>
<u>6,464,653.92</u>	<u>13,550,583.77</u>
<u>\$ 6,464,653.92</u>	<u>\$ 22,682,370.67</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2015***

Total Fund Balances - Governmental Funds (Exhibit 3)	\$ 13,550,583.77
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	40,950,194.24
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.	117,541.86
Long-term liabilities, including bonds/warrants payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Current Portion of Long-Term Debt	\$ 1,542,011.66
Noncurrent Portion of Long-Term Debt	<u>59,499,283.66</u>
	(61,041,295.32)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	<u>318,907.83</u>
Total Net Position - Governmental Activities (Exhibit 1)	<u><u>\$ (6,104,067.62)</u></u>

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, 2015

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 41,023,188.36	\$ 2,200.00
Federal	367,998.61	7,738,098.49
Local	8,679,173.77	5,157,379.21
Other	114,357.73	99,001.93
Total Revenues	50,184,718.47	12,996,679.63
<u>Expenditures</u>		
Current:		
Instruction	31,575,148.99	5,018,968.58
Instructional Support	6,459,305.18	1,547,153.61
Operation and Maintenance	5,160,256.49	86,670.72
Auxiliary Services:		
Student Transportation	3,386,694.85	60,113.85
Food Service	56,239.99	5,830,496.96
General Administrative and Central Support	1,476,619.57	183,839.03
Other	504,371.11	1,050,709.34
Capital Outlay	262,705.30	196,009.62
Debt Service:		
Principal Retirement	364,325.00	
Interest and Fiscal Charges	42,542.50	
Total Expenditures	49,288,208.98	13,973,961.71
Excess (Deficiency) of Revenues Over Expenditures	896,509.49	(977,282.08)
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	532,396.42	
Long-Term Debt Issued		
Premiums on Long-Term Debt Issued		
Transfers In	112,444.89	1,590,527.40
Sale of Capital Assets		14,750.04
Transfers Out	(1,590,527.40)	(112,444.89)
Payments to Refunding Escrow Agent		
Total Other Financing Sources (Uses)	(945,686.09)	1,492,832.55
Net Changes in Fund Balances	(49,176.60)	515,550.47
Fund Balances - Beginning of Year	3,912,591.87	2,706,964.11
Fund Balances - End of Year	\$ 3,863,415.27	\$ 3,222,514.58

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

Capital Projects Fund	Total Governmental Funds
\$ 2,897,752.01	\$ 43,923,140.37
	8,106,097.10
4,000.00	13,840,552.98
	213,359.66
<u>2,901,752.01</u>	<u>66,083,150.11</u>
318,633.89	36,912,751.46
	8,006,458.79
179,550.81	5,426,478.02
5,280.00	3,452,088.70
	5,886,736.95
16,672.76	1,677,131.36
	1,555,080.45
723,797.12	1,182,512.04
1,026,714.90	1,391,039.90
453,411.76	495,954.26
<u>2,724,061.24</u>	<u>65,986,231.93</u>
<u>177,690.77</u>	<u>96,918.18</u>
	532,396.42
3,471,580.25	3,471,580.25
571,119.88	571,119.88
	1,702,972.29
	14,750.04
	(1,702,972.29)
<u>(3,474,993.37)</u>	<u>(3,474,993.37)</u>
<u>567,706.76</u>	<u>1,114,853.22</u>
745,397.53	1,211,771.40
5,719,256.39	12,338,812.37
<u>\$ 6,464,653.92</u>	<u>\$ 13,550,583.77</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, 2015

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,211,771.40

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

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

Capital Outlays	\$ 1,182,512.04	
Depreciation Expense	<u>(1,717,397.53)</u>	(534,885.49)

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 increase financial resources. The change in net position differs from the change in fund balances by this amount.

Proceeds from Sale of Capital Assets	\$ (14,750.04)	
Gain/(Loss) on Disposition of Capital Assets	<u>(13,542.18)</u>	(28,292.22)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. This is the amount by which debt issued exceeds payments:

Debt Issued:		
Proceeds from Debt Issued	\$ (2,920,546.25)	
Proceeds from Capital Lease Agreements	(551,034.00)	
Repayments:		
Payment to Escrow Agent	3,474,993.37	
Principal Retirement	<u>1,391,039.90</u>	1,394,453.02

Premiums of debt issuance are reported as other financing sources in the governmental funds, but are amortized on in the Statement of Activities. (571,119.88)

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

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 governmental funds.

Deferred Losses on Debt Refunding	\$ (376,727.15)	
Premiums of Debt Issued	640,749.73	
Discounts of Debt Issued	(2,170.00)	
Pension Expense, Current Year	<u>275,907.83</u>	
		<u>537,760.41</u>

Change in Net Position of Governmental Activities (Exhibit 2)		<u><u>\$ 2,009,687.24</u></u>
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Notes to the Financial Statements

For the Year Ended September 30, 2015

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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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 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 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. This fund is also 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.

Notes to the Financial Statements
For the Year Ended September 30, 2015

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 if 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, and 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 are 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.

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 and in demand deposits.

Generally, investments consist of certificates of deposit and are reported at cost.

Notes to the Financial Statements

For the Year Ended September 30, 2015

2. Receivables

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

Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. 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.

