

Report on the

# **Autauga County Board of Education**

**Autauga County, Alabama**

**October 1, 2016 through September 30, 2017**

**Filed: June 15, 2018**



## **Department of Examiners of Public Accounts**

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*Rachel Laurie Riddle, 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 41-5A-19, as added by Act Number 2018-129, I submit this report on the results of the audit of the Autauga County Board of Education, Autauga County, Alabama, for the period October 1, 2016 through September 30, 2017.

Sworn to and subscribed before me this  
the 23<sup>rd</sup> day of May, 2018.

Cathy B Smith  
Notary Public

Respectfully submitted,

Larcus Fuller  
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>Independent Auditor's Report</b>	B
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
Exhibit #7      Statement of Fiduciary Net Position	11
Exhibit #8      Statement of Changes in Fiduciary Net Position	12
<b>Notes to the Financial Statements</b>	13



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## *Table of Contents*

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	<i>Page</i>
<b><u>Required Supplementary Information</u></b>	36
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 #9      Schedule of the Employer’s Proportionate Share of the Net Pension Liability	37
Exhibit #10     Schedule of the Employer’s Contributions	38
Exhibit #11     Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	39
Exhibit #12     Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	43
<b><u>Supplementary Information</u></b>	47
Contains financial information and notes relative to federal financial assistance.	
Exhibit #13     Schedule of Expenditures of Federal Awards	48
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	52
<b><u>Additional Information</u></b>	53
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</i> ( <i>Uniform Guidance</i> ) for federal compliance audits.	
Exhibit #14 <b>Board Members and Administrative Personnel</b> – a listing of the Board members and administrative personnel.	54





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## *Table of Contents*

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*Page*

Exhibit #15	<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.	55
Exhibit #16	<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.	57
Exhibit #17	<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> .	60

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## Department of **Examiners of Public Accounts**

### **SUMMARY**

#### **Autauga County Board of Education October 1, 2016 through September 30, 2017**

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

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Board complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12, as added by Act Number 2018-129.

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, 2017.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

The following officials/administrative personnel were invited to an exit conference to discuss the audit report: Hon. Robert Spence Agee, Superintendent; Alisa Benson, Chief School Financial Officer; and Board Members: Ledronia Goodwin, Jeffrey Keith, Mark Hindman, Jim Manderson, and Eleanor Ballow. The following individuals attended the exit conference, held at the Board's offices: Hon. Robert Spence Agee, Superintendent; Alisa Benson, Chief School Financial Officer; Board Members: Jeffrey Keith, Mark Hindman, Jim Manderson, and Eleanor Ballow; and a representative of the Department of Examiners of Public Accounts: Larcus Fuller, Examiner of Public Accounts.

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# *Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Autauga County Board of Education,  
Superintendent and Chief School Financial Officer  
Prattville, 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 Autauga County Board of Education as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Autauga County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

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

The management of the Autauga 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 Autauga County Board of Education's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Autauga 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 Autauga County Board of Education, as of September 30, 2017, 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, the Schedule of the Employer's Contributions and the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, (Exhibits 9 through 12) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Autauga 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.

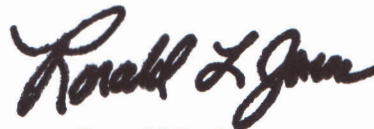
#### *Supplementary Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with ***Government Auditing Standards***, we have also issued our report dated May 23, 2018, on our consideration of the Autauga County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Autauga County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Autauga 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

May 23, 2018



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# *Basic Financial Statements*

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# ***Statement of Net Position*** ***September 30, 2017***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 15,490,965.10
Investments	387,362.18
Ad Valorem Property Taxes Receivable	6,435,957.65
Receivables (Note 4)	325,127.34
Inventories	341,071.19
Capital Assets (Note 5):	
Nondepreciable	5,415,516.16
Depreciable, Net	65,868,794.15
Total Assets	<u>94,264,793.77</u>
<b><u>Deferred Outflows of Resources</u></b>	
Loss on Refunding of Debt	295,732.82
Employer Pension Contribution	5,096,321.30
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	6,794,000.00
Total Deferred Outflows of Resources	<u>12,186,054.12</u>
<b><u>Liabilities</u></b>	
Accounts Payable	291,412.05
Unearned Revenue	66,684.47
Salaries and Benefits Payable	6,385,242.30
Accrued Interest Payable	459,860.47
Long-Term Liabilities:	
Portion Due or Payable Within One Year	2,484,586.37
Portion Due or Payable After One Year	96,913,242.09
Total Liabilities	<u>106,601,027.75</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	6,336,315.76
Revenue Received in Advance - Motor Vehicle Taxes	392,906.46
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	1,945,000.00
Total Deferred Inflows of Resources	<u>8,674,222.22</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	43,168,214.67
Restricted for:	
Debt Service	2,392,830.18
Capital Projects	633,790.77
Child Nutrition Program	1,634,351.25
Other Purposes	909,421.35
Unrestricted	<u>(57,563,010.30)</u>
Total Net Position	<u>\$ (8,824,402.08)</u>

