

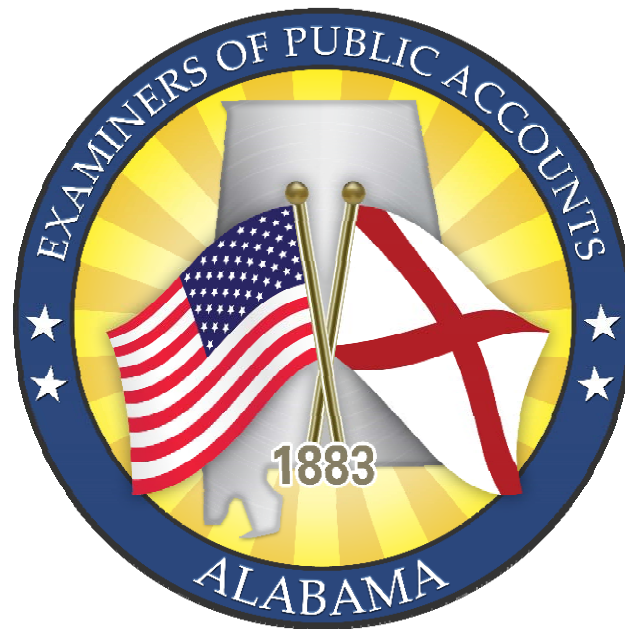
Report on the

Bibb County Board of Education

Bibb County, Alabama

October 1, 2016 through September 30, 2017

Filed: February 8, 2019



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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

Dear Madam:

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 Bibb County Board of Education, Bibb County, Alabama, for the period October 1, 2016 through September 30, 2017.

Sworn to and subscribed before me this
the 20th day of December, 2018.

Lucille McKealey Womac
Notary Public

rb

LUCILLE W. WOMAC
Notary Public • Alabama-State At Large
My Commission Expires 6/2/2019

Respectfully submitted,

Amanda Hensley
Amanda Hensley
Examiner of Public Accounts

Table of Contents

	<i>Page</i>
Summary	A
<p>Contains items pertaining to federal, state and local legal compliance, Board operations and other matters.</p>	
Independent Auditor's Report	C
<p>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).</p>	
Management's Discussion and Analysis	G
<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Board introducing the basic financial statements and providing an analytical overview of the Board's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
<u>Basic Financial Statements</u>	1
<p>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.</p>	
Exhibit #1	2
Exhibit #2	3
Exhibit #3	5
Exhibit #4	7
Exhibit #5	8
Exhibit #6	10
Notes to the Financial Statements	12

Table of Contents

	<i>Page</i>
<u>Required Supplementary Information</u>	39
Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #7 Schedule of the Employer’s Proportionate Share of the Net Pension Liability	40
Exhibit #8 Schedule of the Employer’s Contributions	41
Exhibit #9 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	42
Exhibit #10 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	44
<u>Supplementary Information</u>	46
Contains financial information and notes relative to federal financial assistance.	
Exhibit #11 Schedule of Expenditures of Federal Awards	47
Notes to the Schedule of Expenditures of Federal Awards	51
<u>Additional Information</u>	52
Provides basic information related to the Board, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i> for federal compliance audits.	
Exhibit #12 Board Members and Administrative Personnel – a listing of the Board members and administrative personnel.	53
Exhibit #13 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> – 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.	54

Table of Contents

	<i>Page</i>
Exhibit # 14 Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> – 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 #15 Schedule of Findings and Questioned Costs – 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
Exhibit #16 Auditee Response/Corrective Action Plan – a response by the Board on the results of the audit and a corrective action plan for federal audit findings.	64



Department of
Examiners of Public Accounts

SUMMARY

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

The Bibb County Board of Education (the “Board”) is governed by a five-member body elected by the citizens of Bibb County. The members and administrative personnel in charge of governance of the Board are listed on Exhibit 12. The Board is the governmental agency that provides general administration and supervision for Bibb 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.

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

Problems were found with the Board’s internal controls over financial reporting and/or its internal controls over compliance with its federal assistance programs (Exhibit 15) and they are summarized below:

- ◆ 2017-001 relates to the Board’s failure to ensure receivables were properly recorded.
- ◆ 2017-002 relates to the Board’s failure to comply with Board policy and *Uniform Guidance* requirements for procurement transactions.

Board members and administrative personnel, as reflected on Exhibit 12, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Superintendent Terry D. McGee and Board Member Elaine Stoudemire Jones. Also in attendance were representatives from the Department of Examiners of Public Accounts: Audit Manager Emily Tyler, and Examiner Amanda Hensley.

Independent Auditor's Report

Independent Auditor's Report

Members of the Bibb County Board of Education,
Superintendent and Chief School Financial Officer
Centreville, 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 Bibb 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 Bibb County Board of Education's basic financial statements, listed in the table of contents as Exhibits 1 through 6.

Management's Responsibility for the Financial Statements

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

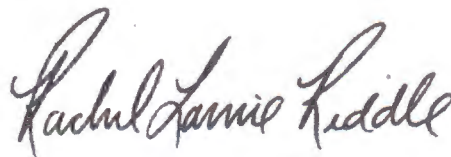
Supplementary Information

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

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying 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 December 14, 2018, on our consideration of the Bibb 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 Bibb 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 Bibb County Board of Education's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

December 14, 2018

*Management's Discussion and Analysis
(Required Supplementary Information)*

BIBB COUNTY BOARD OF EDUCATION
Management Discussion and Analysis (MD&A)
September 30, 2017

Introduction

The Management's Discussion and Analysis (MD&A) of Bibb County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2017. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Bibb County Board of Education's financial performance.

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

The Board and its Superintendent have the responsibility for operating, maintaining and servicing the needs of 10 school sites including two high schools, two middle schools, four elementary schools, one career tech center and one alternative school. All of our elementary and high schools are accredited by the Southern Association of Colleges and Schools. In addition, the Board operates a Central Office and a Student Transportation Facility.

Financial Highlights – Significant Items to Note

- ◆ Bibb County has the minimum 10 mill ad valorem tax required to participate in the State Foundation Program. Revenues in 2017 from this tax were approximately 4.2% below 2016 levels. The revenues from this tax declined from 2015 to 2016 as well.
- ◆ The Board of Education receives a one percent sales tax for normal operations and a special one percent sales tax specified for non-personnel uses, with a priority toward retirement of debt service, maintenance and technology. This Board experienced a 2.6% decline in sales tax revenues in 2017 when compared to 2016 revenues.

