

Report on the

# Perry County Board of Education

Perry County, Alabama

October 1, 2015 through September 30, 2016

Filed: September 8, 2017



## 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 Perry County Board of Education, Perry County, Alabama, for the period October 1, 2015 through September 30, 2016.

Sworn to and subscribed before me this  
the 1 day of August, 2017.

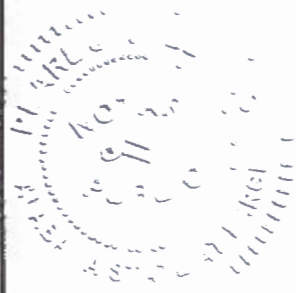
Pearl J. Williams  
Notary Public

Respectfully submitted,

LeeAnn Mims

LeeAnn Mims  
Examiner of Public Accounts

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## *Table of Contents*

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	<i>Page</i>
<b>Summary</b>	A
Contains items pertaining to federal, state and local legal compliance, Board operations and other matters.	
<b>Schedule of State and Local Compliance and Other Findings</b>	C
Contains detailed information about findings pertaining to state and local legal compliance, and other findings.	
<b>Independent Auditor's Report</b>	F
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).	
<b><u>Basic Financial Statements</u></b>	1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Board's financial position and results of operations in accordance with GAAP.	
Exhibit #1     Statement of Net Position	2
Exhibit #2     Statement of Activities	3
Exhibit #3     Balance Sheet – Governmental Funds	5
Exhibit #4     Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	7
Exhibit #5     Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Exhibit #6     Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
<b>Notes to the Financial Statements</b>	11



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# *Table of Contents*

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	<i>Page</i>
<b><u>Required Supplementary Information</u></b>	38
Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #7     Schedule of the Employer’s Proportionate Share of the Net Pension Liability	39
Exhibit #8     Schedule of the Employer’s Contributions	40
Exhibit #9     Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	41
Exhibit #10    Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	43
<b><u>Supplementary Information</u></b>	45
Contains financial information and notes relative to federal financial assistance.	
Exhibit #11    Schedule of Expenditures of Federal Awards	46
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	48
<b><u>Additional Information</u></b>	49
Provides basic information related to the Board, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i> for federal compliance audits.	
Exhibit #12 <b>Board Members and Administrative Personnel</b> – a listing of the Board members and administrative personnel.	50





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## *Table of Contents*

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	<i>Page</i>
Exhibit #13 <b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b> – a report on internal controls related to the financial statements and on whether the Board complied with laws and regulations which could have a direct and material effect on the Board’s financial statements.	51
Exhibit #14 <b>Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i></b> – a report on internal controls over compliance with requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to major federal programs and an opinion on whether the Board complied with federal statutes, regulations, and the terms and conditions of its federal awards which could have a direct and material effect on each major program.	54
Exhibit #15 <b>Schedule of Findings and Questioned Costs</b> – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by the <i>Uniform Guidance</i> .	57
Exhibit #16 <b>Auditee Response</b> – a response by the Board on the results of the audit.	59

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Perry County Board of Education  
October 1, 2015 through September 30, 2016**

The Perry County Board of Education (the “Board”) is governed by a five-member body elected by the citizens of Perry 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 Perry 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, 2016.

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.

- ◆ 2016-001 relates to a local school’s failure to follow adopted policies and procedures for local school accounting and records.
- ◆ 2016-002 relates to a Board member’s failure to comply with the requirements of the *Code of Alabama 1975*, Section 16-1-41.1(d)(1).

The following officials/administrative personnel were invited to an exit conference to discuss the contents of this report: Superintendent: John H. Heard, III; Chief School Financial Officer: Wanda Jackson; former Chief School Financial Officer: Crystal Billingsley; and Board Members: Vera Davis, Fransia Foster, Eulas Kirdoll, Ann LeCroy and Donald Nichols. The following individuals attended the exit conference, held at the Board's offices: Chief School Financial Officer: Wanda Jackson; and Board Members: Vera Davis and Eulas Kirdoll. Representatives of the Department of Examiners of Public Accounts in attendance were: Emily Tyler, Audit Manager, and LeeAnn Mims, Examiner. The results of the audit were also discussed via telephone with Superintendent John H. Heard, III and former Chief School Financial Officer Crystal Billingsley.

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*Schedule of State and Local  
Compliance and Other Findings*

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***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2016***

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Ref. No.	Finding/Noncompliance
2016-001	<p><b><u>Finding:</u></b> The Board has adopted policies and procedures for local school accounting and reporting. During testing of local school records at R. C. Hatch High School, instances were noted where the Board's policies and procedures were not followed:</p> <ul style="list-style-type: none"><li>✓ Board policy requires the following: receipt books be assigned by the principal to each teacher responsible for collecting money; the assignment of the receipt books be documented by signature of the individual responsible; and the return of the receipt book at the end of the year be documented by a dated, initialed list. Documentation of the assignment and return of receipt books was not maintained. Additionally, some individuals who collected money did not have receipt books and at least two individuals shared a receipt book.</li><li>✓ Board policy requires that master receipts be given to the teacher remitting funds at the time monies are remitted to the office. These master receipts are to be maintained by the teacher by attaching it to the teacher receipt book. Instances were noted where master receipts were not attached to teachers receipt books, and were not otherwise available for audit.</li><li>✓ Board policy provides that when an individual collects \$5.00 or more, the funds should be submitted to the school office daily. All money received in the name of the school shall be deposited daily in a bank unless otherwise authorized by the Superintendent. Testing revealed that collections of money totaling \$270.00, as reflected by eight teacher receipts, could not be traced to master receipts or bank deposits. This amount was paid by the responsible individuals prior to the conclusion of the audit fieldwork.</li></ul>

***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2016***

Ref. No.	Finding/Noncompliance
	<p><b><u>Finding Continued:</u></b></p> <p>✓ Board policy requires that all money collected from students on school premises be receipted, recorded in the school’s accounting system and deposited in the school checking account. Furthermore, the policy requires the principal to approve purchase orders for all purchases, supporting documentation to be retained for all expenditures, and all payments for the purchase of goods or services to be made by an official school check. Testing revealed one teacher collected money from students for a field trip and shirts. However, the teacher did not issue receipts for the money collected, and did not remit all the money collected to the school office to be deposited. Additionally, rather than paying vendors with official school checks pursuant to Board policy, the teacher used the money collected from students to purchase shirts and to obtain money orders to make payments for the charter bus hired for the field trip.</p> <p><b><u>Recommendation:</u></b></p> <p>The Board should ensure compliance with policies and procedures for local school accounting and reporting.</p>
2016-002	<p><b><u>Finding:</u></b></p> <p>The <i>Code of Alabama 1975</i>, Section 16-1-41.1(d)(1), provides that, in conjunction with, and as a precondition to the installation of any elected or appointed member of a local board of education, prospective members shall be required for each term of office to affirm publicly and in writing certain principles of educational governance. The Board did not provide documentation of affirmation of these principles of educational governance by a board member appointed in fiscal year 2016.</p> <p><b><u>Recommendation:</u></b></p> <p>Board members should comply with the requirements of the <i>Code of Alabama 1975</i>, Section 16-1-41.1(d)(1).</p>