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

# ***Statement of Activities*** ***For the Year Ended September 30, 2017***

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b><u>Governmental Activities</u></b>			
Instruction	\$ 48,080,224.60	\$ 1,105,527.75	\$ 38,161,187.81
Instructional Support	11,125,551.08	211,362.45	9,058,109.15
Operation and Maintenance	6,198,889.85	218,359.14	3,489,399.78
Auxiliary Services:			
Student Transportation	5,954,362.80	251,844.60	5,087,689.07
Food Service	5,540,353.69	4,197,554.38	364,824.62
General Administrative	2,761,258.41	4,631.40	1,382,414.37
Interest and Fiscal Charges	1,193,819.07		
Other Expenses	1,435,099.67	286,056.70	735,461.84
Total Governmental Activities	\$ 82,289,559.17	\$ 6,275,336.42	\$ 58,279,086.64

## **General Revenues:**

Taxes:

    Property Taxes for General Purposes

    Sales Tax

    Other Taxes

Grants and Contributions Not Restricted  
for Specific Programs

Investment Earnings

Miscellaneous

    Total General Revenues

Changes in Net Position

Net Position - Beginning of Year

Net Position - End of Year

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

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		Net (Expenses) Revenues and Changes in Net Position	
Capital Grants and Contributions		Total Governmental Activities	
\$	1,969,622.35	\$	(6,843,886.69)
			(1,856,079.48)
	390,158.65		(2,100,972.28)
	631,818.00		16,988.87
			(977,974.69)
			(1,374,212.64)
			(1,193,819.07)
			(413,581.13)
\$	2,991,599.00		(14,743,537.11)

6,830,277.32
6,161,754.92
47,166.79
82,546.06
80,049.52
2,149,413.37
15,351,207.98
607,670.87
(9,432,072.95)
\$ (8,824,402.08)

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2017***

	General Fund	Special Revenue Fund
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 8,187,028.19	\$ 2,919,398.14
Investments		387,362.18
Ad Valorem Property Taxes Receivable	6,435,957.65	
Receivables (Note 4)	6,198.52	318,928.82
Interfund Receivables	11,165.15	
Inventories		341,071.19
Total Assets	14,640,349.51	3,966,760.33
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	236,460.30	30,014.36
Interfund Payables		11,165.15
Unearned Revenues		66,684.47
Salaries and Benefits Payable	6,142,895.08	242,347.22
Total Liabilities	6,379,355.38	350,211.20
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue - Property Taxes	6,336,315.76	
Revenue Received in Advance - Motor Vehicle Taxes	392,906.46	
Total Deferred Inflows of Resources	6,729,222.22	
<b><u>Fund Balances</u></b>		
Nonspendable		341,071.19
Restricted:		
Fleet Renewal		
Capital Projects		
Debt Service		
Child Nutrition Program		1,293,280.06
Other Purposes		36,301.39
Assigned:		
Local Schools		1,945,896.49
Unassigned	1,531,771.91	
Total Fund Balances	1,531,771.91	3,616,549.13
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 14,640,349.51	\$ 3,966,760.33

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

Debt Service Fund	Other Governmental Fund	Total Governmental Funds
\$ 2,686,144.78	\$ 1,698,393.99	\$ 15,490,965.10
		387,362.18
		6,435,957.65
		325,127.34
		11,165.15
		341,071.19
2,686,144.78	1,698,393.99	22,991,648.61
	24,937.39	291,412.05
		11,165.15
		66,684.47
		6,385,242.30
	24,937.39	6,754,503.97
		6,336,315.76
		392,906.46
		6,729,222.22
		341,071.19
	943,555.00	943,555.00
	729,901.60	729,901.60
2,686,144.78		2,686,144.78
		1,293,280.06
		36,301.39
		1,945,896.49
		1,531,771.91
2,686,144.78	1,673,456.60	9,507,922.42
\$ 2,686,144.78	\$ 1,698,393.99	\$ 22,991,648.61

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
September 30, 2017***

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Total Fund Balances - Governmental Funds \$ 9,507,922.42

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	\$ 114,779,000.34	
Accumulated Depreciation is	<u>(43,494,690.03)</u>	71,284,310.31

Losses on refunding of debt are reported as deferred outflows of resources and are not  
available to pay for current-period expenditures and, therefore, are deferred on the  
Statement of Net Position. 295,732.82

Deferred outflows and inflows of resources related to pensions are applicable to future  
periods and, therefore, are not reported in the governmental funds. 9,945,321.30

Long-term liabilities, including bonds/warrants payable, are not due and payable in the  
current period and, therefore, are not reported as liabilities in the funds.