Using the Financial Statements – An Overview for the User

As a result of the implementation of the GASB Statement Number 34 reporting model, the financial section consists of five parts – *management's discussion and analysis (this section), the independent auditors' report, the basic financial statements, required supplementary information, and other supplementary information.* The Board's basic financial statements are comprised of three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide Financial Statements – The focus of these statements is to provide readers with a broad overview of the Board’s finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Board’s overall financial status. It is important to note that all of the activities of the Board reported in the government-wide financial statements are classified as governmental activities. These activities include the following:

- ◆ **Instruction** – includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.
- ◆ **Instructional Support** – includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, and professional development expenses.
- ◆ **Operation and Maintenance** – includes utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- ◆ **Auxiliary Services** – includes student transportation expenses, such as bus driver salaries and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance, and food service expenses such as lunchroom managers, cooks, cashiers and servers’ salaries and benefits as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment and depreciation of food service equipment and facilities.
- ◆ **General Administrative** – includes salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment.
- ◆ **Interest and Fiscal Charges** – includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- ◆ **Other** – includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the kindergarten through 12th grade instructional programs.

Government-wide Statements – report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations, which has not been the case in the past. These statements report all assets, deferred outflows of resources, liabilities and deferred inflows of resources perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Board’s current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method sector. The following *government-wide financial statements* report on all of the governmental activities of the Board as a whole.

The Statement of Net Position – is most closely related to a balance sheet. It presents information on all of the Board’s assets (what it owns), deferred outflows of resources, liabilities (what it owes), and deferred inflows of resources, with the difference reported as net position. The net position reported in this statement represent the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net position reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.

The Statement of Activities – is most closely related to an income statement. It presents information showing how the Board’s net position changed during the current fiscal year. All of the current year’s revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net position for the year, the reader may be able to determine whether the Board’s financial position has improved or deteriorated over the course of the current fiscal year. The change in net position may be financial or non-financial in nature. Non-financial factors which may have an impact on the Board’s financial condition include: age and condition of facilities, mandated educational programs for which little or no funding is provided, and increases or decreases in funding from state and federal governments, to name a few.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The reporting model still requires the School Board to present financial statements on a fund basis, but with some modifications. All of the funds of the School Board are classified as governmental funds.

Governmental Funds – Governmental fund financial statements account for basically the same governmental activities reported in the *government-wide financial statements*. Until now, fund information has been reported in the aggregate by type of fund. As required under the reporting model, the fund financial statements presented herein displayed information on each of the Board’s most important governmental funds or major funds. This is required in order to better assess the School Board’s accountability for significant governmental programs or certain dedicated revenue. The Board’s major funds are the General Fund, Special Revenue Fund, and Debt Service Fund.

The Governmental Fund Financial Statements – are measured on the modified-accrual basis of accounting where revenues and expenditures are recorded when they become measurable and available. As a result, the governmental fund financial statements focus more on the near term use and availability of spendable resources. The information provided in these statements is useful in determining the Board’s immediate financial needs. This is in contrast to the accrual-based government-wide financial statements, which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the government-wide financial statements and the governmental funds reported in the fund financial statements are reconciled on Exhibit #4 and #6 of these financial statements.

Notes to the Basic Financial Statements – The notes to the basic financial statements provide additional information that is essential for the statements to fairly represent the Board’s financial position, and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The notes to the basic financial statements begin following the financial statements.

Required Supplemental Information – After the presentation of the basic financial statements, the reporting model requires additional required supplemental information to be presented following the notes to the basic financial statements. The required supplementary information in Exhibits 7 – 8 provides information related to the Board’s pension liability. The required supplementary information in Exhibits 9 - 10 provides a comparison of the original adopted budget with the final amended budget of the Board’s General Fund and the Special Revenue Fund that is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management’s ability to project and plan for its operations throughout the year.

Analysis of the School Board’s Overall Financial Position

Summary of Statement of Net Position September 30, 2017

	Governmental Activities 2017	Governmental Activities 2016
Assets		
Current and Other Assets	\$ 9,348,561.03	\$ 9,267,700.67
Capital Assets, Net	29,784,477.03	30,483,265.31
Total Assets	39,133,038.06	39,750,965.98
Deferred Outflows of Resources	4,899,714.96	4,269,371.63
Liabilities		
Current and Other Liabilities	2,448,777.14	2,633,705.86
Long-Term Liabilities	44,018,465.56	43,806,725.90
Total Liabilities	46,467,242.70	46,440,431.76
Deferred Inflows of Resources	2,260,985.55	1,781,278.67
Net Position		
Net Investment in Capital Assets	14,178,724.40	14,025,374.67
Restricted	2,767,414.31	2,853,238.57
Unrestricted	(21,641,613.94)	(21,079,986.06)
Total Net Position	\$ (4,695,475.23)	\$ (4,201,372.82)

An examination of net position may serve as an indicator of a Board's financial position. On September 30, 2017, the Board's liabilities and deferred inflows exceeded assets by approximately \$4.7 million. The negative Net Position is the result of GASB Statement Number 34 and GASB Statement Number 68 requirements for the accounting of capital assets and the Net Pension Liability. Of total assets, 76% reflects the Board's investment in capital assets (e.g. land, buildings, improvements, vehicles, furniture and equipment) less accumulated depreciation. These assets are not available for future expenditures since they will not be sold. Of total liabilities, the Net Pension Liability reflects \$28 million of the Long-Term Liability number. The Net Pension Liability figure was added to the Summary of Net Position in 2015 as part of the GASB Statement Number 68 guidelines and has a significant negative effect on Total Net Position. Restricted net position consists primarily of Capital Projects and Debt Service, while unrestricted net position can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements.

The Alabama School Fiscal Accountability Act, ACT Number 2006-196, became effective June 1, 2006, and requires in Section 16-13A-9 Reserve Funds: A local board of education shall develop a plan to establish and maintain a minimum reserve fund equal to one month's operating expenses. Bibb County Board of Education Policy DCF – Reserve Funds meets the requirement to develop a plan. The unrestricted reserve from above differs from the balance used to determine our compliance with this requirement. The Alabama State Department of Education uses the balance from the unadjusted financial statements for this calculation which results in a significantly different balance.

The unaudited one-month operating balance period ending September 30, 2017, is \$2,158,151. The unaudited ending fund balance in the General Fund was \$3,475,224, representing a 1.61 months operating balance for the year ended September 30, 2017.

The net position from the exhibit above is a result of the accruals required by generally accepted accounting principles (GAAP), including accrued salaries payable of \$2.2 million. This significant liability results from our payment of a high percentage of our employees one month after their salary is earned and the Net Pension Liability of \$28 million. Interim fund financial statements posted on the school system and state web sites do not include the salary accruals required by GAAP.

The results of the fiscal year's operations are reported in detail in the Statement of Activities in Exhibit 2. The following table condenses the results of operations.