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, are classified as restricted assets on the balance sheet 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.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2015

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 capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Land Improvements	\$50,000	20 years
Buildings and Improvements	\$50,000	25 – 50 years
Equipment and Vehicles	\$ 5,000	5 – 20 years
Vehicles Under Capital Lease	\$ 5,000	10 years

6. Deferred Outflows of Resources

Deferred outflow of resources is 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 net of the applicable bond/warrant premium or discount. Issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Deferred Inflows of Resources

Deferred inflows of resources are reported on 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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

9. 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.

10. 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 minus 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** – Is 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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

The Board's fund balance policy is to report the following five categories of fund balances in the governmental funds:

- A. 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 balance shall not be available for financing general operating expenditures include: inventories, prepaid items, deferred expenditures, long-term receivables and outstanding encumbrances.

- B. 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. Examples of restricted fund balances include: child nutrition programs, construction programs and restricted grants.

- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action of the Board before the end of the fiscal year and that require the same level of formal action to remove the constraint.

- D. 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 amounts 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.

- E. 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 is the policy of the Board to reduce restricted amounts first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, it is the policy of the Board that committed amounts will be reduced first, followed by assigned amounts and then unassigned amounts.

11. Minimum Fund Balance

The Board has set up 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 dollars per month for the Chilton County Board of Education.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 2 – Stewardship, Compliance, and Accountability

A. 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. The Capital Projects Fund adopts project-length budgets. All appropriations lapse at fiscal year-end.

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.

B. Deficit Net Position

At September 30, 2015, the government-wide financial statement had a deficit net position of \$6,104,067.62. The deficit in the net position is due to the implementation of the GASB Statement Number 68.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2015

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.

Note 4 – Receivables

On September 30, 2015, receivables for the Board's individual major funds are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Receivables:				
Other Receivables	\$	\$ 614.50	\$	\$ 614.50
Sales Tax Receivable	292,500.00			292,500.00
Intergovernmental	41,098.71	687,847.95	392,561.47	1,121,508.13
Total Receivables	\$333,598.71	\$688,462.45	\$392,561.47	\$1,414,622.63

Note 5 – Capital Assets

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

	Balance 10/01/2014	Additions	Retirements	Balance 09/30/2015
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements – Inexhaustible	\$ 2,188,196.93	\$	\$	\$ 2,188,196.93
Total Capital Assets, Not Being Depreciated	2,188,196.93			2,188,196.93
Capital Assets Being Depreciated:				
Land Improvements – Exhaustible	58,700.00			58,700.00
Buildings and Improvements	46,946,385.48	41,914.00		46,988,299.48
Equipment and Vehicles	8,406,596.97	589,564.04	(57,421.00)	8,938,740.01
Vehicles Under Capital Lease	4,268,127.49	551,034.00		4,819,161.49
Total Capital Assets Being Depreciated	59,679,809.94	1,182,512.04	(57,421.00)	60,804,900.98
Less Accumulated Depreciation for:				
Land Improvements – Exhaustible	(40,943.25)	(2,641.50)		(43,584.75)
Buildings and Improvements	(13,021,566.25)	(840,977.11)		(13,862,543.36)
Equipment and Vehicles	(5,582,454.81)	(442,132.66)	29,128.78	(5,995,458.69)
Vehicles Under Capital Lease	(1,709,670.61)	(431,646.26)		(2,141,316.87)
Total Accumulated Depreciation	(20,354,634.92)	(1,717,397.53)	29,128.78	(22,042,903.67)
Total Capital Assets Being Depreciated, Net	39,325,175.02	(534,885.49)	(28,292.22)	38,761,997.31
Total Governmental Activities Capital Assets, Net	\$ 41,513,371.95	\$ (534,885.49)	\$(28,292.22)	\$ 40,950,194.24

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
Instruction	\$ 940,493.70
Instructional Support	18,530.65
Operation and Maintenance	66,964.52
<u>Auxiliary Services:</u>	
Food Service	145,556.28
Student Transportation	542,619.99
General Administrative and Central Support	3,232.39
Total Depreciation Expense – Governmental Activities	<u>\$1,717,397.53</u>

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The Teachers’ Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 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.

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 who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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, 2015, was 11.71% of annual pay for Tier 1 members and 11.05% 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 \$3,880,907.83 for the year ended September 30, 2015.

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

At September 30, 2015, the Board reported a liability of \$47,616,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the Board's proportion was 0.524137%, which was an increase (decrease) of 0.000027% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the Board recognized pension expense of \$3,605,000. At September 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		3,570,000.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,000.00	
Employer contributions subsequent to the measurement date	3,880,907.83	
Total	\$3,888,907.83	\$3,570,000.00

Notes to the Financial Statements
For the Year Ended September 30, 2015

\$3,880,907.83 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2016	\$(891,000)
2017	\$(891,000)
2018	\$(891,000)
2019	\$(891,000)
2020	\$ (2,000)
Thereafter	\$

E. Actuarial Assumptions

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

Inflation	3.00%
Investment Rate of Return (*)	8.00%
Projected Salary Increases	3.5%-8.25%
(*) Net of pension plan investment expense	

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2015

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	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

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

F. Discount Rate

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

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Board's proportionate share of collective net pension liability	\$64,867	\$47,616	\$32,994
(Dollar amounts in thousands)			

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, 2014. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

Notes to the Financial Statements
For the Year Ended September 30, 2015

B. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 83-455, Acts of Alabama, to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

	Fiscal Year 2015
Individual Coverage – Non-Medicare Eligible	\$151.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$391.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$250.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$250.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$700.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$934.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$907.00
Surviving Spouse – Medicare Eligible	\$354.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$595.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$568.00

For employees that retire other than for disability on or after October 1, 2005, and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is \$28.00 per month for retired members that use tobacco.