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Perry County Board of Education,  
Superintendent and Chief School Financial Officer  
Marion, Alabama

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perry County Board of Education, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Perry 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 Perry County Board of Education is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Perry County Board of Education, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Net Pension Liability (Exhibit 7), the Schedule of the Employer's Contributions (Exhibit 8), and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 and 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 Perry County Board of Education has not presented a Management's 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perry County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 11) as required by Title 2 U. S. *Code of Federal Regulations* Part 200, **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards** (*Uniform Guidance*), is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The 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 July 31, 2017, on our consideration of the Perry 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 Perry 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

July 31, 2017

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# *Basic Financial Statements*

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***Statement of Net Position***  
***September 30, 2016***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 2,641,947.44
Ad Valorem Property Taxes Receivable	1,437,128.72
Receivables (Note 4)	765,917.78
Inventories	38,071.56
Capital Assets (Note 5):	
Nondepreciable	99,750.00
Depreciable, Net	9,866,754.85
Total Assets	<u>14,849,570.35</u>
<b><u>Deferred Outflows of Resources</u></b>	
Employer Pension Contribution	926,867.72
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	908,000.00
Total Deferred Outflows of Resources	<u>1,834,867.72</u>
<b><u>Liabilities</u></b>	
Payables (Note 9)	502,306.94
Unearned Revenue	11,683.12
Salaries and Benefits Payable	995,028.50
Accrued Interest Payable	40,373.14
Long-Term Liabilities:	
Portion Due or Payable Within One Year	519,973.16
Portion Due or Payable After One Year	20,130,824.11
Total Liabilities	<u>22,200,188.97</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	1,437,128.72
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	978,000.00
Total Deferred Inflows of Resources	<u>2,415,128.72</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	3,184,707.58
Restricted for:	
Debt Service	1,110,238.89
Capital Projects	289,345.33
Other Purposes	422,467.77
Unrestricted	<u>(12,937,639.19)</u>
Total Net Position	<u>\$ (7,930,879.62)</u>

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

***Statement of Activities***  
***For the Year Ended September 30, 2016***

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b><u>Governmental Activities</u></b>			
Instruction	\$ 8,004,113.39	\$ 62,075.04	\$ 7,160,331.94
Instructional Support	1,816,873.53	3,943.39	1,667,450.93
Operation and Maintenance	1,004,437.35	3,863.36	762,376.29
Auxiliary Services:			
Student Transportation	1,086,830.62	29,050.35	873,680.04
Food Service	1,563,042.43	1,247,021.00	77,788.65
General Administrative	1,031,723.27	7,443.05	690,444.60
Interest and Fiscal Charges	192,597.61		
Other Expenses	895,620.39	4,303.39	927,180.19
Total Governmental Activities	<u>\$ 15,595,238.59</u>	<u>\$ 1,357,699.58</u>	<u>\$ 12,159,252.64</u>

**General Revenues:**

Taxes:

    Property Taxes for General Purposes

    Sales Tax

    Other Taxes

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

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>
\$ 305,328.94	\$ (476,377.47)
106,366.06	(145,479.21)
127,647.00	(131,831.64)
	(56,453.23)
	(238,232.78)
	(333,835.62)
	(192,597.61)
	35,863.19
<u>\$ 539,342.00</u>	<u>(1,538,944.37)</u>

1,494,501.09
399,490.68
50,647.60
5,136.19
1,451.53
8,064.54
339,524.93
<u>2,298,816.56</u>
759,872.19
<u>(8,690,751.81)</u>
<u>\$ (7,930,879.62)</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2016***

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 1,036,344.28	\$ 192,527.07
Ad Valorem Property Taxes Receivable	1,437,128.72	
Receivables (Note 4)	208,392.01	557,511.77
Interfund Receivables	30,847.32	81,932.49
Inventories		38,071.56
Total Assets	<u>2,712,712.33</u>	<u>870,042.89</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Payables (Note 9)	250,430.18	248,609.53
Interfund Payables	107,490.55	35,423.76
Unearned Revenues		11,683.12
Salaries and Benefits Payable	954,226.25	40,802.25
Total Liabilities	<u>1,312,146.98</u>	<u>336,518.66</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue - Property Taxes	1,437,128.72	
Total Deferred Inflows of Resources	<u>1,437,128.72</u>	
<b><u>Fund Balances</u></b>		
Nonspendable:		
Inventories		38,071.56
Restricted for:		
Debt Service		
Capital Projects		
Child Nutrition Program		384,396.21
Assigned:		
Local Schools		111,056.46
Unassigned	(36,563.37)	
Total Fund Balances	<u>(36,563.37)</u>	<u>533,524.23</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,712,712.33</u>	<u>\$ 870,042.89</u>

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

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,113,506.12	\$ 299,569.97	\$ 2,641,947.44
		1,437,128.72
	14.00	765,917.78
	30,134.50	142,914.31
		38,071.56
<u>1,113,506.12</u>	<u>329,718.47</u>	<u>5,025,979.81</u>
3,267.23		502,306.94
		142,914.31
		11,683.12
		995,028.50
<u>3,267.23</u>		<u>1,651,932.87</u>
		1,437,128.72
		<u>1,437,128.72</u>
		38,071.56
1,110,238.89		1,110,238.89
	329,718.47	329,718.47
		384,396.21
		111,056.46
		(36,563.37)
<u>1,110,238.89</u>	<u>329,718.47</u>	<u>1,936,918.22</u>
<u>\$ 1,113,506.12</u>	<u>\$ 329,718.47</u>	<u>\$ 5,025,979.81</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
September 30, 2016***

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Total Fund Balances - Governmental Funds \$ 1,936,918.22

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

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

The Cost of Capital Assets is	\$ 21,525,113.25	
Accumulated Depreciation is	<u>(11,558,608.40)</u>	
		9,966,504.85

Deferred outflows and inflows of resources related to pensions are applicable to  
future periods and, therefore, are not reported in the governmental funds. 856,867.72

Long-term liabilities 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	519,973.16	
Noncurrent Portion of Long-Term Debt	<u>\$ 20,130,824.11</u>	
		(20,650,797.27)

Interest on long-term debt is not accrued in the funds but rather is recognized as  
an expenditure when due.