Current Portion of Long-Term Debt	\$ 2,484,586.37	
Noncurrent Portion of Long-Term Debt	<u>96,913,242.09</u>	(99,397,828.46)

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

Accrued Interest Payable	<u>\$ 459,860.47</u>	<u>(459,860.47)</u>
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Total Net Position - Governmental Activities \$ (8,824,402.08)

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, 2017***

	General Fund	Special Revenue Fund
<b><u>Revenues</u></b>		
State	\$ 53,320,702.71	\$
Federal	485,927.89	7,049,551.67
Local	12,802,793.71	4,914,376.86
Other	225,530.75	96,421.70
Total Revenues	66,834,955.06	12,060,350.23
<b><u>Expenditures</u></b>		
Current:		
Instruction	39,327,198.27	5,502,139.67
Instructional Support	9,812,138.15	845,343.94
Operation and Maintenance	5,570,633.83	383,705.99
Auxiliary Services:		
Student Transportation	5,115,912.56	166,785.35
Food Service	802.81	5,557,844.57
General Administrative	2,181,126.77	285,274.00
Other	562,388.27	814,119.86
Capital Outlay	3,070,572.35	578,793.63
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	65,640,773.01	14,134,007.01
Excess (Deficiency) of Revenues Over Expenditures	1,194,182.05	(2,073,656.78)
<b><u>Other Financing Sources (Uses)</u></b>		
Indirect Cost	401,848.24	
Proceeds from Debt Issuance	2,670,980.00	
Transfers In	269,591.00	2,035,304.57
Other Sources	75,787.44	192.61
Sale of Capital Assets	91,650.00	
Transfers Out	(2,865,592.53)	(269,591.00)
Total Other Financing Sources (Uses)	644,264.15	1,765,906.18
Net Changes in Fund Balances	1,838,446.20	(307,750.60)
Fund Balances - Beginning of Year	(306,674.29)	3,924,299.73
Fund Balances - End of Year	\$ 1,531,771.91	\$ 3,616,549.13

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

Debt Service Fund	Other Governmental Fund	Total Governmental Funds
\$ 21,775.20	\$ 2,963,105.80	\$ 56,305,583.71
		7,535,479.56
941,063.70		18,658,234.27
		321,952.45
962,838.90	2,963,105.80	82,821,249.99
		44,829,337.94
		10,657,482.09
	27,754.00	5,982,093.82
		5,282,697.91
		5,558,647.38
		2,466,400.77
		1,376,508.13
	498,479.19	4,147,845.17
620,000.00	1,431,616.87	2,051,616.87
940,367.64	314,683.21	1,255,050.85
1,560,367.64	2,272,533.27	83,607,680.93
(597,528.74)	690,572.53	(786,430.94)
		401,848.24
		2,670,980.00
830,287.96		3,135,183.53
		75,980.05
		91,650.00
		(3,135,183.53)
830,287.96		3,240,458.29
232,759.22	690,572.53	2,454,027.35
2,453,385.56	982,884.07	7,053,895.07
\$ 2,686,144.78	\$ 1,673,456.60	\$ 9,507,922.42

# ***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, 2017***

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Net Changes in Fund Balances - Total Governmental Funds	\$ 2,454,027.35
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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 differs from capital outlays in the period.

Capital Outlays	\$ 4,147,845.17	
Depreciation Expense	<u>(2,862,040.88)</u>	1,285,804.29

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.	2,051,616.87
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Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.	(2,670,980.00)
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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	\$ (91,650.00)	
Loss on Disposition of Capital Assets	<u>(229,140.01)</u>	(320,790.01)

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)	\$ 18,764.56	
Amortization of Premiums/Gain or Loss on Refunding	(79,996.34)	
Pension Expense, Current Year Increase/(Decrease)	<u>2,253,239.41</u>	<u>(2,192,007.63)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 607,670.87</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

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***Statement of Fiduciary Net Position***  
***September 30, 2017***

	<b>Private-Purpose Trust Funds</b>
<hr/>	
<b><u>Assets</u></b>	
Investments	\$ 222,979.62
Total Assets	<u>222,979.62</u>
<b><u>Net Position</u></b>	
Held for Individuals/Organizations	222,979.62
Total Net Position	<u>\$ 222,979.62</u>

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

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***Statement of Changes in Fiduciary Net Position***  
***For the Year Ended September 30, 2017***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Earnings on Investments	\$ 4,000.00
Total Additions	<u>4,000.00</u>
<b><u>Deductions</u></b>	
Instructional Support	<u>4,000.00</u>
Total Deductions	<u>4,000.00</u>
Changes in Net Position	
Net Position - Beginning of Year	<u>222,979.62</u>
Net Position - End of Year	<u>\$ 222,979.62</u>

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, 2017***

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

The financial statements of the Autauga 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, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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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, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The remaining governmental fund is aggregated and is reported as a nonmajor fund in the Other Governmental Fund column.

The Board reports the following major governmental funds:

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



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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The Board reports the following fund type in the Other Governmental Fund 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.

The Board reports the following fiduciary fund type:

#### **Fiduciary Fund Type**

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, 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.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2017***

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

#### **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 pledged of the three-mill school tax and certificates of deposit.

Investments are reported at fair value, based on quoted market prices, except for money market investments, which are reported at amortized cost, and certificates of deposit, which are reported at cost. The Board reports all money market investments – U. S. Treasury bills and bankers' acceptances having a remaining maturity at time of purchase of one year or less – at amortized cost.

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

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

Millage rates for property taxes are levied 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **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**

Included in cash and cash with fiscal agents on the financial statements are certain assets which are considered restricted. 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 purchases of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it becomes due.

#### **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	\$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
Equipment Under Capital Lease	\$ 5,000	5 – 20 years

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2017***

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#### **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. Bond/Warrant premiums are deferred and amortized over the life of the debt. Bond/Warrants payable are reported net of the applicable bond/warrant premium.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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

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

#### **9. 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **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 net position categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets 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.