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2015	\$780.00	\$180.76	23.17%	\$1,798,169.77	100%
2014	\$714.00	\$220.09	30.83%	\$2,202,051.37	100%
2013	\$714.00	\$216.90	30.38%	\$2,150,448.18	100%

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

Note 8 – Payables

On September 30, 2015, payables for the Board's individual major funds are as follows:

	Vendors	Other	Total Payables
Governmental Activities:			
General Fund	\$	\$240,000.00	\$240,000.00
Special Revenue Fund	1,890.75		1,890.75
Total Governmental Activities	\$1,890.75	\$240,000.00	\$241,890.75

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 9 – Lease Obligations

Capital Leases

The Board is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$4,819,161.49 at September 30, 2015. 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, 2015.

Fiscal Year Ending	Governmental Activities
September 30, 2016	\$ 573,146.53
2017	573,146.53
2018	412,592.73
2019	309,393.35
2020	309,663.35
2021-2025	771,704.97
Total Minimum Lease Payments	2,949,647.46
Less: Amount Representing Interest	(303,753.20)
Present Value of Net Minimum Lease Payments	<u>\$2,645,894.26</u>

Note 10 – Long-Term Debt

During fiscal year 2008, the Board issued Capital Improvement Pool Bonds, Series 2008, in anticipation of their Public School Fund allocations, which are managed by the Public School and College Authority. The proceeds from these bonds provided funds for the acquisition, construction and renovation of school facilities. These Bonds were partially refunded by the Capital Improvement Pool Bonds, Series 2015-B during the audit period.

During fiscal year 2009, the Board issued the Capital Outlay Refunding Warrants, Series 2009, to advance refund the Capital Outlay School Warrants, Series 1999, dated June 1, 1999. The Board pays the principal and interest due for these warrants from the Public School Fund allocations, which are received from the Alabama Department of Education.

During the fiscal year 2012, the Board issued the Capital Improvement Pool Refunding Bonds, Series 2012-A, to partially advance refund of the Series 2002-A. The Board pays the principal and interest due for these warrants from the PSF allocations, which are received from the Alabama Department of Education.

Notes to the Financial Statements
For the Year Ended September 30, 2015

During the fiscal year 2014, the Board issued the Capital Improvement Pool Refunding Bonds, Series 2014-A, to advance refund the Capital Improvement Pool Bonds, Series 2006. The Board pays the principal and interest due for these warrants from the PSF allocations, which are received from the Alabama Department of Education.

During the fiscal year 2015, the Board issued the Capital Improvement Pool Refunding Bonds, Series 2015-B, to partial advance refund the Capital Improvement Pool Bonds, Series 2008. The Board pays the principal and interest due to these warrants from the PSF allocations, which are received from the Alabama Department of Education.

During fiscal years 2008, 2011, 2014, and 2015, the Board entered into capital lease agreements for the purchase of 32, 18, 14, and 7 school buses, respectively. The Board's Fleet Renewal funding source repays these capital leases.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2015:

	Debt Outstanding 10/01/2014 (*)	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2015	Amounts Due Within One Year
Governmental Activities:					
Bonds/Warrants Payable:					
Capital Improvement Pool Bonds, Series 2008	\$ 4,001,166.77	\$	\$(3,333,608.61)	\$ 667,558.16	\$ 213,806.80
Capital Outlay Refunding Warrants, Series 2009	1,195,000.00		(225,000.00)	970,000.00	230,000.00
Capital Improvement Pool Refunding Bonds, Series 2012-A	3,487,189.41		(343,117.59)	3,144,071.82	356,665.13
Capital Improvement Pool Refunding Bonds, Series 2014-A	2,646,664.02		(181,481.30)	2,465,182.72	185,925.74
Capital Improvement Pool Refunding Bonds, Series 2015-B		2,920,546.25		2,920,546.25	
Deferred Amounts:					
Unamortized Premium	689,266.96	571,119.88	(640,749.73)	619,637.11	69,629.85
Unamortized Discount	(9,765.00)		2,170.00	(7,595.00)	(2,170.00)
Total Bonds/Warrants Payable	12,009,522.16	3,491,666.13	(4,721,787.23)	10,779,401.06	1,053,857.52
Other Liabilities:					
Capital Leases	2,517,266.94	551,034.00	(422,406.68)	2,645,894.26	488,154.14
Net Pension Liability	51,338,000.00		(3,722,000.00)	47,616,000.00	
Total Governmental Activities Long-Term Liabilities	\$65,864,789.10	\$4,042,700.13	\$(8,866,193.91)	\$61,041,295.32	\$1,542,011.66
(*) With the implementation of GASB Statement Number 68, the beginning long-term debt was restated for Pension Liability.					