Accrued Interest Payable		<u>(40,373.14)</u>
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Total Net Position - Governmental Activities		<u><u>\$ (7,930,879.62)</u></u>
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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, 2016***

	General Fund	Special Revenue Fund
<b><u>Revenues</u></b>		
State	\$ 9,635,519.91	\$
Federal	196,188.27	3,494,555.91
Local	2,061,965.39	263,085.31
Other	71,525.53	60,387.93
Total Revenues	11,965,199.10	3,818,029.15
<b><u>Expenditures</u></b>		
Current:		
Instruction	6,556,127.78	1,199,851.99
Instructional Support	1,390,174.56	414,406.97
Operation and Maintenance	915,381.77	2,802.07
Auxiliary Services:		
Student Transportation	936,115.39	64,641.62
Food Service		1,565,203.39
General Administrative	820,962.81	239,815.99
Other	404,311.59	491,864.68
Capital Outlay		32,600.00
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs/Other Debt Service	3,225.00	
Total Expenditures	11,026,298.90	4,011,186.71
Excess (Deficiency) of Revenues Over Expenditures	938,900.20	(193,157.56)
<b><u>Other Financing Sources (Uses)</u></b>		
Indirect Cost	69,599.13	
Long-Term Debt Issued	421,425.50	
Transfers In	14,155.69	162,508.41
Other Financing Sources	24,351.64	
Sale of Capital Assets	150.00	13,681.00
Transfers Out	(465,078.49)	(14,155.69)
Total Other Financing Sources (Uses)	64,603.47	162,033.72
Net Changes in Fund Balances	1,003,503.67	(31,123.84)
Fund Balances - Beginning of Year	(1,040,067.04)	564,648.07
Fund Balances - End of Year	\$ (36,563.37)	\$ 533,524.23

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

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 539,342.00	\$ 10,174,861.91
		3,690,744.18
87.28	37.07	2,325,175.05
		131,913.46
87.28	539,379.07	16,322,694.60
		7,755,979.77
		1,804,581.53
	75,817.24	994,001.08
		1,000,757.01
		1,565,203.39
	7.00	1,060,785.80
		896,176.27
		32,600.00
180,000.00	246,225.32	426,225.32
116,576.26	62,487.01	179,063.27
		3,225.00
296,576.26	384,536.57	15,718,598.44
(296,488.98)	154,842.50	604,096.16
		69,599.13
		421,425.50
302,570.08		479,234.18
		24,351.64
		13,831.00
		(479,234.18)
302,570.08		529,207.27
6,081.10	154,842.50	1,133,303.43
1,104,157.79	174,875.97	803,614.79
\$ 1,110,238.89	\$ 329,718.47	\$ 1,936,918.22

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***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, 2016***

Net Changes in Fund Balances - Total Governmental Funds \$ 1,133,303.43

Amounts reported for governmental activities in the Statement of Activities 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	\$	32,600.00	
Depreciation Expense		<u>(484,253.60)</u>	(451,653.60)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 426,225.32

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (421,425.50)

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	\$	(13,831.00)	
Gain on Disposition of Capital Assets		<u>8,064.54</u>	(5,766.46)

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.

Accrued Interest Payable, Current Year Increase/(Decrease)	\$	10,309.34	
Pension Expense, Current Year (Increase)/Decrease		<u>(89,498.34)</u>	<u>79,189.00</u>

Change in Net Position of Governmental Activities \$ 759,872.19

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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

The financial statements of the Perry 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 five 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 non-exchange transactions.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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

#### **Fund Financial Statements**

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds in the Other Governmental Funds' 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 specific purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I, and the Child Nutrition Program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.
- ◆ **Debt Service Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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

#### **Governmental Fund Type**

- ◆ **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.

#### **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. Non-exchange 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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

***1. Deposits and Investments***

Cash includes cash on hand and demand deposits.

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledge of the three-mill school tax and certificates of deposit.

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

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

***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 considered restricted assets because they are maintained separately and their use is limited. The Public School Capital Projects, Fleet Renewal, Bond Issue Payments, Bonds and Warrants, and Qualified Zone Academy Bonds funding sources are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it become due.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**5. Capital Assets**

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

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

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

**6. Deferred Outflows of Resources**

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

**7. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bonds/Warrants payable are reported at gross.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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

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

#### **9. 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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

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

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



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**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 and sales taxes revenues 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 a modified accrual basis of accounting. The Capital Projects Fund adopts project-length budgets. The Debt Service Fund adopts a budget on the modified accrual basis of accounting. 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 Fund Balances/Net Position of Individual Funds**

At September 30, 2016, the following governmental fund had a deficit fund balance:

General Fund	\$36,563.37
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The deficit in the General Fund is the result of the year-end salary accrual. Salaries and benefits payable at September 30, 2016, are funded with an appropriation from the State of Alabama that is not legally available to the Board until October 1 and, therefore, is not reflected as revenue in the Board's financial statements as of September 30, 2016.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**Note 3 – Deposits and Investments**

**A. Deposits**

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

**B. Cash with Fiscal Agent**

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by pledge of the three-mill school tax and other obligations as outlined in the *Code of Alabama 1975*, Section 19-3-120 and Section 19-3-120.1. The Board's cash with fiscal agents is to be invested in accordance with these applicable statutes.

As of September 30, 2016, the Board had the following cash with fiscal agent, reported in cash and cash equivalents in the Board's financial statements:

Investments	Maturities	Fair Value
U. S. Treasury Bills	01/12/2017	<u>\$1,056,650.90</u>

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Board does not have a formal investment policy that addresses its investments choices. Ratings for the Board’s investments of cash with fiscal agent were not available.

**Custodial Credit Risk** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Board does not have an investment policy that limits the amount of securities that can be held by counterparties. The Board’s deposits that are invested by the fiscal agents are held by the counterparty but not in the name of the Board.

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Board does not have a formal investment policy that limits the amount the Board may invest in any one issuer.