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

	Governmental Activities 2017	Governmental Activities 2016
REVENUES		
Program Revenues:		
Charges for Service	\$ 3,244,197.10	\$ 3,388,610.07
Operating Grants and Contributions	24,363,670.04	23,111,584.03
Capital Grants and Contributions	1,213,781.00	1,240,494.00
General Revenues:		
Property Taxes for General Purposes	1,541,624.65	1,559,623.54
General Sales Taxes	2,393,880.33	2,458,052.73
Other Taxes	39,823.55	16,146.40
Grants and Contributions Not Restricted for Specific Programs		134,823.48
Investment Earnings	40,545.51	32,907.62
Gain on Disposition of Capital Assets		93,807.91
Miscellaneous	662,029.51	583,629.09
Total Revenues	33,499,551.59	32,619,678.87
EXPENSES		
Instructional Services	17,525,975.94	16,929,156.26
Instructional Support Services	5,766,386.78	5,179,828.87
Operation and Maintenance	2,231,931.13	2,237,741.67
Auxiliary Services:		
Transportation	2,455,474.51	2,301,903.48
Food Services	2,448,106.47	2,460,821.88
General Administration and Central Support Services	1,747,781.37	1,789,190.69
Other	1,425,322.01	1,461,476.82
Interest on Long-Term Debt	392,621.79	540,162.84
Total Expenses	33,993,654.00	32,900,282.51
Changes in Net Position	(494,102.41)	(280,603.64)
Net Position – Beginning of Year	(4,201,372.82)	(3,920,769.18)
Net Position – End of Year	\$ (4,695,475.23)	\$ (4,201,372.82)

Program revenues, specifically operating grants and contributions, are the largest component of total revenues (86%).

- ◆ Operating grants and contributions contribute 84.5% of program revenues and 73% of total revenues. The major sources of revenue in this category are State Foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- ◆ Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- ◆ Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.
- ◆ General revenues, primarily property taxes and sales taxes provide \$4,677,903.45 to pay expenses not covered by program revenues. However, from this amount we are required to contribute \$1,404,750 to the foundation program, leaving only the balance that can be used to cover expenses not covered by program revenues.
- ◆ Instructional services, expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board (51.6%).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – At September 30, 2017, the Board’s had approximately \$29,784,477.03 net investment in capital assets including land, buildings, equipment costing \$5,000 or more, vehicles, buildings and equipment under capital lease. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent adjustments of assets during the year and depreciation of depreciable assets for the year. Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets As of September 30, 2017

	2017	2016
Construction in Progress	\$	\$ 355,470.79
Land and Land Improvements	1,043,518.37	1,063,518.37
Buildings and Building Improvements	41,212,461.93	40,878,240.21
Equipment and Furniture	2,189,400.69	2,210,227.04
Vehicles	5,145,916.59	4,727,331.14
Assets Under Capital Lease	177,822.91	
Accumulated Depreciation	(20,014,643.46)	(18,751,522.24)
Total Capital Assets, Net of Accumulated Depreciation	\$ 29,784,477.03	\$ 30,483,265.31

Long-Term Debt – At year-end the Board had \$44,018,465.56 in long-term debt payable which included the categories of Bonds and Warrants Payable, Funding Agreements, Net Pension Liability, Unamortized Discounts and Premiums and Compensated Absences.

**Long-Term Debt
As of September 30, 2017**

	2017	2016
Warrants Payable	\$ 9,444,189.69	\$ 9,895,267.67
Capital Leases Payable	176,562.94	
2015 Funding Agreement	5,985,000.00	6,575,000.00
Net Pension Liability	28,188,000.00	27,149,000.00
Unamortized Discount/Premium	(5,621.79)	4,543.10
Compensated Absences	230,334.72	182,915.13
Total Long-Term Debt	\$44,018,465.56	\$43,806,725.90

Further information on long-term debt is located in the Notes to the Financial Statements.

Financial Analysis of School Board Funds

As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Board’s overall financial health. The following analysis of the Board’s funds should be read in reference to the Fund Financial Statements.

Governmental Funds – The focus of the Board’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board’s financial requirements. The relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled in Exhibits 4 and 6. At the end of the fiscal year, the Board’s governmental funds reported combined ending fund balances of \$5,717,044.23.

General Fund – The General Fund is the primary operating fund of the Board. General Accepted Accounting Principles (GAAP) requires fund financial statements to be presented using the modified accrual or budgetary basis of accounting. In order for the Board’s financial transactions to be presented in accordance with GAAP, certain adjustments were necessary. The primary reasons for the differences are the accrual for salaries and benefits to be paid out in the subsequent fiscal year and the deferral of motor vehicle ad valorem tax revenue received but unrecognizable until the subsequent fiscal year. These adjustments had a negative impact on the Board’s fund balance that would not have been present using the budgetary basis of accounting. The General Fund balance increased slightly from fiscal year 2016. The Board must continue to follow a strict spending plan in order to meet the one-month operating reserve requirement.

Special Revenue Fund – This fund is used to account for and report the proceeds of revenue sources that are restricted or committed for specific purposes other than debt service or capital projects. Some of the significant funding sources include federal funds that are received for Special Education, Title I, and the Child Nutrition Program as well as other smaller grants. The decrease in fund balance of the Special Revenue Fund is primarily related to the Child Nutrition Program due to Other Current Expense being redirected to the General Fund.

Debt Service Fund – This fund is used to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years. The fund balance increased due to sinking fund payments made for future debt retirement.

Budgetary Highlights

On or before October 1 of each year, the Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The original 2017 fiscal year budget was based on a conservative approach that reflected current revenues and expenditures. The operating budget was amended once during the fiscal year. For purposes of the budgetary analysis, only the General Fund of the Board is discussed in accordance with the GASB Statement Number 34 reporting model.

Overall, the final amended budget is reflective of the actual operating activity for the year.

Economic Factors and Next Year’s Budget

The following are currently known economic factors for Bibb County going into the 2017-2018 fiscal year.

- ◆ The original budget prepared for FY2018 plans for a significant decrease in the operating reserve for the General Fund.
- ◆ Medical and Retirement Costs: Employee health insurance is provided through the Public Education Employees’ Health Insurance Program (PEEHIP). PEEHIP employer costs will remain at \$800 per month in fiscal year 2018 and estimated to remain unchanged in 2019. Also, employer contributions to the Teachers Retirement System (TRS) will be 12.24 percent for Tier I employees and 11.01 percent for Tier II employees in fiscal year 2018. The following table shows a brief history of the Board’s cost of these benefits.