Notes to the Financial Statements
For the Year Ended September 30, 2015

Payments on the Capital Improvement Pool Bonds Series 2008, Capital Improvement Pool Refunding Bonds, Series 2012-A, Capital Improvement Pool Refunding Bonds, Series 2014-A Bonds 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 are made by the Capital Projects Fund with sales taxes. Capital Lease 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		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	
September 30, 2016	\$ 986,397.67	\$ 455,017.54	\$ 488,154.14	\$ 84,992.39	\$ 2,014,561.74
2017	1,021,058.88	273,565.07	507,008.40	66,138.13	1,867,770.48
2018	1,071,784.70	228,976.19	366,090.20	46,502.53	1,713,353.62
2019	1,003,350.74	189,575.24	275,327.52	34,065.83	1,502,319.33
2020	887,446.21	145,952.58	283,330.24	26,333.11	1,343,062.14
2021-2025	3,825,198.54	743,616.42	725,983.76	45,721.21	5,340,519.93
2026-2029	1,372,122.21	98,961.78			1,471,083.99
Totals	\$10,167,358.95	\$2,135,664.82	\$2,645,894.26	\$303,753.20	\$15,252,671.23

Notes to the Financial Statements
For the Year Ended September 30, 2015

Deferred Inflows/Outflows on Refunding, Discounts and Premiums

The Board has a premium in connection with the issuance of its Capital Improvement Pool Bonds, Series 2008, which is being amortized over a period of twenty years. In addition, the Board has deferred charges on refunding and a discount in connection with the issuance of its Capital Outlay Refunding Warrants, Series 2009, which are being amortized over a period of ten years. 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. The deferred charge on refunding and premium for the issuance of the Capital Improvement Pool Refunding Bonds, Series 2015-B, were recognized in the current year.

	Deferred Loss on Refunding	Premium	Discount
Total Deferred Inflows/Outflows on Refunding, Premium and Discount	\$548,095.07	\$1,465,300.67	\$21,700.00
Amount Amortized Prior Years	53,826.06	204,913.84	11,935.00
Balance Deferred Inflows/Outflows on Refunding, Premium and Discount	494,269.01	1,260,386.83	9,765.00
Current Year Amount Fully Recognized	360,419.09	571,119.88	
Current Amount Amortized	16,308.06	69,629.85	2,170.00
Balance Deferred Inflows/Outflows on Refunding, Premium and Discount	\$117,541.86	\$ 619,637.10	\$ 7,595.00

Notes to the Financial Statements

For the Year Ended September 30, 2015

Defeased Debt

On May 5, 2015, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued \$47,610,000 in Capital Improvement Pool Refunding Bonds, Series 2015-B (“Series 2015-B”) with interest rates ranging from 3.00% to 5.00% to partially refund \$29,790,000 of outstanding Capital Improvement Pool Warrants, Series 2008 (“Series 2008”) with interest rates ranges from 3.25% to 4.25% and \$22,415,000 of outstanding Capital Improvement Pool Warrants, Series 2009-C (“Series 2009-C”) with interest rates ranging from 3.00% to 4.00%. The net proceeds of \$56,648,455.46 (after a premium of \$9,310,250.60 and payment of \$271,795.14 in underwriting fees and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old warrants. As a result, the Series 2008 and Series 2009-C are considered to be partially defeased and the liabilities for those warrants have been partially removed. The Board had a 6.143% participation for the Series 2015-B which resulted in the Board being obligated for \$2,924,682.30 of the total principal of \$47,610,000. The Board did not have any participation in the Series 2009-C. As a result, the bonds that were refunded are considered to be defeased and the liability for this debt has been removed.

The Board’s portion of the advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$360,419.09. This difference was recognized in the current year. As a result of the advance refunding, the Board decreased its total debt service requirements by \$61,328.22, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$48,087.15.

Pledged Revenues

The Board issued Capital Improvement Pool Bonds, Series 2008, 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 \$11,800,644.89 are pledged to repay the principal and interest on the bonds at September 30, 2015. Pledged funds in the amount of \$1,480,126.66 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2015. This amount represents 100 percent of the pledged funds received by the Board. The Capital Improvement Pool Bonds, Series 2008, 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 2018, 2024, 2026, and 2029 respectively.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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. Future revenues of \$1,058,075.54 are pledged to repay the principal and interest on the warrants at September 30, 2015. Proceeds of the sales tax in the amount of \$3,599,253.17 were received by the Board during the fiscal year ended September 30, 2015, of which \$267,542.50 was used to pay principal and interest on the warrants. The warrants will mature in fiscal year 2019.

Note 11 – 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. Automobile liability insurance and errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. 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.

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 12 – Interfund Transactions

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2015, were as follows:

	Transfers Out		Total
	General Fund	Special Revenue Fund	
Transfers In:			
General Fund	\$	\$112,444.89	\$ 112,444.89
Special Revenue Fund	1,590,527.40		1,590,527.40
Totals	\$1,590,527.40	\$112,444.89	\$1,702,972.29

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

Note 13 – Restatement

In fiscal year 2015, the Chilton County Board of Education adopted Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions***. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Chilton County Board of Education’s financial statements. For fiscal year 2015, the Board made prior period adjustments due to the adoption of GASB Statement Number 68 which required the restatement of the September 30, 2015, net position in Governmental Activities. This resulted in a decrease in net position of \$47,573,000.00 at September 30, 2014.