#### **Note 4 – Receivables**

On September 30, 2016, receivables for the Board’s individual major funds and nonmajor funds are as follows:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
<b>Receivables:</b>				
Accounts Receivable	\$ 23,513.23	\$ 222.11	\$	\$ 23,735.34
Intergovernmental	11,875.00	557,234.66	14.00	569,123.66
Other Receivables	173,003.78	55.00		173,058.78
Total Receivables	<u>\$208,392.01</u>	<u>\$557,511.77</u>	<u>\$14.00</u>	<u>\$765,917.78</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance 10/01/2015	Additions	Deletions	Balance 09/30/2016
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 99,750.00	\$	\$	\$ 99,750.00
<b>Total Capital Assets, Not Being Depreciated</b>	<b>99,750.00</b>			<b>99,750.00</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements – Exhaustible	701,508.19			701,508.19
Buildings	11,166,316.28			11,166,316.28
Building Improvements	6,393,014.23			6,393,014.23
Equipment and Furniture	1,117,265.73	32,600.00	(36,766.65)	1,113,099.08
Vehicles	2,051,425.47			2,051,425.47
<b>Total Capital Assets Being Depreciated</b>	<b>21,429,529.90</b>	<b>32,600.00</b>	<b>(36,766.65)</b>	<b>21,425,363.25</b>
<b>Less Accumulated Depreciation for:</b>				
Land Improvements – Exhaustible	(360,011.15)	(35,075.41)		(395,086.56)
Buildings	(6,983,052.94)	(172,234.72)		(7,155,287.66)
Building Improvements	(1,186,507.23)	(127,860.29)		(1,314,367.52)
Equipment and Furniture	(823,367.33)	(56,568.53)	31,000.19	(848,935.67)
Vehicles	(1,752,416.34)	(92,514.65)		(1,844,930.99)
<b>Total Accumulated Depreciation</b>	<b>(11,105,354.99)</b>	<b>(484,253.60)</b>	<b>31,000.19</b>	<b>(11,558,608.40)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>10,324,174.91</b>	<b>(451,653.60)</b>	<b>(5,766.46)</b>	<b>9,866,754.85</b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b>\$ 10,423,924.91</b>	<b>\$(451,653.60)</b>	<b>\$(5,766.46)</b>	<b>\$ 9,966,504.85</b>

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
Instruction	\$306,382.54
Instructional Support	7,152.66
Operation and Maintenance	9,904.34
<b>Auxiliary Services:</b>	
Student Transportation	92,922.49
Food Service	60,340.55
General Administration and Central Support	5,164.24
Other	2,386.78
<b>Total Depreciation Expense – Governmental Activities</b>	<b>\$484,253.60</b>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**Note 6 – Capital Asset Impairment**

The Board closed or partially closed two school campuses during the 2015 fiscal year. The carrying amount of the idle facilities at year end was \$1,695,598.45.

**Note 7 – Defined Benefit Pension Plan**

**A. Plan Description**

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

**B. Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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

#### C. Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2016, was 11.94% of annual pay for Tier 1 members and 10.84% 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 \$926,867.72 for the year ended September 30, 2016.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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

At September 30, 2016, the Board reported a liability of \$13,869,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014. 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, 2015, the Board's proportion was 0.132520%, which was a decrease of 0.007858% from its proportion measured as of September 30, 2014.

For the year ended September 30, 2016, the Board recognized pension expense of \$838,000.00. At September 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 75,000.00
Net difference between projected and actual earnings on pension plan investments	908,000.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions		903,000.00
Employer contributions subsequent to the measurement date	926,867.72	
Total	\$1,834,867.72	\$978,000.00

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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The \$926,867.72 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, 2017. 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, 2017	\$ (81,000.00)
2018	\$ (81,000.00)
2019	\$ (81,000.00)
2020	\$204,000.00
2021	\$ (31,000.00)
Thereafter	\$

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

The total pension liability was determined by an actuarial valuation as of September 30, 2014, 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	3.50%-8.25%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the actuarial valuation as of September 30, 2014, 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.



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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

The following table presents the Board’s proportionate share of the 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	\$18,348	\$13,869	\$10,071
(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, 2015. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2015. The auditor’s report dated October 17, 2016, 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, 2015, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Note 8 – 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 operation 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 Employers Financial Reports section.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**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 2016
Individual Coverage – Non-Medicare Eligible	\$ 151.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Non-Spousal Dependent(s)	\$ 391.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse	\$ 416.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Spousal Dependent Medicare Eligible	\$ 250.00
Family Coverage – Non-Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible	\$ 260.00
Individual Coverage – Medicare Eligible Retired Member	\$ 10.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) – No Spouse	\$ 250.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) – with Non-Medicare Eligible Spouse	\$ 275.00
Family Coverage – Medicare Eligible Retired Member and Non-Spousal Dependent Medicare Eligible	\$ 109.00
Family Coverage – Medicare Eligible Retired Member and Spousal Dependent Medicare Eligible	\$ 119.00
Surviving Spouse – Non-Medicare Eligible	\$ 740.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$ 987.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$1,033.00
Surviving Spouse – Medicare Eligible	\$ 425.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$ 679.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$ 725.00

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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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 \$50.00 per month for retired members that use tobacco.

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
2016	\$780.00	\$211.21	27.08%	\$489,395.99	100%
2015	\$780.00	\$180.76	23.17%	\$448,915.45	100%
2014	\$714.00	\$220.09	30.83%	\$574,985.02	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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**Note 9 – Payables**

On September 30, 2016, payables for the Board’s individual major funds are as follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>Governmental Activities:</b>				
Vendor	\$249,650.29	\$236,263.17	\$	\$485,913.46
Other Payables	779.89	12,346.36	3,267.23	16,393.48
Total	\$250,430.18	\$248,609.53	\$3,267.23	\$502,306.94

**Note 10 – Short-Term Debt**

At September 30, 2016, the Board reported the outstanding balance of short-term debt with its payables. Short-term debt activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Proceeds	Reduction	Ending Balance
Notes Payable	\$450,000.00	\$763,000.00	\$1,213,000.00	\$

**Note 11 – Long-Term Debt**

**Notes Payable**

In fiscal year 2008, the Board issued a long-term note payable for the purchase of school buses.

In fiscal year 2016, the Board issued a long-term note payable to refinance short-term debt.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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#### **Tax Anticipation Warrants**

On August 1, 2011, the Board issued the Series 2011 School Tax Warrants in the amount of \$2,355,000.00 with interest rates ranging from 1.50 percent to 4.25 percent to refund, on a current basis, the Series 2003 Refunding Tax Anticipation Warrants, to retire a promissory note with Marion Bank, to provide funds for various capital improvements, and to provide for the costs of issuance of the warrants. Proceeds from the 3-mill county-wide ad valorem tax levied by the Perry County Commission, the 3 mill district ad valorem tax levied by the Commission pursuant to Amendment Number 3 of the Constitution, 30% of the proceeds of the 9 mill county-wide ad valorem tax levied pursuant Act Number 88-816, Acts of Alabama, and 25% of the proceeds of a one-cent excise and privilege tax levied pursuant to Act Number 89-262, Acts of Alabama, are pledged for the benefit of the warrants.