Fiscal Years	Tier I Retirement Percentage	Tier II Retirement Percentage	Insurance per Employee per Month
Fiscal Year 2004	6.56%		\$479
Fiscal Year 2005	7.03%		\$583
Fiscal Year 2006	8.17%		\$668
Fiscal Year 2007	9.36%		\$717
Fiscal Year 2008	11.75%		\$775
Fiscal Year 2009	12.07%		\$752
Fiscal Year 2010	12.51%		\$752
Fiscal Year 2011	12.51%		\$752
Fiscal Year 2012	10.00%		\$752
Fiscal Year 2013	10.08%		\$714
Fiscal Year 2014	11.71%		\$714
Fiscal Year 2015	11.71%	11.08%	\$780
Fiscal Year 2016	11.94%	10.84%	\$780
Fiscal Year 2017	12.01%	10.82%	\$800
Fiscal Year 2018	12.24%	11.01%	\$800

Contacting the School Board’s Financial Management

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the School Board’s finances and to show the School Board’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact our Chief School Financial Officer during regular work hours Monday – Friday; 8:00 a.m. to 4:00 p.m. central time. Mr. John Riccio riccioj@bibbed.org Bibb County Board of Education 721 Walnut Street Centreville, AL 35042 Phone: (205) 926-9881 Fax: (205) 926-5075.

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Basic Financial Statements

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Statement of Net Position
September 30, 2017

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 6,386,950.76
Ad Valorem Property Taxes Receivable	1,195,862.99
Receivables (Note 4)	1,561,845.49
Inventories	203,901.79
Capital Assets (Note 5):	
Nondepreciable	1,043,518.37
Depreciable, Net	28,740,958.66
Total Assets	<u>39,133,038.06</u>
<u>Deferred Outflows of Resources</u>	
Loss on Refunding of Debt	10,575.07
Employer Pension Contribution	2,021,139.89
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	2,868,000.00
Total Deferred Outflows of Resources	<u>4,899,714.96</u>
<u>Liabilities</u>	
Accounts Payable	90,973.18
Unearned Revenue	26,499.92
Salaries and Benefits Payable	2,218,058.15
Accrued Interest Payable	113,245.89
Long-Term Liabilities (Note 9):	
Portion Due or Payable Within One Year	1,414,852.10
Portion Due or Payable After One Year	42,603,613.46
Total Liabilities	<u>46,467,242.70</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	1,148,443.48
Revenue Received in Advance - Motor Vehicle Taxes	147,542.07
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	965,000.00
Total Deferred Inflows of Resources	<u>2,260,985.55</u>
<u>Net Position</u>	
Net Investment in Capital Assets	14,178,724.40
Restricted for:	
Debt Service	1,773,695.52
Capital Projects	607,363.73
Other Purposes	386,355.06
Unrestricted	<u>(21,641,613.94)</u>
Total Net Position	<u>\$ (4,695,475.23)</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
<u>Governmental Activities:</u>			
Instruction	\$ 17,525,975.94	\$ 482,836.08	\$ 14,304,299.65
Instructional Support	5,766,386.78	395,876.85	4,818,901.74
Operation and Maintenance	2,231,931.13	153,567.18	1,054,501.44
Auxiliary Services:			
Student Transportation	2,455,474.51	72,933.49	2,012,958.19
Food Service	2,448,160.47	1,816,904.90	149,292.13
General Administrative	1,747,781.37	3,765.62	1,050,564.19
Interest and Fiscal Charges	392,621.79		
Other Expenses	1,425,322.01	318,312.98	973,152.70
Total Governmental Activities	<u>\$ 33,993,654.00</u>	<u>\$ 3,244,197.10</u>	<u>\$ 24,363,670.04</u>

General Revenues:

Taxes:

 Property Taxes for General Purposes

 Sales Tax

 Other Taxes

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.

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$ 441,107.08	\$ (2,297,733.13)
459,955.92	(551,608.19)
312,718.00	(563,906.59)
	(56,864.83)
	(481,963.44)
	(693,451.56)
	(392,621.79)
	(133,856.33)
<u>\$ 1,213,781.00</u>	<u>(5,172,005.86)</u>

1,541,624.65
2,393,880.33
39,823.55
40,545.41
662,029.51
<u>4,677,903.45</u>
(494,102.41)
<u>(4,201,372.82)</u>
<u>\$ (4,695,475.23)</u>

Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Special Revenue Fund
Assets		
Cash and Cash Equivalents	\$ 3,189,359.09	\$ 1,370,208.96
Ad Valorem Property Taxes Receivable	1,195,862.99	
Receivables (Note 4)	230,306.10	629,908.03
Interfund Receivables	36,458.07	28,779.30
Inventories	96,824.62	107,077.17
Total Assets	<u>4,748,810.87</u>	<u>2,135,973.46</u>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts Payable	26,437.18	29,827.07
Interfund Payables	28,779.30	36,458.07
Unearned Revenues		26,499.92
Salaries and Benefits Payable	2,095,207.49	122,850.66
Total Liabilities	<u>2,150,423.97</u>	<u>215,635.72</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	1,148,443.48	
Revenue Received in Advance - Motor Vehicle Taxes	147,542.07	
Total Deferred Inflows of Resources	<u>1,295,985.55</u>	
Fund Balances		
Nonspendable	96,824.62	107,077.17
Restricted for:		
Debt Service		
Capital Projects		
Child Nutrition		279,277.89
Assigned for:		
Local Schools		1,533,982.68
Unassigned	1,205,576.73	
Total Fund Balances	<u>1,302,401.35</u>	<u>1,920,337.74</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,748,810.87</u>	<u>\$ 2,135,973.46</u>

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

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,206,377.55	\$ 621,005.16	\$ 6,386,950.76
		1,195,862.99
680,563.86	21,067.50	1,561,845.49
		65,237.37
		203,901.79
<u>1,886,941.41</u>	<u>642,072.66</u>	<u>9,413,798.40</u>
	34,708.93	90,973.18
		65,237.37
		26,499.92
		2,218,058.15
	<u>34,708.93</u>	<u>2,400,768.62</u>
		1,148,443.48
		147,542.07
		<u>1,295,985.55</u>
		203,901.79
1,886,941.41		1,886,941.41
	607,363.73	607,363.73
		279,277.89
		1,533,982.68
		1,205,576.73
<u>1,886,941.41</u>	<u>607,363.73</u>	<u>5,717,044.23</u>
<u>\$ 1,886,941.41</u>	<u>\$ 642,072.66</u>	<u>\$ 9,413,798.40</u>

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

Total Fund Balances - Governmental Funds \$ 5,717,044.23

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	\$ 49,799,120.49	
Accumulated Depreciation is	<u>(20,014,643.46)</u>	29,784,477.03

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. 10,575.07

Deferred outflows and inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. 3,924,139.89

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

Current Portion of Long-Term Debt	\$ 1,414,852.10	
Noncurrent Portion of Long-Term Debt	<u>42,603,613.46</u>	(44,018,465.56)