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

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. 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.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2017***

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- D. Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorized the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it 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.

#### **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, motor vehicle ad valorem tax 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 the modified accrual basis of accounting. All other governmental funds adopt budgets on the modified accrual basis of accounting, with the exception of the Capital Projects Fund which adopts project-length budgets. All appropriations lapse at fiscal year-end.

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 Autauga 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **B. Deficit Net Position**

At September 30, 2017, the government-wide financial statement had a deficit net position of \$8,824,402.08. The deficit in net position is due to the implementation of the GASB Statement Number 68.

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

##### **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.

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

#### **Note 4 – Receivables**

On September 30, 2017, receivables for the Board's individual major funds in the aggregate are as follows:

	General Fund	Special Revenue Fund	Total
Receivables:			
Accounts Receivable	\$6,198.52	\$	\$ 6,198.52
Intergovernmental		318,928.82	318,928.82
Total Receivables	<u>\$6,198.52</u>	<u>\$318,928.82</u>	<u>\$325,127.34</u>

# Notes to the Financial Statements

## For the Year Ended September 30, 2017

### Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 10/01/2016	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2017
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 5,415,516.16	\$	\$	\$ 5,415,516.16
Construction in Progress	862,095.42	22,432.30	(884,527.72)	
Total Capital Assets, Not Being Depreciated	6,277,611.58	22,432.30	(884,527.72)	5,415,516.16
Capital Assets Being Depreciated:				
Land Improvements, Exhaustible	976,915.85			976,915.85
Buildings	74,125,860.08			74,125,860.08
Building Improvements	14,943,756.93	1,614,399.08	(8,968.00)	16,549,188.01
Equipment and Furniture	4,090,586.92	724,561.51	(88,528.54)	4,726,619.89
Vehicles	10,413,889.19	2,670,980.00	(1,566,751.96)	11,518,117.23
Assets Under Capital Lease	1,466,783.12			1,466,783.12
Total Capital Assets Being Depreciated	106,017,792.09	5,009,940.59	(1,664,248.50)	109,363,484.18
Less Accumulated Depreciation for:				
Land Improvements, Exhaustible	(237,062.53)	(46,784.10)		(283,846.63)
Buildings	(24,369,079.10)	(1,416,666.36)		(25,785,745.46)
Building Improvements	(7,120,677.11)	(451,076.80)	7,174.40	(7,564,579.51)
Equipment and Furniture	(3,330,748.76)	(333,410.21)	82,882.39	(3,581,276.58)
Vehicles	(6,370,299.13)	(559,069.64)	1,253,401.70	(5,675,967.07)
Assets Under Capital Lease	(548,241.01)	(55,033.77)		(603,274.78)
Total Accumulated Depreciation	(41,976,107.64)	(2,862,040.88)	1,343,458.49	(43,494,690.03)
Total Capital Assets Being Depreciated, Net	64,041,684.45	2,147,899.71	(320,790.01)	65,868,794.15
Total Governmental Activities Capital Assets, Net	\$ 70,319,296.03	\$ 2,170,332.01	\$(1,205,317.73)	\$ 71,284,310.31

(\*) The Board completed Construction in Progress during the fiscal year and reclassified (\$884,527.72) to Building Improvements.

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
Instruction	\$1,774,901.86
Instructional Support	87,070.13
Operation and Maintenance	150,349.67
Auxiliary Services:	
Student Transportation	548,927.28
Food Services	268,843.19
General Administrative	4,246.84
Other	27,701.91
Total Depreciation Expense – Governmental Activities	\$2,862,040.88



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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2017***

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#### **Note 6 – Defined Benefit Pension Plan**

##### **A. Plan Description**

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

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

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

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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **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, 2017, was 12.01% of annual pay for Tier 1 members and 10.82% 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 \$5,096,321.30 for the year ended September 30, 2017.

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

At September 30, 2017, the Board reported a liability of \$70,986,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015. 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, 2016, the Board's proportion was .655698%, which was an increase of .009224% from its proportion measured as of September 30, 2015.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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For the year ended September 30, 2017, the Board recognized pension expense of \$7,349,000. At September 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$1,828,000.00
Changes of assumptions	5,012,000.00	
Net difference between projected and actual earnings on pension plan investments	1,026,000.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	756,000.00	117,000.00
Employer contributions subsequent to the measurement date	5,096,321.30	
Total	<u>\$11,890,321.30</u>	<u>\$1,945,000.00</u>

The \$5,096,321.30 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, 2018. 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, 2018	\$1,051,000
2019	\$1,051,000
2020	\$2,159,000
2021	\$ 295,000
2022	\$ 293,000
Thereafter	\$

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### *E. Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of September 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.75%
Projected Salary Increases	3.25%-5.00%

(\*) Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2015, 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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

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

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

#### **F. Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. 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, the pension plan's fiduciary net position was 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, 2017*

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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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Board's proportionate share of collective net pension liability	\$94,569,000	\$70,986,000	\$51,020,000

#### **H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2016. The auditor's report dated September 22, 2017, 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, 2016, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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