On December 23, 2014, the Board issued the Series 2014 School Tax Warrants in the amount of \$2,195,000.00 with interest rates ranging from 1.60 percent to 3.00 percent to refund, on a current basis, the Series 2006 Refunding Tax Anticipation Warrants, and to provide for the costs of issuance of the warrants. Proceeds from the 3-mill county-wide ad valorem tax levied by the Perry County Commission, the 3 mill district ad valorem tax levied by the Commission pursuant to Amendment Number 3 of the Constitution, 30% of the proceeds of the 9 mill county-wide ad valorem tax levied pursuant Act Number 89-262 of the Alabama Legislature and 25% of the proceeds of a one-cent excise and privilege tax levied pursuant to Act Number 89-262 of the Alabama Legislature will be pledged for the benefit of the warrants. In addition, the Series 2014 Warrants may be payable out of other legally available revenues including, without limitation, all locally-imposed taxes (both ad valorem and excise, privilege and license taxes) payable to the Board.

#### **PSCA Capital Outlay Bonds**

On October 28, 2009, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued Capital Improvement Pool Refunding Bonds Series 2009-B, (“Series 2009-B”), with interest rates ranging from 3.00% to 5.00% to refund and retire on a current basis a portion of the Capital Improvement Pool Bonds, Series 1999-D (“Series 1999-D”), and to advance refund Capital Improvement Pool Bonds, Series 2001-A (“2001-A”).

On May 2, 2011, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued \$26,900,000.00 in Capital Improvement Pool Refunding Bonds, Series 2011-B, (“Series 2011-B”), with interest rates ranging from 2.00% to 5.00% to refund and retire on a current basis \$29,795,000.00 of outstanding Capital Improvement Pool Bonds Series, 2001-A (“Series 2001-A”), with interest rates of 5.00%. This was the remaining amount of the Series 2001-A not refunded by the Series 2009-B discussed previously. The Board had a 0.46% participation in the Series 2001-A. This resulted in the Board being obligated for \$123,740.00 of the total principal of \$26,900,000.00.

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

During fiscal year 2012, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Refunding Bonds, Series 2012A, to provide funds to advance refund the remaining portion of the Capital Improvement Pool Bonds, Series 2002-A.

#### *Certificates of Participation*

In fiscal year 2005, the Board entered into an agreement with the Alabama School Finance Cooperative for a Certificate of Participation in Qualified Zone Academy Bonds to finance certain capital school improvements. The Board makes annual payments of \$105,665.09 from the General Fund to an escrow account and none of the payment represents the payment of interest. At the maturity date of the Qualified Zone Academy Bonds in fiscal year 2021, the funds on deposit in the escrow account will be used to pay the outstanding principal and the Board's obligation will be satisfied. Deposits made into the escrow fund shall remain the property of the Board pledged to the payment of the outstanding principal.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2016:

	Debt Outstanding 10/01/2015	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2016	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Notes, Warrants and Bonds Payable:					
2016 Note Payable	\$	\$ 421,425.50	\$	\$ 421,425.50	\$ 45,238.55
Notes Payable (Fleet Renewal)	3,372.29		(3,372.29)		
Refunding Tax Anticipation Warrants, Series 2011	1,910,000.00		(165,000.00)	1,745,000.00	185,000.00
Refunding Tax Anticipation Warrants, Series 2014	2,195,000.00		(15,000.00)	2,180,000.00	35,000.00
PSCA Capital Improvement Pool Bonds, Series 2012-A	340,644.22		(38,642.86)	302,001.36	40,308.25
PSCA Capital Improvement Pool Bonds, Series 2009-B	854,182.58		(204,210.17)	649,972.41	214,426.36
PSCA Capital Improvement Pool Bonds, Series 2011-B	83,398.00			83,398.00	
Qualified Zone Academy Bonds	1,400,000.00			1,400,000.00	
Net Pension Liability	12,753,000.00	1,116,000.00		13,869,000.00	
Total Notes, Warrants and Bonds Payable	<u>\$19,539,597.09</u>	<u>\$1,537,425.50</u>	<u>\$(426,225.32)</u>	<u>\$20,650,797.27</u>	<u>\$519,973.16</u>

Payments on the Series 2011 and Series 2014 Refunding Tax Anticipation Warrants are made by the Debt Service Fund with sales tax revenues and special tax revenues, respectively. Payments on the 2009-B, 2012-A, and 2011-B Capital Improvement Pool Bonds are made by the Capital Projects Fund with Public School Funds withheld from the Board's allocation from the Alabama Department of Education. The long-term notes payable obligation financed the purchase of school buses and is paid using Fleet Renewal funds.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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

Fiscal Year Ending	Refunding Tax Anticipation Warrants Payable		PSCA Capital Improvement Pool Bonds Payable	
	Principal	Interest	Principal	Interest
September 30, 2017	\$ 220,000.00	\$ 113,036.50	\$ 254,734.61	\$ 50,484.82
2018	235,000.00	107,851.50	267,551.57	37,695.87
2019	240,000.00	103,331.50	277,829.29	24,263.25
2020	245,000.00	98,801.50	76,360.70	10,316.05
2021	250,000.00	93,451.50	80,198.55	6,439.44
2022-2026	1,345,000.00	370,269.00	78,697.05	3,316.68
2027-2031	1,390,000.00	158,205.00		
Totals	<u>\$3,925,000.00</u>	<u>\$1,044,946.50</u>	<u>\$1,035,371.77</u>	<u>\$132,516.11</u>

(\*) Interest Free Obligation

**Pledged Revenues**

The Board issued Series 2011 School Tax Warrants for the purpose of refunding the Series 2003 Tax Anticipation Warrants, repaying a short-term line of credit, capital improvements and for issuance costs of the warrants. The Board pledged to repay the school tax warrants from the proceeds of the 3-mill county-wide ad valorem tax levied by the Perry County Commission, the 3 mill district ad valorem tax levied by the Commission pursuant to Amendment Number 3 of the Constitution, 30% of the proceeds of the 9 mill county-wide ad valorem tax levied pursuant Act Number 89-262 of the Alabama Legislature and 25% of the proceeds of a one-cent excise and privilege tax levied pursuant to Act Number 89-262 of the Alabama Legislature. Future revenues of \$2,345,562.50 are pledged to repay the principal and interest on the warrants at September 30, 2016. Proceeds in the amount of \$795,261.54 were received by the Board during the fiscal year. Pledged revenues in the amount of \$228,112.50 were used to pay principal and interest on the warrants during the fiscal year ended September 30, 2016. This amount represents 29 percent of the pledged funds received by the Board. The Series 2011 School Tax Warrants will mature in fiscal years 2031.