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

Accrued Interest Payable		<u>(113,245.89)</u>
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Total Net Position - Governmental Activities		<u><u>\$ (4,695,475.23)</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 21,754,366.27	\$
Federal	165,193.28	3,568,956.74
Local	3,372,567.33	2,343,247.13
Other	58,389.32	154,069.97
Total Revenues	25,350,516.20	6,066,273.84
<u>Expenditures</u>		
Current:		
Instruction	14,169,317.41	1,868,875.91
Instructional Support	4,735,012.24	888,450.56
Operation and Maintenance	1,849,856.68	179,021.36
Auxiliary Services:		
Student Transportation	2,015,181.69	32,001.60
Food Service		2,545,734.06
General Administrative	1,298,114.84	385,652.29
Other	830,569.49	577,260.45
Capital Outlay	6,745.00	82,690.00
Debt Service:		
Principal Retirement	135,466.45	
Interest and Fiscal Charges		
Total Expenditures	25,040,263.80	6,559,686.23
Excess (Deficiency) of Revenues Over Expenditures	310,252.40	(493,412.39)
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	250,653.44	
Long-Term Debt Issued		
Transfers In	439,274.84	577,005.66
Other Financing Sources	14,892.03	1,668.88
Transfers Out	(701,227.55)	(439,274.84)
Total Other Financing Sources (Uses)	3,592.76	139,399.70
Net Changes in Fund Balances	313,845.16	(354,012.69)
Fund Balances - Beginning of Year	988,556.19	2,274,350.43
Fund Balances - End of Year	\$ 1,302,401.35	\$ 1,920,337.74

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

	Debt Service Fund		Other Governmental Funds		Total Governmental Funds
\$	441,107.08	\$	770,299.92	\$	22,965,773.27
			6,490.83		3,740,640.85
	848,302.81				6,564,117.27
					212,459.29
	<u>1,289,409.89</u>		<u>776,790.75</u>		<u>33,482,990.68</u>
					16,038,193.32
					5,623,462.80
			155,860.80		2,184,738.84
					2,047,183.29
					2,545,734.06
	550.00		2,112.50		1,686,429.63
			605,159.29		1,407,829.94
					694,594.29
	1,018,741.00		306,715.95		1,460,923.40
	365,232.31		50,131.05		415,363.36
	<u>1,384,523.31</u>		<u>1,119,979.59</u>		<u>34,104,452.93</u>
	<u>(95,113.42)</u>		<u>(343,188.84)</u>		<u>(621,462.25)</u>
					250,653.44
			596,408.36		596,408.36
	371,341.62		2,260.10		1,389,882.22
					16,560.91
			(249,379.83)		(1,389,882.22)
	<u>371,341.62</u>		<u>349,288.63</u>		<u>863,622.71</u>
	276,228.20		6,099.79		242,160.46
	1,610,713.21		601,263.94		5,474,883.77
\$	<u>1,886,941.41</u>	\$	<u>607,363.73</u>	\$	<u>5,717,044.23</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2017

Net Changes in Fund Balances - Total Governmental Funds \$ 242,160.46

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

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

Capital Outlays	\$ 694,594.29	
Depreciation Expense	<u>(1,368,763.89)</u>	(674,169.60)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (177,822.91)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,460,923.40

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. (418,585.45)

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.

Loss on Disposition of Capital Assets		(24,618.68)
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The accompanying Notes to the Financial Statements are an integral part of this statement.

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

Accrued Interest Payable, Current Year Increase/(Decrease)	\$	(18,921.74)	
Compensated Absences, Current Year Increase/(Decrease) in Noncurrent Portion		47,419.59	
Amortization of Debt Discounts/Premiums/Loss on Refunding		(3,819.83)	
Pension Expense, Current Year Increase/Decrease		<u>877,311.61</u>	
			<u>(901,989.63)</u>
Change in Net Position of Governmental Activities	\$		<u>(494,102.41)</u>

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Notes to the Financial Statements

For the Year Ended September 30, 2017

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Notes to the Financial Statements

For the Year Ended September 30, 2017

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

Fund Financial Statements

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

The Board reports the following major governmental funds:

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

Notes to the Financial Statements

For the Year Ended September 30, 2017

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

Governmental Fund Type

- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. 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, claims and judgments, 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.

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

Notes to the Financial Statements

For the Year Ended September 30, 2017

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

1. Deposits and Investments

Cash and cash equivalents include cash on hand and demand deposits.

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledge of the three-mill school tax and certificates of deposit. The Board reported cash invested with fiscal agent as cash equivalents. These amounts are reported at fair value.

2. Receivables

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

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

3. Inventories

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

4. Restricted Assets

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, are considered restricted assets because they are maintained separately and their use is limited. The Public School Capital Projects and Fleet Renewal funding sources are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it becomes due.

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

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets, 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 and Land Improvements	\$ 1	N/A
Buildings and Improvements	\$50,000	40 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Vehicles	\$ 5,000	5 – 10 years
Equipment Under Capital Lease	\$ 5,000	5 – 10 years

6. Deferred Outflows of Resources

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the debt. Long-term debt payable is reported net of the applicable premiums and discounts. Debt issuance costs are reported as an expense in the period incurred.

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 and premiums are reported as other financing sources. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2017

8. Compensated Absences

The Board's vacation leave policy consists of the following: All administrative and supervisory personnel who are employed for twelve months are entitled to earn ten days' vacation leave each year. Twenty unused leave days may be carried over to the next year.

9. 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.

10. 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.

11. Net Position/Fund Balances

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

- ◆ **Net Investment in Capital Assets** – Capital assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.

- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Notes to the Financial Statements

For the Year Ended September 30, 2017

- ◆ ***Unrestricted*** – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

Fund balance is reported in governmental funds in the fund financial statements under the following 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.
- 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.

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

12. Minimum Fund Balance Policies

The Board recognizes that the establishment and maintenance of adequate fund reserves is necessary to avoid disruption in the educational programs in the schools. The Superintendent or Chief School Financial Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or budget amendment will prevent the establishment or maintenance of a one-month's operating balance. A one-month's operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by 12. In determining the General Fund expenditures and fund transfers out, the proposed budget or budget amendment, shall be used.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and Special Revenue 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. Additionally, the General Fund budgets ad valorem taxes only to the extent expected to be received 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 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.

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

Note 3 – Deposits and Investments

A. Deposits

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

B. Cash with Fiscal Agent

As of September 30, 2017, the Board’s cash with fiscal agent, reported as cash and cash equivalents on the financial statements, was invested as follows:

Investments	Rating	Fair Value
Fidelity Institutional Treasury Only – Class III	AAAm – S&P	\$158,282.90
Total Cash with Fiscal Agent		\$158,282.90

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Board does not have a formal investment policy that addresses its investment choices. However, the covenants underlying the Board’s Funding Agreements require that payments to escrow be invested only in the U. S. Government Securities.