Notes to the Financial Statements
For the Year Ended September 30, 2015

The impact of the restatements on the net position as previously reported is as follows:

Governmental Activities Net Position, September 30, 2014	\$ 39,459,245.14
Net Pension Liability Due to the Adoption of GASB Statement Number 68	<u>(47,573,000.00)</u>
Governmental Activities Net Position, September 30, 2014, as Restated	<u>\$ (8,113,754.86)</u>

Required Supplementary Information

***Schedule of the Employer's Proportionate Share of the
Net Pension Liability
For the Year Ended September 30, 2015
(dollar amounts in thousands)***

	2015
Employer's proportion of the net pension liability	0.524137%
Employer's proportionate share of the net pension liability	\$ 47,616
Employer's covered-employee payroll during the measurement period (*)	\$ 29,511
Employer's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	161.35%
Plan fiduciary net position as a percentage of the total collective pension liability	71.01%

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

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
For the Year Ended September 30, 2015
(dollar amounts in thousands)

	2015
Contractually required contribution	\$ 3,881
Contributions in relation to the contractually required contribution	<u>\$ 3,881</u>
Contribution deficiency (excess)	\$
School District's covered-employee payroll	\$ 31,751
Contributions as a percentage of covered-employee payroll	12.22%

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

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
State	\$ 40,659,407.00	\$ 41,007,885.82	\$ 41,023,188.36
Federal	1,750.00	1,750.00	367,998.61
Local	7,983,235.00	7,983,235.00	8,689,943.58
Other	127,000.00	149,000.00	114,357.73
Total Revenues	<u>48,771,392.00</u>	<u>49,141,870.82</u>	<u>50,195,488.28</u>
Expenditures			
Current:			
Instruction	31,157,520.77	31,169,721.84	31,668,713.90
Instructional Support	6,733,627.00	6,721,595.00	6,480,329.44
Operation and Maintenance	5,588,829.00	5,656,843.76	5,156,122.29
Auxiliary Services:			
Student Transportation	3,716,820.00	3,719,687.00	3,377,289.64
Food Service	54,300.00	54,300.00	56,239.99
General Administrative and Central Support	1,365,923.00	1,374,967.99	1,472,408.76
Other	46,408.00	309,928.00	470,521.20
Capital Outlay	85,000.00	85,000.00	262,705.30
Debt Service:			
Principal Retirement	364,325.00	364,325.00	364,325.00
Interest and Fiscal Charges	46,480.00	46,480.00	42,542.50
Total Expenditures	<u>49,159,232.77</u>	<u>49,502,848.59</u>	<u>49,351,198.02</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(387,840.77)</u>	<u>(360,977.77)</u>	<u>844,290.26</u>
Other Financing Sources (Uses)			
Indirect Cost	564,793.08	570,982.08	532,396.42
Transfers In	64,500.00	64,500.00	112,444.89
Transfers Out	(1,590,527.45)	(1,590,527.45)	(1,590,527.40)
Total Other Financing Sources (Uses)	<u>(961,234.37)</u>	<u>(955,045.37)</u>	<u>(945,686.09)</u>
Net Change in Fund Balances	(1,349,075.14)	(1,316,023.14)	(101,395.83)
Fund Balances - Beginning of Year	<u>7,629,731.00</u>	<u>8,566,840.86</u>	<u>8,566,840.86</u>
Fund Balances - End of Year	<u>\$ 6,280,655.86</u>	<u>\$ 7,250,817.72</u>	<u>\$ 8,465,445.03</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 41,023,188.36
		367,998.61
(2)	(10,769.81)	8,679,173.77
		114,357.73
	<u>(10,769.81)</u>	<u>50,184,718.47</u>
(1)	(93,564.91)	31,575,148.99
(1)	(21,024.26)	6,459,305.18
(1)	4,134.20	5,160,256.49
(1)	9,405.21	3,386,694.85
(1)		56,239.99
(1)	4,210.81	1,476,619.57
(1)	33,849.91	504,371.11
		262,705.30
		364,325.00
		42,542.50
	<u>(62,989.04)</u>	<u>49,288,208.98</u>
	<u>52,219.23</u>	<u>896,509.49</u>
		532,396.42
		112,444.89
		<u>(1,590,527.40)</u>
		<u>(945,686.09)</u>
	52,219.23	(49,176.60)
(3)	<u>(4,654,248.99)</u>	<u>3,912,591.87</u>
	<u>\$ (4,602,029.76)</u>	<u>\$ 3,863,415.27</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2015***

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

- (1) The Board budgets salaries and benefits payable as they are actually paid rather than on the modified accrual basis (GAAP).
- (2) The Board budgets motor vehicle ad valorem taxes to the extent they are expected to be received, rather than on the modified accrual basis.

Net Increase in Fund Balance - 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 because of the cumulative effect of transactions such as those described above.

\$ 62,989.04

(10,769.81)