##### **A. Plan Description**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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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 2017
Individual Coverage – Non-Medicare Eligible	\$ 166.00
Individual Coverage – Medicare Eligible	\$ 25.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$ 421.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse	\$ 521.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 280.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$ 280.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 139.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 310.00
Family Coverage – Non-Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible	\$ 380.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse	\$ 169.00
Family Coverage – Medicare Eligible Retired Member and Spousal Dependent Medicare Eligible	\$ 816.00
Family Coverage – Medicare Eligible Retired Member and Spousal Dependent Medicare Eligible	\$1,028.00
Surviving Spouse – Non-Medicare Eligible	\$1,067.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$ 430.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$ 720.00
Surviving Spouse – Medicare Eligible	\$ 759.00

For employees that retire other than for disability on or after October 1, 2005 and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is \$50 per month for retired members that use tobacco.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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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
2017	\$800.00	\$152.57	19.07%	\$1,976,880.75	100%
2016	\$780.00	\$211.21	27.08%	\$2,750,357.99	100%
2015	\$780.00	\$180.76	23.17%	\$2,300,472.00	100%

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

#### **Note 8 – Long-Term Debt**

The Board is obligated for the Qualified School Construction Bond, Series 2010, issued for the purpose of funding capital improvement. The Board's obligation is paid solely from the Board's portion of the Public School Funds received from the State of Alabama.

The Limited Obligation Warrant, Series 2010, dated April 15, 2010, was issued to complete the athletic facilities at the new Marbury High School and for improvements to the Marbury Middle School.

The Capital Improvement Pool Refunding Bonds, Series 2009B, dated October 21, 2009, were issued for the purpose of fully refunding the Board's Capital Improvement Pool Warrants, Series 1999D, and partially refunding the Capital Improvement Pool Warrants, Series 2001A.

In prior fiscal years, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Bonds, Series 2008A and Series 2001A, in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these bonds provided funds for the acquisition, construction and renovation of school facilities. In the prior year, the Board issued the PSCA Refunding Warrants, Series 2011B, to refund the remaining outstanding Leveraged PSF, 2001A. These bonds were partially refunded by the issuance of the PSCA, Series 2015-B bonds.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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On May 15, 2015, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued PSCA Capital Improvement Pool Refunding Bonds, Series 2015-B, with interest rates ranging from 3.00% to 5.00% to partially refund and retire Capital Improvement Pool Warrants, Series 2005-A. The Board has a 6.215% participation in the bonds resulting in the Board's share of principal in the amount of \$2,958,955.84. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation.

On July 31, 2015, the Board issued \$15,090,000.00 in Public School Tax Revenue Warrants, Series 2015, to refund the outstanding Limited Obligation School Refunding Bonds, Series 2005-A, issued on behalf of the Board by Autauga County Public Education Cooperative District, and to advance refund the outstanding Public Education Revenue Bonds, Series 2008, issued on behalf of the Board by the Public Education Cooperative District, and to provide for capital improvements.

On March 15, 2013, the Board issued a note payable for the purpose of acquiring new school buses.

On December 8, 2016, the Board issued a note payable for the purpose of acquiring new school buses.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2017:

	Debt Outstanding 10/01/2016	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2017	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds/Warrants and Notes Payable:					
Bonds/Warrants Payable	\$24,859,557.48	\$	\$(1,788,715.99)	\$23,070,841.49	\$1,857,740.77
Long-Term Notes Payable	1,678,920.28	2,670,980.00	(262,900.88)	4,086,999.40	507,418.22
Unamortized Premium	1,373,414.95		(119,427.38)	1,253,987.57	119,427.38
Total Bonds/Warrants and Notes Payable	27,911,892.71	2,670,980.00	(2,171,044.25)	28,411,828.46	2,484,586.37
<b>Other Liabilities:</b>					
Net Pension Liability	67,658,000.00	3,328,000.00		70,986,000.00	
Total Other Liabilities	67,658,000.00	3,328,000.00		70,986,000.00	
Total Governmental Activities Long-Term Liabilities	\$95,569,892.71	\$5,998,980.00	\$(2,171,044.25)	\$99,397,828.46	\$2,484,586.37

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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Payments on the Limited Obligation Warrant, Series 2010, Capital Improvement Pool Bonds, Series 2008A, and Capital Improvement Pool Refunding Bonds, Series 2009B and 2011B, are made by the Debt Service Fund with Public School funds withheld from the Board's allocation from the Alabama Department of Education. Notes payable are primarily paid from the Fleet Renewal funding source.

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

Fiscal Year Ending	Bonds/Warrants Payable		Long-Term Note Payable		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	
September 30, 2018	\$ 1,857,740.77	\$ 837,821.04	\$ 507,418.22	\$103,101.77	\$ 3,306,081.80
2019	1,793,030.13	772,516.08	520,171.92	90,348.08	3,176,066.21
2020	1,477,203.79	693,915.58	533,246.21	77,273.79	2,781,639.37
2021	1,502,624.76	621,305.38	546,649.14	63,870.85	2,734,450.13
2022	1,386,622.99	546,174.16	560,388.98	50,131.00	2,543,317.13
2023-2027	13,076,221.29	1,646,119.81	1,419,124.93	109,945.04	16,251,411.07
2028-2029	1,977,397.76	100,476.46			2,077,874.22
Total	\$23,070,841.49	\$5,218,328.51	\$4,086,999.40	\$494,670.53	\$32,870,839.93

#### *Deferred Outflows on Refunding and Premiums*

The Board has deferred charges on refunding and a premium in connection with the issuance of its Public School Tax Revenue Warrants, Series 2015, which are being amortized using the straight-line method over a period of ten years.