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

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

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

Note 4 – Receivables

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

	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Funds	Total
<u>Receivables:</u>					
Intergovernmental	\$	\$629,908.03	\$680,563.86	\$21,067.50	\$1,331,539.39
Accounts	229,838.35				229,838.35
Other	467.75				467.75
Total Receivables	<u>\$230,306.10</u>	<u>\$629,908.03</u>	<u>\$680,563.86</u>	<u>\$21,067.50</u>	<u>\$1,561,845.49</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
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 1,063,518.37	\$	\$ (20,000.00)	\$ 1,043,518.37
Construction in Progress	355,470.79		(355,470.79)	
Total Capital Assets Not Being Depreciated	1,418,989.16		(375,470.79)	1,043,518.37
Capital Assets Being Depreciated:				
Buildings	31,432,781.42	364,221.72		31,797,003.14
Building Improvements	9,445,458.79			9,445,458.79
Equipment and Furniture	2,210,227.04	89,435.00	(110,261.35)	2,189,400.69
Vehicles	4,727,331.14	418,585.45		5,145,916.59
Assets Under Capital Lease		177,822.91		177,822.91
Total Capital Assets Being Depreciated	47,815,798.39	1,050,065.08	(110,261.35)	48,755,602.12
Less Accumulated Depreciation for:				
Buildings	(12,282,448.84)	(694,141.79)		(12,976,590.63)
Building Improvements	(1,633,177.68)	(236,136.48)		(1,869,314.16)
Equipment and Furniture	(1,606,743.18)	(76,457.01)	105,642.67	(1,577,557.52)
Vehicles	(3,229,152.54)	(353,137.46)		(3,582,290.00)
Assets Under Capital Lease		(8,891.15)		(8,891.15)
Total Accumulated Depreciation	(18,751,522.24)	(1,368,763.29)	105,462.67	(20,014,643.46)
Total Capital Assets Being Depreciated, Net	29,064,276.15	(318,698.81)	(4,618.68)	28,740,958.66
Total Governmental Activities, Capital Assets, Net	\$ 30,483,265.31	\$ (318,698.81)	\$(380,089.47)	\$ 29,784,477.03
(*) The Additions/Reclassifications and Retirements/Reclassifications columns include \$355,470.79 reclassified from Construction in Progress to Buildings.				

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

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	\$ 893,529.56
Instructional Support	11,857.33
Operation and Maintenance	29,099.71
Auxiliary Services:	
Food Service	69,221.62
Student Transportation	362,590.12
General Administrative	865.00
Other	1,600.55
Total Depreciation Expense – Governmental Activities	<u>\$1,368,763.89</u>

Notes to the Financial Statements

For the Year Ended September 30, 2017

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.

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.

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

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 \$2,021,139.89 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 \$28,188,000 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 0.260377%, which was an increase of 0.000964% from its proportion measured as of September 30, 2015.

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

For the year ended September 30, 2017, the Board recognized pension expense of \$2,898,000.00. 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	\$	\$726,000.00
Changes of assumptions	1,990,000.00	
Net difference between projected and actual earnings on pension plan investments	407,000.00	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	471,000.00	239,000.00
Employer contributions subsequent to the measurement date	2,021,139.89	
Total	<u>\$4,889,139.89</u>	<u>\$965,000.00</u>

The \$2,021,139.89 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	\$397,000.00
2019	\$397,000.00
2020	\$913,000.00
2021	\$ 97,000.00
2022	\$ 99,000.00
Thereafter	\$

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	

Notes to the Financial Statements

For the Year Ended September 30, 2017

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.

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.

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

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 the collective net pension liability	\$37,553,000.00	\$28,188,000.00	\$20,260,000.00

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.

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

Notes to the Financial Statements

For the Year Ended September 30, 2017

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 Retired Member	\$ 25.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Non-Spousal Dependent(s)	\$ 421.00
Family Coverage – Non-Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible	\$ 310.00
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 Non-Spousal Dependent(s) Medicare Eligible	\$ 280.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) – No Spouse	\$ 280.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) – With Non-Medicare Eligible Spouse	\$ 380.00
Family Coverage – Medicare Eligible Retired Member and Non-Spousal Dependent Medicare Eligible	\$ 139.00
Family Coverage – Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible	\$ 169.00
Surviving Spouse – Non-Medicare Eligible	\$ 816.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$1,028.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$1,067.00
Surviving Spouse – Medicare Eligible	\$ 430.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$ 720.00
Surviving Spouse – Medicare Eligible and Dependent 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 \$50.00 per month for retired members that use tobacco.

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

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%	\$ 756,545.04	100%
2016	\$780.00	\$211.21	27.08%	\$1,053,435.29	100%
2015	\$780.00	\$180.76	23.17%	\$ 894,593.70	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 – Lease Obligations

Capital Leases

The Board is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$177,822.91 at September 30, 2017. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2017.

Fiscal Year Ending	Governmental Activities
September 30, 2018	\$ 20,577.00
2019	20,577.00
2020	20,577.00
2021	20,577.00
2022	20,577.00
2023-2027	101,170.23
Total Minimum Lease Payments	204,055.23
Less: Amount Representing Interest	(27,492.29)
Present Value of Net Minimum Lease Payments	\$176,562.94

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

Note 9 – Long-Term Debt

On October 28, 2009, the Board, as part of a pooled bond issuance with other systems with the State of Alabama, issued Capital Improvement Pool Refunding Bonds, Series 2009-B, 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 were used to pay the cost of refunding and retiring, on a current basis, the Board's Capital Improvement Pool Bonds, Series 1999-D, and to pay the costs of issuing the Series 2009-B Bonds.

On October 28, 2009, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Bonds, Series 2009-C, for the purpose of funding capital projects. The Board's obligation is paid solely from the Board's portion of the 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.

On December 16, 2009, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D (Tax Credit Bonds), with a tax credit rate of 5.76% and interest rate of 1.865% on behalf of various Boards of Education in the State. The Board had a 2.058% participation in the bonds resulting in the Board's share of principal, issuance costs and net proceeds of \$3,002,000.00, \$26,425.36, and \$2,975,574.64, respectively. The Board is required to make sinking fund deposits of \$156,227.66 on December 15 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds.

On May 1, 2013, the Board issued School Refunding Warrants, Series 2013-A, to provide for the advanced refunding of the 2006 Funding Agreement, and to pay the expenses of issuing the School Refunding Warrants Series 2013-A.

On October 4, 2013, the Board issued Special Tax Warrants, Series 2013-B, to provide for the costs of issuing the Warrant and to provide the funds needed to refund and retire a long-term note payable issued in fiscal year 2008 for the acquisition of school buses.

On July 31, 2014, the Board issued Special Tax Warrants, Series 2014, to provide for the costs of acquiring twenty school buses for use by the Board.