**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

Certificate of Participation Payable		2016 Note Payable		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	
\$		\$ 45,238.55	\$18,159.34	\$ 701,653.82
		47,187.89	16,210.00	711,496.83
		49,221.23	14,176.66	708,821.93
		51,342.19	12,055.70	493,876.14
1,400,000.00		53,527.57	9,870.32	1,893,487.38
		174,908.07	15,285.59	1,987,476.39
				1,548,205.00
\$1,400,000.00	(*)	\$421,425.50	\$85,757.61	\$8,045,017.49

The Board issued Series 2014 Tax Anticipation Refunding Warrants for the purpose of refunding the 2006 Refunding Tax Anticipation Warrants. The Board pledged to repay the school tax warrants from the proceeds of the 3-mill county-wide ad valorem tax levied by the Perry County Commission, the 3 mill district ad valorem tax levied by the Commission pursuant to Amendment Number 3 of the Constitution, 30% of the proceeds of the 9 mill county-wide ad valorem tax levied pursuant Act Number 89-262 of the Alabama Legislature and 25% of the proceeds of a one-cent excise and privilege tax levied pursuant to Act Number 89-262 of the Alabama Legislature. Future revenues of \$2,624,384.00 are pledged to repay the principal and interest on the warrants at September 30, 2016. Proceeds of the special sales tax in the amount \$795,261.54 were received by the Board during the fiscal year ended September 30, 2016. Pledged funds in the amount of \$68,463.76 were used to pay principal and interest on the warrants during the fiscal year ended September 30, 2016. This represents 9 percent of the pledged funds received by the Board. The Series 2014 Tax Anticipation Warrants will mature in fiscal year 2029.

The Board issued Series 2009-B Capital Improvement Refunding Pool Bonds which they pledged to repay from their allocation of public school funds received from the State of Alabama. The proceeds were used to refund the Series 1999-D Capital Improvement Pool Bonds and to refund a portion of the Series 2001-A Capital Improvement Pool Bonds. Future revenues in the amount of \$714,767.89 are pledged to repay the principal and interest on the bonds at September 30, 2016. Proceeds of the Public School Fund allocation in the amount of \$410,631.00 were received by the Board during the fiscal year ended. Pledged revenues in the amount of \$246,919.31 were used to pay principal and interest on the warrants during the fiscal year ended September 30, 2016. This amount represents 60 percent of the pledged funds received by the Board. The Series 2009-B warrants will mature in the fiscal year 2019.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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The Board issued Series 2011-B Capital Improvement Refunding Pool Bonds which they pledged to repay from their allocation of public school funds received from the State of Alabama. The proceeds were used to refund the remaining portion of the Series 2001-A Capital Improvement Pool Bonds. Future revenues in the amount of \$100,487.02 are pledged to repay the principal and interest on the bonds at September 30, 2015. Proceeds of the Public School Fund allocation in the amount of \$410,631.00 were received by the Board during the fiscal year ended. Pledged revenues in the amount of \$4,169.90 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2016. This amount represents 1 percent of the pledged funds received by the Board. The Series 2011-B warrants will mature in the fiscal year 2021.

The Board issued Series 2012A Capital Improvement Pool Bonds 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 \$352,632.97 are pledged to repay the principal and interest on the bonds at September 30, 2016. Proceeds of the Public School Fund allocation in the amount of \$410,631.00 were received by the Board during the fiscal year ended. Pledged revenues in the amount of \$54,239.73 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2016. This amount represents 13 percent of the pledged funds received by the Board. The Series 2012-A warrants will mature in the fiscal year 2024.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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#### *Note 12 – 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 are 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, 2016**

**Note 13 – Interfund Transactions**

**Interfund Receivables and Payables**

The interfund receivables and payables at September 30, 2016, were as follows:

	Interfund Receivables			Totals
	General Fund	Special Revenue Fund	Other Governmental Funds	
<b><u>Interfund Payables:</u></b>				
General Fund	\$	\$81,932.49	\$25,558.06	\$107,490.55
Special Revenue Fund	30,847.32		4,576.44	35,423.76
Totals	<u>\$30,847.32</u>	<u>\$81,932.49</u>	<u>\$30,134.50</u>	<u>\$142,914.31</u>

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ending September 30, 2016, were as follows:

	Transfers Out		Totals
	General Fund	Special Revenue Fund	
<b><u>Transfers In:</u></b>			
General Fund	\$	\$14,155.69	\$ 14,155.69
Special Revenue Fund	162,508.41		162,508.41
Debt Service Fund	302,570.08		302,570.08
Totals	<u>\$465,078.49</u>	<u>\$14,155.69</u>	<u>\$479,234.18</u>

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on-behalf of the local schools, and to transfer the portion from the General Fund to the Debt Service Fund to service current-year debt requirements.

**Note 14 – Subsequent Event**

In February 2017, the Board entered into a loan agreement in the amount of \$1,023,806.66 to finance the purchase of 14 new school buses. The loan agreement has an interest rate of 3.25% with 10 annual payments.

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*Required Supplementary Information*

***Schedule of the Employer's Proportionate Share of the  
Net Pension Liability  
For the Year Ended September 30, 2016***

	<b>2016</b>	<b>2015</b>
Employer's proportion of the net pension liability	0.132520%	0.140378%
Employer's proportionate share of the net pension liability	\$13,869,000.00	\$12,753,000.00
Employer's covered-employee payroll during the measurement period (*)	\$ 8,363,000.00	\$ 8,902,569.35
Employer's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	165.84%	143.25%
Plan fiduciary net position as a percentage of the total collective pension liability	67.51%	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 2016, the measurement period is October 1, 2014 through September 30, 2015.