\$ 52,219.23

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
State	\$	\$ 2,200.00	\$ 2,200.00
Federal	7,846,679.00	8,640,653.10	7,738,098.49
Local	3,793,294.00	3,793,294.00	5,157,379.21
Other	170,000.00	170,000.00	99,001.93
Total Revenues	11,809,973.00	12,606,147.10	12,996,679.63
Expenditures			
Current:			
Instruction	4,678,223.08	5,246,225.63	5,018,968.58
Instructional Support	1,142,943.67	1,352,063.72	1,547,153.61
Operation and Maintenance	95,289.00	95,289.00	86,670.72
Auxiliary Services:			
Student Transportation	31,997.00	31,997.00	60,113.85
Food Service	5,958,078.08	5,957,878.08	5,826,843.96
General Administrative and Central Support	194,734.00	200,373.00	183,839.03
Other	861,973.00	875,385.50	1,050,709.34
Capital Outlay	389,924.00	389,924.00	196,009.62
Total Expenditures	13,353,161.83	14,149,135.93	13,970,308.71
Excess (Deficiency) of Revenues Over Expenditures	(1,543,188.83)	(1,542,988.83)	(973,629.08)
Other Financing Sources (Uses)			
Transfers In	2,159,692.45	2,159,692.45	1,590,527.40
Sale of Capital Assets			14,750.04
Transfers Out	(633,665.00)	(633,665.00)	(112,444.89)
Total Other Financing Sources (Uses)	1,526,027.45	1,526,027.45	1,492,832.55
Net Change in Fund Balances	(17,161.38)	(16,961.38)	519,203.47
Fund Balances - Beginning of Year	2,497,360.00	2,948,785.04	2,948,785.04
Fund Balances - End of Year	\$ 2,480,198.62	\$ 2,931,823.66	\$ 3,467,988.51

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 2,200.00
		7,738,098.49
		5,157,379.21
		99,001.93
		<u>12,996,679.63</u>
		5,018,968.58
		1,547,153.61
		86,670.72
		60,113.85
(1)	3,653.00	5,830,496.96
		183,839.03
		1,050,709.34
		196,009.62
	<u>3,653.00</u>	<u>13,973,961.71</u>
	<u>(3,653.00)</u>	<u>(977,282.08)</u>
		1,590,527.40
		14,750.04
		<u>(112,444.89)</u>
		<u>1,492,832.55</u>
	(3,653.00)	515,550.47
(2)	<u>(241,820.93)</u>	<u>2,706,964.11</u>
	<u>\$ (245,473.93)</u>	<u>\$ 3,222,514.58</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2015***

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

- (1) The Board budgets salaries and benefits payable as they are actually paid rather than on the modified accrual basis (GAAP).

Net Decrease in Fund Balance - 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 because of the cumulative effect of transactions such as those described above.

\$ (3,653.00)

\$ (3,653.00)

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of Education</u>		
Title I Grants to Local Educational Agencies (M)	84.010	N/A
Special Education Cluster:		
Special Education - Grants to States	84.027	N/A
Special Education - Preschool Grants	84.173	N/A
Sub-Total Special Education Cluster (M)		
Career and Technical Education - Basic Grants to States	84.048	N/A
Safe and Drug-Free Schools and Communities_National Programs	84.184	N/A
Rural Education	84.358	N/A
English Language Acquisition State Grants	84.365	N/A
Improving Teacher Quality State Grants (M)	84.367	N/A
Total U. S. Department of Education		
<u>U. S. Department of Agriculture</u>		
<u>Passed Through Alabama Department of Education</u>		
Child Nutrition Cluster:		
School Breakfast Program - Cash Assistance	10.553	N/A
National School Lunch Program:		
Cash Assistance	10.555	N/A
Non-Cash Assistance (Commodities)	10.555	N/A
Sub-Total National School Lunch Program		
Sub-Total Child Nutrition Cluster		
State Administrative Expenses for Child Nutrition	10.560	N/A
<u>Passed Through Chilton County Commission</u>		
Schools and Roads - Grants to States	10.665	N/A
Total U. S. Department of Agriculture		
<u>General Services Administration</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Donation of Federal Surplus Personal Property (N)	39.003	N/A
<u>Social Security Administration</u>		
<u>Passed Through Alabama Department of Education</u>		
Social Security - Disability Insurance	96.001	N/A
Total Expenditures of Federal Awards		

(M) = Major Program

(N) = Non-Cash Assistance

N/A = Not Applicable or Not Available

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2014-09/30/2015	\$ 2,231,545.34	\$ 2,231,545.34	\$ 2,231,545.34	\$ 2,231,545.34
10/01/2014-09/30/2015	1,831,281.86	1,831,281.86	1,785,362.68	1,785,362.68
10/01/2014-09/30/2015	92,889.18	92,889.18	89,163.54	89,163.54
	<u>1,924,171.04</u>	<u>1,924,171.04</u>	<u>1,874,526.22</u>	<u>1,874,526.22</u>
10/01/2014-09/30/2015	143,476.02	143,476.02	143,476.02	143,476.02
10/01/2014-09/30/2015	500.00	500.00	500.00	500.00
10/01/2014-09/30/2015	159,995.31	159,995.31	137,192.70	137,192.70
10/01/2014-09/30/2015	126,095.00	126,095.00	71,983.32	71,983.32
10/01/2014-09/30/2015	490,813.39	490,813.39	444,359.17	444,359.17
	<u>5,076,596.10</u>	<u>5,076,596.10</u>	<u>4,903,582.77</u>	<u>4,903,582.77</u>
10/01/2014-09/30/2015	758,136.16	758,136.16	758,136.16	758,136.16
10/01/2014-09/30/2015	2,221,608.62	2,221,608.62	2,221,608.62	2,221,608.62
10/01/2014-09/30/2015	193,601.64	193,601.64	193,601.64	193,601.64
	<u>2,415,210.26</u>	<u>2,415,210.26</u>	<u>2,415,210.26</u>	<u>2,415,210.26</u>
	3,173,346.42	3,173,346.42	3,173,346.42	3,173,346.42
10/01/2014-09/30/2015	13,826.12	13,826.12	13,826.12	13,826.12
10/01/2014-09/30/2015	11,367.09	11,367.09	11,367.09	11,367.09
	<u>3,198,539.63</u>	<u>3,198,539.63</u>	<u>3,198,539.63</u>	<u>3,198,539.63</u>
10/01/2014-09/30/2015			1,371.96	1,371.96
10/01/2014-09/30/2015	1,480.00	1,480.00	1,480.00	1,480.00
	<u>\$ 8,276,615.73</u>	<u>\$ 8,276,615.73</u>	<u>\$ 8,104,974.36</u>	<u>\$ 8,104,974.36</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2015***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Chilton County Board of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