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

On May 5, 2015, the Board, as part of a pooled bond issuance with other systems with the State of Alabama, issued Capital Improvement Pool Refunding Bonds, Series 2015-B, 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 were used to pay the cost of partially refunding and retiring, on a current basis, the Capital Improvement Pool Refunding Bonds, Series 2009-C, and to pay the costs of issuing the Series 2015-B Bonds. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation.

On December 1, 2015, the Board entered into an agreement with the Bibb County Commission to advance refund the Limited Obligation School Refunding Warrants, Series 2007, and the related funding agreement. Simultaneously, the Bibb County Commission issued the Limited Obligation School Warrants, Series 2015. The principal and interest on the warrants are pledged to be paid from an additional one cent sales tax levied by the Bibb County Commission in 2007.

On November 16, 2016, the Board issued Special Tax Warrants, Series 2016, to provide for the costs of acquiring five school buses for use by the Board. Trustmark National Bank purchased the warrants. The principal and interest on the purchase are to be paid from the Board's share of the Special Tax, and that share of the Special Tax is irrevocably pledged to pay the principal and interest on the warrant.

On August 14, 2017, the Board entered into an agreement with the Trustmark National Bank for the lease/purchase of two special needs school buses. The principal and interest on the lease/purchase are to be paid from the state appropriated Fleet Renewal Funds.

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

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
Governmental Activities:					
Bonds/Warrants Payable:					
Capital Improvement Pool Bonds:					
Series 2009-C	\$ 110,643.88	\$	\$ (35,464.22)	\$ 75,179.66	\$ 36,806.71
PSCA Capital Improvement Pool Refunding Bonds:					
Series 2009-B	785,196.27		(248,276.78)	536,919.49	260,780.60
Series 2015-B	478,948.48			478,948.48	
Capital Outlay Pool Warrants:					
Series 2009-D	3,002,000.00			3,002,000.00	
School Refunding Warrants:					
Series 2013-A	3,830,000.00		(145,000.00)	3,685,000.00	150,000.00
Special Tax School Warrants:					
Series 2013-B	403,612.89		(246,615.98)	156,996.91	156,996.91
Series 2014	1,284,866.15		(163,191.43)	1,121,674.72	141,405.49
Series 2016		418,585.45	(31,115.02)	387,470.43	38,153.95
Deferred Amounts:					
Unamortized Discount	(46,072.36)		4,319.28	(41,753.08)	(4,319.28)
Unamortized Premiums	50,615.46		(14,484.17)	36,131.29	14,484.17
Total Bonds/Warrants Payable	9,899,810.77	418,585.45	(879,828.32)	9,438,567.90	794,308.55
Other Liabilities:					
Capital Leases Payable		177,822.91	(1,259.97)	176,562.94	15,543.55
2015 Funding Agreement	6,575,000.00		(590,000.00)	5,985,000.00	605,000.00
Compensated Absences	182,915.13	47,419.59		230,334.72	
Pension Liability	27,149,000.00	1,039,000.00		28,188,000.00	
Total Other Liabilities	33,906,915.13	1,264,242.50	(591,259.97)	34,579,897.66	620,543.55
Total Governmental Activities Long-Term Liabilities	\$43,806,725.90	\$1,682,827.95	\$(1,471,088.29)	\$44,018,465.56	\$1,414,852.10

Payments on the Capital Improvement Pool Bonds, Series 2009-C, the Capital Improvement Pool Refunding Bonds, Series 2009-B, the Capital Improvement Pool Refunding Bonds, Series 2015-B, and the Qualified School Construction Bonds, Series 2009-D are made by the Debt Service Fund with Public School funds withheld from the Board's allocation from the Alabama Department of Education. The School Refunding Warrants, Series 2013-A, and the 2015 Funding Agreement are being paid from local sales tax revenues. Payments on the 2014 warrants, 2016 warrants and the capital lease are made with Fleet Renewal funds. Payments on the 2013-B warrants are made with local funds and Fleet Renewal funds. The compensated absences liability will be liquidated by the General Fund.

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

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

Fiscal Year Ending	Bonds/Warrants Payable		Funding Agreement Payable	
	Principal	Interest	Principal	Interest
September 30, 2018	\$ 784,143.66	\$ 242,857.00	\$ 605,000.00	\$128,877.50
2019	683,012.78	221,278.44	615,000.00	116,777.50
2020	391,314.13	196,913.23	630,000.00	104,477.50
2021	403,414.41	186,715.17	645,000.00	91,877.50
2022	415,744.47	176,242.66	655,000.00	78,977.50
2023-2027	4,607,812.16	635,262.47	2,835,000.00	174,567.50
2028-2032	1,038,748.08	266,188.71		
2033-2037	1,120,000.00	99,342.50		
Totals	\$9,444,189.69	\$2,024,800.18	\$5,985,000.00	\$695,555.00

Discounts, Premiums, and Deferred Amounts on Refunding

The Board has discounts in connection with the Funding Agreement, which are being amortized using the straight-line method over a period of twenty years.

The Board has a premium and deferred amounts on refunding in connection with the issuance of its PSCA Capital Improvement Pool Refunding Bonds, Series 2009-B. The deferred amounts on refunding and premium are being amortized using the straight-line method over a period of nine years and seven months.

The Board has a premium in connection with issuance of its PSCA Capital Improvement Pool Bonds, Series 2009-C. The premium is being amortized using the straight-line method over a period of nineteen years and seven months.

The Board has a premium and deferred amounts on refunding in connection with the issuance of the Limited Obligation School Refunding Warrants, Series 2015. These amounts were expensed in the current year.

	Deferred Amounts on Refunding	Discounts	Premiums
Total Deferred Charges on Refunding, Discounts, and Premiums	\$ 60,806.79	\$ 86,385.65	\$ 150,797.64
Amount Amortized Prior Years	(43,886.66)	(40,313.29)	(100,182.18)
Balance Deferred Charges on Refunding, Discounts, and Premiums	16,920.13	46,072.36	50,615.46
Current Amount Amortized	(6,345.06)	(4,319.28)	(14,484.17)
Balance Deferred Charges on Refunding, Discounts, and Premiums	\$ 10,575.07	\$ 41,753.08	\$ 36,131.29

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

Capital Lease Payable		Total Principal and Interest Requirements to Maturity
Principal	Interest	
\$ 15,543.55	\$ 5,033.45	\$ 1,781,455.16
16,011.52	4,565.48	1,656,645.72
16,493.61	4,083.39	1,343,281.86
16,990.18	3,586.82	1,347,584.08
17,501.72	3,075.28	1,346,541.63
94,022.36	7,147.87	8,353,812.36
		1,304,936.79
		1,219,342.50
<u>\$176,562.94</u>	<u>\$27,492.29</u>	<u>\$18,353,600.10</u>

Pledged Revenues

On October 28, 2009, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued PSCA Capital Improvement Pool Bonds, Series 2009-B, in anticipation of their Public School Fund Allocations, which are received from the Alabama Department of Education. The proceeds were used to refund, on a current basis, the Board's Series 1999-D Capital Improvement Pool Bonds. Future revenues in the amount of \$577,572.41 are pledged to repay the remaining principal and interest on the bonds at September 30, 2017. Proceeds of the Public School Fund allocation in the amount \$898,689.00 were received by the Board during the fiscal year ended September 30, 2017. Pledged funds in the amount of \$287,536.58 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2017. The Capital Improvement Pool Bonds, Series 2009-B, will mature in fiscal year 2019.