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, 2016***

	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 926,867.72	\$ 977,369.38
Contributions in relation to the contractually required contribution	<u>\$ 926,867.72</u>	<u>\$ 977,369.38</u>
Contribution deficiency (excess)	\$	\$
Employer's covered-employee payroll	\$ 7,823,807.88	\$ 8,363,375.70
Contributions as a percentage of covered-employee payroll	11.85%	11.69%

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, 2016***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
State	\$ 9,323,954.00	\$ 9,656,162.00	\$ 9,635,519.91
Federal	6,800.00	86,800.00	196,188.27
Local	2,019,328.00	2,084,328.00	2,045,236.98
Other	208,100.00	208,100.00	71,525.53
Total Revenues	11,558,182.00	12,035,390.00	11,948,470.69
<b>Expenditures</b>			
Current:			
Instruction	6,730,472.59	6,959,432.80	6,652,327.13
Instructional Support	1,275,056.78	1,346,386.28	1,417,721.56
Operation and Maintenance	702,767.29	754,873.73	936,386.19
Auxiliary Services:			
Student Transportation	1,046,219.03	1,046,219.03	942,524.52
General Administrative	756,752.20	755,752.20	821,533.87
Other	284,033.48	468,079.29	462,700.58
Debt Service:			
Debt Issuance Costs/Other Debt Service	2,500.00	2,500.00	3,225.00
Total Expenditures	10,797,801.37	11,333,243.33	11,236,418.85
Excess (Deficiency) of Revenues Over Expenditures	760,380.63	702,146.67	712,051.84
<b>Other Financing Sources (Uses)</b>			
Indirect Cost	95,031.23	99,530.67	69,599.13
Long-Term Debt Issued			421,425.50
Transfers In	35,000.00	22,000.00	14,155.69
Other Financing Sources	17,000.00	17,000.00	24,351.64
Sale of Capital Assets			150.00
Transfers Out	(660,248.54)	(462,877.97)	(465,078.49)
Total Other Financing Sources (Uses)	(513,217.31)	(324,347.30)	64,603.47
Net Change in Fund Balances	247,163.32	377,799.37	776,655.31
Fund Balances - Beginning of Year	(140,000.00)	133,102.57	141,007.57
Fund Balances - End of Year	\$ 107,163.32	\$ 510,901.94	\$ 917,662.88

**Explanation of differences:**

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.



Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 9,635,519.91
	196,188.27
16,728.41	2,061,965.39
	71,525.53
16,728.41	11,965,199.10
(96,199.35)	6,556,127.78
(27,547.00)	1,390,174.56
(21,004.42)	915,381.77
(6,409.13)	936,115.39
(571.06)	820,962.81
(58,388.99)	404,311.59
	3,225.00
(210,119.95)	11,026,298.90
226,848.36	938,900.20
	69,599.13
	421,425.50
	14,155.69
	24,351.64
	150.00
	(465,078.49)
	64,603.47
226,848.36	1,003,503.67
(1,181,074.61)	(1,040,067.04)
\$ (954,226.25)	\$ (36,563.37)

\$ 226,848.36

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2016***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Federal	\$ 3,537,334.00	\$ 3,892,540.65	\$ 3,494,555.91
Local	383,510.00	150,850.00	263,085.31
Other	50,200.00	50,200.00	60,387.93
Total Revenues	<u>3,971,044.00</u>	<u>4,093,590.65</u>	<u>3,818,029.15</u>
<b>Expenditures</b>			
Current:			
Instruction	1,237,987.21	1,379,838.23	1,199,851.99
Instructional Support	393,993.05	495,118.35	414,406.97
Operation and Maintenance	17,330.00	16,930.00	2,802.07
Auxiliary Services:			
Student Transportation	62,938.00	80,938.00	64,641.62
Food Service	1,724,548.48	1,790,948.48	1,573,182.00
General Administrative	273,256.54	273,968.48	239,815.99
Other	451,269.20	530,889.21	492,009.28
Capital Outlay		30,000.00	32,600.00
Total Expenditures	<u>4,161,322.48</u>	<u>4,598,630.75</u>	<u>4,019,309.92</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(190,278.48)</u>	<u>(505,040.10)</u>	<u>(201,280.77)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	359,878.98	162,508.41	162,508.41
Sale of Capital Assets			13,681.00
Transfers Out	(35,000.00)	(22,000.00)	(14,155.69)
Total Other Financing Sources (Uses)	<u>324,878.98</u>	<u>140,508.41</u>	<u>162,033.72</u>
Net Change in Fund Balances	134,600.50	(364,531.69)	(39,247.05)
Fund Balances - Beginning of Year	<u>320,000.00</u>	<u>564,486.22</u>	<u>613,573.53</u>
Fund Balances - End of Year	<u>\$ 454,600.50</u>	<u>\$ 199,954.53</u>	<u>\$ 574,326.48</u>

**Explanation of differences:**

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 3,494,555.91
	263,085.31
	60,387.93
	<u>3,818,029.15</u>
	1,199,851.99
	414,406.97
	2,802.07
	64,641.62
(7,978.61)	1,565,203.39
	239,815.99
(144.60)	491,864.68
	32,600.00
<u>(8,123.21)</u>	<u>4,011,186.71</u>
8,123.21	(193,157.56)
	162,508.41
	13,681.00
	(14,155.69)
	<u>162,033.72</u>
8,123.21	(31,123.84)
<u>(48,925.46)</u>	<u>564,648.07</u>
<u>\$ (40,802.25)</u>	<u>\$ 533,524.23</u>

\$ 8,123.21

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2016***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of Education</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Title I Grants to Local Educational Agencies (M)	84.010	N.A.
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.
Education for Homeless Children and Youth	84.196	N.A.
Twenty-First Century Community Learning Centers	84.287	N.A.
Rural Education	84.358	N.A.
Improving Teacher Quality State Grants	84.367	N.A.
Total U. S. Department of Education		
<b><u>U. S. Department of Education</u></b>		
<b><u>Direct Program</u></b>		
Impact Aid	84.041	N.A.
<b><u>U. S. Department of Agriculture</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	N.A.
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.
<b><u>Passed Through Perry County Commission</u></b>		
Schools and Roads - Grants to States	10.665	
Total U. S. Department of Agriculture		
<b><u>Social Security Administration</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Social Security - Disability Insurance	96.001	N.A.
Total Expenditures of Federal Awards		

(M) = Major Program

N.A. = Not Available or Not Applicable

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

Pass-Through to Subrecipient	Expenditures
N.A.	\$ 1,218,106.01
N.A.	419,922.80
N.A.	827.93
	<u>420,750.73</u>
N.A.	37,910.00
N.A.	20,000.00
N.A.	471,451.56
N.A.	24,323.96
N.A.	174,348.10
	<u>2,366,890.36</u>
N.A.	5,136.19
N.A.	399,780.40
N.A.	774,721.02
N.A.	74,313.36
	<u>849,034.38</u>
	1,248,814.78
N.A.	3,475.29
	<u>64,327.56</u>
	<u>1,316,617.63</u>
N.A.	2,100.00
	<u>\$ 3,690,744.18</u>

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2016***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Perry 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 Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Perry County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Perry County Board of Education.