Additional Information

Board Members and Administrative Personnel
October 1, 2014 through September 30, 2015

Board Members **Term Expires**

Hon. Lori R. Patterson	President	2018
Hon. James C. Shannon	Vice-President	2018
Hon. Linda L. Hand	Member	2018
Hon. Keith Moore	Member	2018
Hon. Pam P. Price	Member	2018
Hon. Joe Mims	Member	2018
Hon. Curtis Smith	Member	2018

Administrative Personnel

Hon. Tommy Glasscock	Superintendent	December 31, 2018
Hon. Dave Hayden	Former Superintendent	December 31, 2014
Mr. Steve Yeargan	Chief School Financial Officer	Indefinite

***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***

Independent Auditor's Report

To: Members of the Chilton County Board of Education, Superintendent and Chief School Financial Officer

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Chilton County Board of Education, as of and for the year ended September 30, 2015, 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 April 8, 2016.

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.

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

***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***

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002 and 2013-003 that we consider 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***. However, we noted certain matters that we reported to the management of the Chilton County Board of Education in the accompanying Schedule of State and Local Compliance and Other Findings, described as items 2015-001, 2015-002, 2015-003, 2015-004, and 2015-005.

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.

***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***

Purpose of this Report

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

April 8, 2016

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

Independent Auditor's Report

To: Members of the Chilton County Board of Education, Superintendent and Chief School Financial Officer

Report on Compliance for Each Major Federal Program

We have audited Chilton County Board of Education's (the "Board") compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2015. The Board's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

April 8, 2016

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified

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

Significant deficiency(ies) identified? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

Significant deficiency(ies) identified? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major 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
84.367	Improving Teacher Quality Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee? _____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2014-002	Internal Control	<p><u>Finding:</u> The Board is required to obtain an employee identification number (EIN) for the financial operations of the Board according to the Internal Revenue Service. The Board is ultimately responsible for all finances including the local schools. According to Internal Revenue Service regulations, "...the responsible party is the person who has a level of control over, or entitlement to, the funds or assets in the entity that, as a practical matter, enables the individual, directly or indirectly, to control, manage or direct the entity and the disposition of its funds and assets." The Board has two local school bank accounts that are not reported under the Board's EIN number.</p> <p><u>Recommendation:</u> The Board should ensure that all local schools are covered under the Board's EIN number.</p>	
2013-003	Internal Control	<p><u>Finding:</u> The Board's Local School Accounting and Reporting policy states, in part, that "a complete record of all expenditures shall be kept in record books, all checks issued by the local schools shall be signed by the local principal, all purchases shall be made through the purchase orders, and local schools shall maintain all proper expenditure documentation and backups when paying bills". At the local schools tested, the following matters were noted related to expenditures:</p> <p><u>Clanton Intermediate School:</u></p> <ul style="list-style-type: none"> ✓ Adequate documentation was not maintained to support all payments made. ✓ In some instances, invoices were dated prior to the purchase order date. 	

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		<p><u>Finding Continued:</u></p> <p><u>Maplesville High School:</u></p> <ul style="list-style-type: none"> ✓ In some instances, invoices were dated prior to the purchase order date. ✓ Purchase orders were not prepared for all expenditures. ✓ There were numerous coding errors in recording disbursements. ✓ Adequate documentation was not maintained to support all payments made. <p><u>Recommendation:</u></p> <p>The Board should ensure that procedures related to local school expenditures are followed.</p>	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	

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Auditee Response/Corrective Action Plan



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Joe Mims - Vice-President
Linda Hand
Keith Moore
Pam Price
James Shannon
Curtis Smith

April 20, 2016

Ronald L Jones, Chief Examiner
State of Alabama Department of Examiners of Public Accounts
PO Box 302251
Montgomery, AL 36130-2251

In regards to the State of Alabama Department of Examiners of Public Accounts, please see the action items listed below and the correction measures that are being taken to rectify the matters at hand.

Finding 2014-002:

The Board is required to obtain an employee identification number (EIN) for the financial operations of the Board according to the Internal Revenue Service. The Board is ultimately responsible for all finances including the local schools. According to Internal Revenue Service regulations, " ... the responsible party is the person who has a level of control over, or entitlement to, the funds or assets in the entity that, as a practical matter, enables the individual, directly or indirectly, to control, manage or direct the entity and the disposition of its funds and assets." The Board had two local school bank accounts that are not reported under the Board's EIN number.

Response to Finding 2014-002

The CSFO and Assistant CSFO is actively working with the schools that are not operating under the Board's EIN and is taking the necessary action to have those accounts changed to be reported correctly. This involves sending a change letter to the bank to have the accounts under the appropriate tax id number. Contact Steve Yeargan at 205-280-3000.