	Deferred Outflows on Refunding	Premium
Total Deferred Outflows on Refunding and Premium	\$381,166.74	\$1,512,746.93
Amount Amortized Prior Years	(46,002.88)	(139,331.98)
Balance Deferred Outflows on Refunding and Premium	335,163.86	1,373,414.95
Current Amount Amortized	(39,431.04)	(119,427.38)
Balance Deferred Outflows on Refunding and Premium	\$295,732.82	\$1,253,987.57

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **Note 9 – Pledged Revenues**

The Board issued Limited Obligation Warrants, Series 2010, which are pledged to be repaid from the Board's proceeds from its share of the Special County License Tax. The proceeds were used for the construction of athletic facilities at the new school facility in Marbury for Marbury High School and funding renovations at the current school facility in Marbury which was converted into Marbury Middle School. Pledged funds in the amount of \$55,000.00 were used to pay principal and interest on the warrants during the fiscal year ended September 30, 2017. Future revenues in the amount of \$157,500.00 are pledged to repay the principal and interest on the warrants at September 30, 2017. This amount represents 100 percent of the pledged funds received by the Board. This warrant will mature in fiscal year 2020.

The Board issued Series 2008A, 2009B, 2011B and 2015-B 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 \$6,004,067.98 are pledged to repay the principal and interest on the bonds at September 30, 2017. Pledged funds in the amount of \$1,086,594.08 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2017. This amount represents 100 percent of the pledged funds received by the Board. The Series 2008A, Series 2009B, Series 2011B and 2015-B bonds will mature in fiscal years 2018, 2019, 2021 and 2029, respectively.

The Board issued Public School Tax Revenue Warrants, Series 2015, which are pledged to be repaid from the County's Sales and Use Tax, 3-Mills and 1-Mill County-Wide Ad Valorem Taxes, and Special County-Wide Ad Valorem Tax. The proceeds of the Series 2015 warrants were used to refund Limited Obligation School Refunding Bonds, Series 2005-A, and Public Education Revenue Bonds, Series 2008, and to provide for capital improvements. Future revenues in the amount of \$16,845,850.00 are pledged to repay the warrants as of September 30, 2017. Pledged funds in the amount of \$1,822,100.00 were used to pay principal and interest on the debt during the fiscal year ended September 30, 2017. The Series 2015 warrants will mature in fiscal year 2028.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### *Note 10 – Risk Management*

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **Note 11 – Interfund Transactions**

##### **Interfund Receivables and Payables**

The interfund receivables and payables at September 30, 2017, were as follows:

	Interfund Receivables General Fund	Totals
<b>Interfund Payables:</b>		
Special Revenue Fund	\$11,165.15	\$11,165.15
Totals	<u>\$11,165.15</u>	<u>\$11,165.15</u>

##### **Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2017, were as follows:

	General Fund	Transfers Out Special Revenue Fund	Total
<b>Transfers In:</b>			
General Fund	\$	\$269,591.00	\$ 269,591.00
Special Revenue Fund	2,035,304.57		2,035,304.57
Debt Service Fund	830,287.96		830,287.96
Totals	<u>\$2,865,592.53</u>	<u>\$269,591.00</u>	<u>\$3,135,183.53</u>

#### **Note 12 – Related Organization**

A majority of the members of the Autauga County Public Education Cooperative District are appointed by the Autauga County Board of Education. The Board, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for the Cooperative District and the Cooperative District is not considered part of the Board's financial reporting entity. The Cooperative District is considered a related organization of the Autauga County Board of Education.

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## *Required Supplementary Information*

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***Schedule of the Employer's Proportionate Share of the  
Net Pension Liability  
For the Year Ended September 30, 2017  
(Dollar amounts in thousands)***

	2017	2016	2015
Employer's proportion of the net pension liability	0.655698%	0.646474%	0.648404%
Employer's proportionate share of the net pension liability	\$ 70,986	\$ 67,658	\$ 58,905
Employer's covered-employee payroll during the measurement period (*)	\$ 37,063	\$ 36,767	\$ 37,169
Employer's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	191.53%	184.02%	158.48%
Plan fiduciary net position as a percentage of the total collective pension liability	67.93%	67.51%	71.01%

(\*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2017, the measurement period is October 1, 2015 through September 30, 2016.