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

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



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## *Additional Information*

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***Board Members and Administrative Personnel***  
***October 1, 2015 through September 30, 2016***

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**Board Members** **Term Expires**

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Hon. Fransia Foster	President	2022
Hon. Ann LeCroy	Vice-President	2018
Hon. Eulas Kirtdoll	Member	2018
Hon. Donald Nichols	Member	2022
Hon. Vera Davis, DNP	Member	2020
Hon. Clifford Coleman	Member	Deceased

**Administrative Personnel**

John H. Heard, III	Superintendent	2017
Wanda Jackson	Chief School Finance Officer	2018
Crystal Billingsley	Chief School Finance Officer	February 2016

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

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**Independent Auditor's Report**

Members of the Perry County Board of Education,  
Superintendent and Chief School Financial Officer  
Marion, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County Board of Education, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Perry County Board of Education's basic financial statements and have issued our report thereon dated July 31, 2017.

**Internal Control Over Financial Reporting**

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Perry County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***. However, we noted certain matters that we have reported to the management of the Perry County Board of Education in the Schedule of State and Local Compliance and Other Findings described as items 2016-001 and 2016-002.

***Perry County Board of Education's Response to Findings***

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

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

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**Purpose of this Report**

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



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 31, 2017

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

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***Independent Auditor's Report***

Members of the Perry County Board of Education,  
Superintendent and Chief School Financial Officer  
Marion, Alabama

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

We have audited the Perry County Board of Education's compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Perry County Board of Education's major federal programs for the year ended September 30, 2016. The Perry County Board of Education'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 is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

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

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

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

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

In our opinion, the Perry County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

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

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

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

Our consideration of 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.

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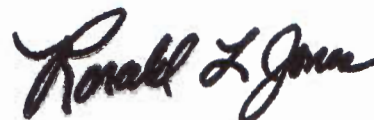
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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance***

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



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 31, 2017



***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2016***

**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? \_\_\_\_\_ Yes     X  None reported  
 Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     X  No

**Federal Awards**

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes     X  No  
 Significant 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 2 CFR 200.516(a) of the *Uniform Guidance*? \_\_\_\_\_ 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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00  
 Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes     X  No

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2016***

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

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reportable.	

**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*

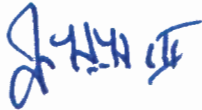
**Perry County Board of Education**

John Heard, III, Superintendent  
P. O. Box 900  
Marion, Alabama 36756-0900

Fransia Foster, Chairperson  
Ann LeCroy, Vice Chairperson  
Vera Davis  
Eulas Kirtdoll  
Donald Nichols

Superintendent Office (334) 683-6528  
Personnel Office (334) 683-4144  
Fax (334) 683-8427

TO: State of Alabama  
Department of Examiner of Public Accounts

FROM: Perry County Board of Education  
John H. Heard, III, Superintendent 

DATE: August 5, 2017

SUBJECT: Audit Findings (October 1, 2015 – September 30, 2016)

**Corrective Action Plan  
For the Year Ended September 30, 2016**

As required by the U.S. Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c) the Perry County Board of Education has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs, for the year ended September 30, 2016.

**Finding #2016-001:**

The Board has adopted policies and procedures for local school accounting and reporting. During testing of local school records at R.C. Hatch High School, instances were noted where the Board's policies and procedures were not followed:

- Board policy requires the following: receipt books be assigned by the principal to each teacher responsible for collecting money; the assignment of the receipt books be documented by signature of the individual responsible; and the return of the receipt book at the end of the year be documented by a dated, initialed list. Documentation of the assignment and return of receipt books was not maintained. Additionally, some individuals who collected money did not have a receipt book and at least two individuals shared a receipt book.
- Board policy requires that master receipts be given to the teacher remitting funds at the time monies are remitted to the office. These master receipts are to be maintained by the teacher by attaching it to the teacher receipt book. Instances were noted where master receipts were not attached to teachers receipt books, and were not otherwise available for audit.

## Perry County Board of Education

John Heard, III, Superintendent

P. O. Box 900

Marion, Alabama 36756-0900

- Board policy provides that when an individual collects \$5.00 or more, the funds should be submitted to the school office daily. All money received in the name of the school shall be deposited daily in a bank unless otherwise authorized by the Superintendent. Testing revealed that collections of money totaling \$270.00, as reflected by eight teacher receipts, could not be traced to master receipts or bank deposits. This amount was paid by the responsible individuals prior to the conclusion of the audit fieldwork.
- Board policy requires that all money collected from students on school premises be receipted, recorded in the school's accounting system and deposited in the school checking account. Furthermore, the policy requires the principal to approve purchase orders for all purchases, supporting documentation to be retained for all expenditures, and all payments for the purchase of goods or services to be made by an official school check. Testing revealed one teacher collected money from students for a field trip and shirts. However, the teacher did not issue receipts for the money collected, and did not remit all the money collected to the school office to be deposited. Additionally, rather than paying vendors with official school checks pursuant to Board policy, the teacher used the money collected from students to purchase shirts and to obtain money orders to make payments for the charter bus hired for the field trip.

**Response:** In an effort to become and maintain compliance the district has reviewed and discussed receipting, depositing, and purchase order procedures with local school administrative staff, lead teachers, and bookkeepers. Local school administrators were instructed to review and share these procedures with their remaining teachers and clerical staff. An additional resource/literature was provided to local school administrators to assist with this process.

Adequate receipt books have been ordered and provided to local schools, to ensure that all teachers responsible for collecting money have their own receipt book. It was also recommended that a designated time be set aside by the designee, for receipting to ensure that all money is properly receipted and the appropriate documentation is maintained in accordance with established policies and procedures.

The district reiterated to local schools the importance of intact and timely deposits. Local school personnel were also advised of the risk and implications of non-compliance with established policies and/or procedures.

### **Finding #2016-002:**

The *Code of Alabama 1973*, Section 16-1-41. I (d)( 1 ), provides that, in conjunction with, and as a precondition to the installation of any elected or appointed member of a local board of education, prospective members shall be required for each term of office to affirm publicly and in writing certain principles of educational governance. The Board did not provide documentation of affirmation of these principles of educational governance by a board member appointed in fiscal year 2016.

**Response:** In an effort to become and maintain compliance, all prospective board members, whether elected or appointed will be required to affirm publically and in writing principles of educational governance. The district will also ensure that documentation of the principles of educational governance affirmations are executed with each term, and is available upon request.