Finding 2013-003

The Board's Local School Accounting and Reporting policy states, in part, that "a complete record of all expenditures shall be kept in record books, all checks issued by the local schools shall be signed by the local principal, all purchases shall be made through the purchase orders, and local schools shall maintain all proper expenditure



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(Continued)

documentation and backups when paying bills." At the local schools tested, the following matters were noted related to expenditures:

Clanton Intermediate School:

Adequate documentation was not maintained to support all payments made. In some instances, invoices were dated prior to the purchase order date.

Maplesville High School

In some instances, invoices were dated prior to the purchase order date. Purchase orders were not prepared for all expenditures. There were numerous coding errors in recording disbursements. Adequate documentation was not maintained to support all payments made.

Other matters came to our attention while performing our audit that are not included in the Schedule of Findings and Questioned Costs. These matters will be addressed in the Schedule of State and Local Compliance and Other Findings and are included as findings below.

Response to Finding 2013-003

The CSFO and Assistant CSFO will begin working with the local school bookkeepers and principals to ensure the correct protocol is being followed in keeping a record of all expenditures and to address the issues listed from the local schools that were tested. Contact Steve Yeargan at 205-280-3000.

Finding 2015-001

The Internal Revenue Service, Publication 15, requires employers to remit payroll taxes by certain deadlines. The Board failed to remit payroll taxes for the December 31, 2014, payroll by the required date. As a result, the IRS assessed a penalty of \$13,281.08 against the Board, which was subsequently paid.

Response to Finding 2015-001

Action has already been taken by the Assistant CSFO in the training of the new Payroll Bookkeeper on the timing of payroll taxes and when they are to be remitted. The



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Central Office has moved the payroll posted date up two days to ensure taxes are paid on time. Contact Allison Ellison at 205-280-3000.

(Continued)

Finding 2015-002

The Code of Alabama 1975, Section 36-25A-4, requires governmental bodies to maintain accurate records of its meetings. The record is to include actions taken at each meeting. The State of Alabama, Local Government Records Commission Guidelines for Taking and Preserving Formal Meeting Minutes provide that all official actions or decisions should be reflected in the minutes, and that the minutes become official after they have been formally approved by the governing body at a subsequent meeting and signed by the presiding officer and secretary. We noted several financial transactions that were not recorded in the official minutes of the Board, and that the appropriate officials did not always sign the minutes.

Response to Finding 2015-002

Action has already been taken by the Assistant CSFO to ensure all financial statements are included in the board packet presented to board members. The Superintendent is also ensuring all officials are signing the minutes in accordance to policy and procedure to be in compliance with Guidelines for Taking and Preserving Formal Meeting Minutes. Contact Allison Ellison at 205-280-3000.

Finding 2015-003

The Code of Alabama 1975, Section 16-138-1, requires all expenditures of funds of whatever nature for labor, services, work or for the purchase of materials, equipment, supplies or other personal property involving \$15,000 or more to be competitively bid. The Code of Alabama 1975, Section 16-13B-4(d) requires all original bids together with all documents to be retained for a period of at least seven years. The Board did not provide adequate documentation of solicitation of bids for the purchase of six motor vehicles, and failed to retain the bid information for the purchase of seven school buses. As a result, we were unable to determine that Board purchase contracts were awarded to the lowest responsible bidder.



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(Continued)

Response to Finding 2015-003

Action has already been taken by the Assistant CSFO to ensure that bids are being monitored and documented by the individual department supervisors. Each department will be responsible for following and adhering to the bid law and the Central Office will oversee the projects as a whole. Each bid will be reviewed by the Assistant CSFO to ensure solicitation of bids is documented and maintained. Contact Steve Yeargan at 205-280-3000.

Finding 2015-004

The Internal Revenue Service regulations require the Board to report wages paid to an employee on IRS Form W-2. The Board paid a bus driver \$9,995.00 for maintenance work through accounts payable rather than through payroll. As a result, the amounts paid to the employee through accounts payable were not reported to the IRS.

Response to Finding 2015-004

Action has already been taken by the Assistant CSFO to ensure all board employees are being paid through payroll. No board employee will be paid from accounts payable with exception to reimbursements for approved expenses. Contact Allison Ellison at 205-280-3000.

Finding 2015-005

The Code of Alabama 1975, Section 39-2-2(a) provides that all Public Works contracts involving estimated expenditures in excess of \$50,000 must be let by competitive bidding, and requirements pertaining to contracts exceeding \$500,000 include advertising at least once in three newspapers of general circulation throughout the state. A public works contract totaling \$829,600 was let without advertising at least once in three newspapers of general circulation throughout the state.



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(Continued)

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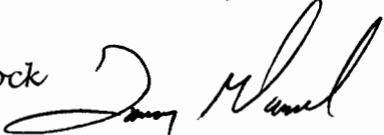
Response to Finding 2015-005

Action has already been taken by Superintendent, CSFO, Assistant CSFO, and Maintenance supervisor to ensure bids in excess of \$50,000 will be advertised in three publications in the state as well as the two local publications and copies of advertisement will be kept in each bid folder. The Maintenance Bookkeeper will oversee each file but the Central Office will also monitor on each bid. Contact Steve Yeargan at 205-280-3000

Respectfully,

Allison Ellison 
Assistant Chief School Financial Officer

Steve Yeargan 
Chief School Financial Officer

Tommy Glasscock 
Superintendent