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



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***Schedule of the Employer's Contributions***  
***For the Year Ended September 30, 2017***  
***(Dollar amounts in thousands)***

	2017	2016	2015
Contractually required contribution	\$ 5,096	\$ 4,930	\$ 4,770
Contributions in relation to the contractually required contribution	<u>\$ 5,096</u>	<u>\$ 4,930</u>	<u>\$ 4,770</u>
Contribution deficiency (excess)	\$	\$	\$
Employer's covered-employee payroll	\$ 37,865	\$ 37,063	\$ 36,767
Contributions as a percentage of covered-employee payroll	13.46%	13.30%	12.97%

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, 2017***

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>
<b><u>Revenues</u></b>			
State	\$ 53,106,297.00	\$ 53,116,771.11	\$ 53,320,702.71
Federal	160,470.20	160,470.20	485,927.89
Local	11,663,457.74	11,671,629.74	12,826,627.93
Other	214,565.00	214,565.00	225,530.75
Total Revenues	65,144,789.94	65,163,436.05	66,858,789.28
<b><u>Expenditures</u></b>			
Current:			
Instruction	39,366,194.22	39,363,032.59	39,562,611.96
Instructional Support	9,705,061.64	9,719,594.82	9,891,264.14
Operation and Maintenance	5,549,574.70	5,493,774.70	5,586,488.57
Auxiliary Services:			
Student Transportation	5,319,581.56	5,320,774.21	5,128,860.19
Food Service			802.81
General Administrative	2,182,111.87	2,180,911.87	2,187,936.66
Other	540,093.74	557,078.37	560,419.54
Capital Outlay	135,000.00	191,500.00	3,070,572.35
Total Expenditures	62,797,617.73	62,826,666.56	65,988,956.22
Excess (Deficiency) of Revenues Over Expenditures	2,347,172.21	2,336,769.49	869,833.06
<b><u>Other Financing Sources (Uses)</u></b>			
Indirect Cost	392,092.01	394,752.01	401,848.24
Proceeds from Debt Issuance			2,670,980.00
Transfers In	277,800.00	277,800.00	269,591.00
Other Financing Sources			75,787.44
Sale of Capital Assets			91,650.00
Transfers Out	(2,536,718.11)	(2,542,718.11)	(2,865,592.53)
Total Other Financing Sources (Uses)	(1,866,826.10)	(1,870,166.10)	644,264.15
Net Change in Fund Balances	480,346.11	466,603.39	1,514,097.21
Fund Balances - Beginning of Year	5,386,568.86	6,553,476.24	6,553,476.24
Fund Balances - End of Year	\$ 5,866,914.97	\$ 7,020,079.63	\$ 8,067,573.45

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 53,320,702.71
		485,927.89
(1)	(23,834.22)	12,802,793.71
		225,530.75
	<u>(23,834.22)</u>	<u>66,834,955.06</u>
(2)	(235,413.69)	39,327,198.27
(2)	(79,125.99)	9,812,138.15
(2)	(15,854.74)	5,570,633.83
(2)	(12,947.63)	5,115,912.56
		802.81
(2)	(6,809.89)	2,181,126.77
(2)	1,968.73	562,388.27
		3,070,572.35
	<u>(348,183.21)</u>	<u>65,640,773.01</u>
	324,348.99	1,194,182.05
		401,848.24
		2,670,980.00
		269,591.00
		75,787.44
		91,650.00
		<u>(2,865,592.53)</u>
		<u>644,264.15</u>
	324,348.99	1,838,446.20
(3)	<u>(6,860,150.53)</u>	<u>(306,674.29)</u>
	<u>\$ (6,535,801.54)</u>	<u>\$ 1,531,771.91</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2017***

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

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

- (1) The Board budgets motor vehicle ad valorem taxes to the extent they are expected to be received in the current fiscal period, rather than on the modified accrual basis.
- (2) Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements.

Net Change in Fund Balance - Budget to GAAP

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

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\$ (23,834.22)

348,183.21

\$ 324,348.99

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - Special Revenue Fund***  
***For the Year Ended September 30, 2017***

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>
<b><u>Revenues</u></b>			
Federal	\$ 7,294,596.00	\$ 7,651,475.34	\$ 7,049,551.67
Local	5,556,879.51	5,556,879.51	4,914,376.86
Other	116,000.00	116,000.00	96,421.70
Total Revenues	12,967,475.51	13,324,354.85	12,060,350.23
<b><u>Expenditures</u></b>			
Current:			
Instruction	5,972,388.53	6,074,192.46	5,502,139.67
Instructional Support	639,252.39	852,755.58	845,343.94
Operation and Maintenance	360,424.40	363,124.40	383,937.86
Auxiliary Services:			
Student Transportation	229,764.62	234,127.31	166,785.35
Food Service	6,231,249.12	6,231,249.12	5,582,015.28
General Administrative	199,573.92	197,233.92	285,274.00
Other	793,206.87	833,116.40	814,119.86
Capital Outlay		5,000.00	578,793.63
Total Expenditures	14,425,859.85	14,790,799.19	14,158,409.59
Excess (Deficiency) of Revenues Over Expenditures	(1,458,384.34)	(1,466,444.34)	(2,098,059.36)
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In	2,729,284.69	2,735,284.69	2,035,304.57
Other Financing Sources			192.61
Transfers Out	(486,620.00)	(486,620.00)	(269,591.00)
Total Other Financing Sources (Uses)	2,242,664.69	2,248,664.69	1,765,906.18
Net Change in Fund Balances	784,280.35	782,220.35	(332,153.18)
Fund Balances - Beginning of Year	1,527,231.13	4,191,679.53	4,191,049.53
Fund Balances - End of Year	\$ 2,311,511.48	\$ 4,973,899.88	\$ 3,858,896.35

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	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 7,049,551.67
		4,914,376.86
		96,421.70
		<u>12,060,350.23</u>
		5,502,139.67
		845,343.94
(1)	(231.87)	383,705.99
		166,785.35
(1)	(24,170.71)	5,557,844.57
		285,274.00
		814,119.86
		578,793.63
	(24,402.58)	<u>14,134,007.01</u>
	24,402.58	<u>(2,073,656.78)</u>
		2,035,304.57
		192.61
		<u>(269,591.00)</u>
		<u>1,765,906.18</u>
	24,402.58	(307,750.60)
(2)	(266,749.80)	<u>3,924,299.73</u>
	\$ (242,347.22)	<u>\$ 3,616,549.13</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Special Revenue Fund  
For the Year Ended September 30, 2017***

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

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

- (1) Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements.

Net Change in Fund Balance - Budget to GAAP

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



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\$ 24,402.58

\$ 24,402.58

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## *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Identifying 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		
Career and Technical Education - Basic Grants to States	84.048	N.A.
Twenty-First Century Community Learning Centers	84.287	N.A.
Advanced Placement Program	84.330	N.A.
English Language Acquisition State Grants	84.365	N.A.
Supporting Effective Instruction State Grant	84.367	N.A.
<b><u>Passed Through Alabama Department of</u></b>		
<b><u>Early Childhood Development</u></b>		
Preschool Development Grant	84.419	N.A.
<b><u>Direct Program</u></b>		
Impact Aid	84.041	N.A.
Total U. S. Department of Education		
<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		
Total Child Nutrition Cluster		
State Administrative Expenses for Child Nutrition	10.560	N.A.
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.
Sub-Total Forward		

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<b>Pass-Through to Subrecipients</b>	<b>Expenditures</b>
N.A.	\$ 1,771,402.86
N.A.	1,900,689.98
N.A.	35,526.00
	<u>1,936,215.98</u>
N.A.	153,815.73
N.A.	147,123.24
N.A.	2,477.00
N.A.	29,627.81
N.A.	314,109.39
N.A.	7,774.56
N.A.	82,546.06
	<u>4,445,092.63</u>
N.A.	648,469.35
N.A.	2,018,681.75
N.A.	368,961.44
	<u>2,387,643.19</u>
	3,036,112.54
N.A.	9,454.16
	<u>3,045,566.70</u>
N.A.	3,158.00
	<u>\$ 7,493,817.33</u>

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***Schedule of Expenditures of Federal Awards***  
***For the Year Ended September 30, 2017***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Identifying Number</b>
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Sub-Total Brought Forward

**Other Federal Assistance**

**U. S. Department of Defense**

**Direct Program**

Air Force ROTC

N.A.

N.A.

Total U. S. Department of Defense

Total Expenditures of Federal Awards

(M) = Major Program

N.A. = Not Available/Not Applicable

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

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<b>Pass-Through to Subrecipients</b>	<b>Expenditures</b>
	\$ 7,493,817.33
N.A.	56,674.12
	<u>56,674.12</u>
	<u>\$ 7,550,491.45</u>

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2017***

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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 Autauga 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 Autauga County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Autauga 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 Autauga County Board of Education has not elected to use the 10% 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, 2016 through September 30, 2017***

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<b>Board Members</b>		<b>Term Expires</b>
Hon. Jeffrey Keith	Chairman	2022
Hon. Ledronia Goodwin	Vice-Chairman	2022
Hon. Jim Manderson	Member	2022
Hon. Mark Hindman	Member	2022
Hon. Eleanor Ballow	Member	2022
<b><u>Administrative Personnel</u></b>		
Hon. Robert Spence Agee	Superintendent	2020
Alisa Benson	Chief School Financial Officer	Indefinite

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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 Autauga County Board of Education,  
Superintendent and Chief School Financial Officer  
Prattville, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Autauga County Board of Education as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Autauga County Board of Education's basic financial statements and have issued our report thereon dated May 23, 2018.

**Internal Control Over Financial Reporting**

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

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

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

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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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## **Compliance and Other Matters**

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

## **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 Autauga County Board of Education'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

May 23, 2018

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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 Autauga County Board of Education,  
Superintendent and Chief School Financial Officer  
Prattville, Alabama

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

We have audited the Autauga 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 the Autauga County Board of Education's major federal program for the year ended September 30, 2017. The Autauga County Board of Education's major federal program is 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 the Autauga County Board of Education's major federal program 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 Autauga 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 the major federal program. However, our audit does not provide a legal determination of the Autauga 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 Autauga 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 its major federal program for the year ended September 30, 2017.

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

Management of the Autauga 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 Autauga 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 Autauga 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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.

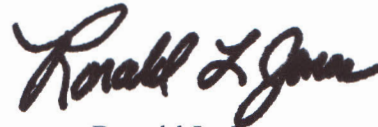
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify 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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***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

May 23, 2018

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2017***

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**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 Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No



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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2017***

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

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

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

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