On October 28, 2009, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued PSCA Capital Improvement Pool Bonds, Series 2009-C, in anticipation of their Public School Fund Allocations, which are received from the Alabama Department of Education. The proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$79,721.76 are pledged to repay the remaining principal and interest on the bonds at September 30, 2017. Proceeds of the Public School Fund allocation in the amount of \$898,689.00 were received by the Board during the fiscal year ended September 30, 2017. Pledged funds in the amount of \$39,889.98 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2017. The Capital Improvement Pool Bonds, Series 2009-C, will mature in fiscal year 2019.

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

On December 16, 2009, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D, in anticipation of their Public School Fund Allocations, which are received from the Alabama Department of Education. The proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$3,463,895.39 are pledged to repay the remaining principal and interest on the bonds at September 30, 2017. Proceeds of the Public School Fund allocation in the amount \$898,689.00 were received by the Board during the fiscal year ended. Pledged funds in the amount of \$55,987.32 were used to pay interest on the bonds during the fiscal year ended September 30, 2017. The Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D, will mature in fiscal year 2026.

On May 1, 2013, the Board, entered into the Series 2013-A School Refunding Warrants for the refunding of the Series 2006 Limited Obligation Warrants. The Board pledged to repay the refunding warrants from the proceeds of a special 2 cent sales tax levied by the Bibb County Commission pursuant to provisions of Act Number 17, Acts of Alabama 1957, as amended by Act Number 139, Acts of Alabama 1963, Act Number 584, Acts of Alabama 1967, and Act Number 181, Acts of Alabama 1976, of which the Board received 50% of the proceeds. Future revenues of \$4,886,368.75 are pledged to repay the remaining principal and interest on the warrants at September 30, 2017. Proceeds of the additional sales tax in the amount of \$1,313,778.71 were received by the Board during the fiscal year ended September 30, 2017. Pledged funds in the amount of \$246,382.50 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2017. The Series 2013-A School Refunding Warrants will mature in fiscal year 2037.

On October 4, 2013, the Board, entered into the Series 2013-B Special Tax School Warrants for the cost of issuing the Warrant and to provide the funds needed to retire a long-term note payable issued in fiscal year 2008 for the acquisition of school buses. The Board pledged to repay the refunding warrants from the proceeds of a special 2 cent sales tax levied by the Bibb County Commission pursuant to provisions of Act Number 17, Acts of Alabama 1957, as amended by Act Number 139, Acts of Alabama 1963, Act Number 584, Acts of Alabama 1967, and Act Number 181, Acts of Alabama 1976, of which the Board received 50% of the proceeds. Future revenues of \$158,533.35 are pledged to repay the remaining principal and interest on the warrants at September 30, 2017. Proceeds of the additional sales tax in the amount of \$1,313,778.71 were received by the Board during the fiscal year ended September 30, 2017. Pledged funds in the amount of \$135,466.45 were used to pay principal on the bonds during the fiscal year ended September 30, 2017. Remaining principal and interest payments totaling \$114,305.12 were made from Fleet Renewal allocation received from the Alabama State Department of Education. The Series 2013-B Special Tax School Warrants will mature in fiscal year 2018.

Notes to the Financial Statements

For the Year Ended September 30, 2017

On July 31, 2014, the Board, entered into the Series 2014 Special Tax School Warrants to provide for the cost of acquiring twenty school buses for use by the Board. The Board pledged to repay the refunding warrants from the proceeds of a special 2 cent sales tax levied by the Bibb County Commission pursuant to provisions of Act Number 17, Acts of Alabama 1957, as amended by Act Number 139, Acts of Alabama 1963, Act Number 584, Acts of Alabama 1967, and Act Number 181, Acts of Alabama 1976, of which the Board received 50% of the proceeds. Future revenues of \$1,221,239.83 are pledged to repay the remaining principal and interest on the warrants at September 30, 2017. Proceeds of the additional sales tax in the amount of \$1,313,778.71 were received by the Board during the fiscal year ended September 30, 2017. However, pledged funds were not used to pay principal and interest on the warrants. The principal and interest payments were made from Fleet Renewal allocation received from the Alabama State Department of Education. The Series 2014 Special Tax Warrants will mature in fiscal year 2024.

On May 5, 2015, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued PSCA Capital Improvement Pool Bonds, Series 2015-B, in anticipation of their Public School Fund Allocations, which are received from the Alabama Department of Education. The proceeds were used to partially refund, on a current basis, the Board's Series 2009-C Capital Improvement Pool Bonds. Future revenues in the amount of \$648,465.18 are pledged to repay the remaining principal and interest on the bonds at September 30, 2017. Proceeds of the Public School Fund allocation in the amount \$898,689.00 were received by the Board during the fiscal year ended September 30, 2017. Pledged funds in the amount of \$23,427.34 were used to pay interest on the bonds during the fiscal year ended September 30, 2017. The Capital Improvement Pool Bonds, Series 2015-B, will mature in fiscal year 2029.

On December 1, 2015, the Bibb County Commission issued the Limited Obligation School Warrants, Series 2015, for the purpose of advance refunding the Limited Obligation School Warrants, Series 2007, and paying the costs of issuance of the Series 2015 Warrants. The 2015 Warrants are pledged to be paid from the proceeds of an additional 1 cent sales tax levied by the Bibb County Commission pursuant to provisions of the *Code of Alabama 1975*, Section 40-12-4. Future revenues of \$6,680,555.00 are pledged to repay the principal and interest on the warrants at September 30, 2017. Proceeds of the additional sales tax in the amount of \$814,234.47 were received by the Board during the fiscal year ended September 30, 2017, of which \$730,749.60 was used to pay principal and interest on the warrants. The Limited Obligation School Refunding Warrants, Series 2015, will mature in fiscal year 2027.

Notes to the Financial Statements

For the Year Ended September 30, 2017

On November 16, 2016, the Board issued Special Tax Warrants, Series 2016, to provide for the costs of acquiring five school buses for use by the Board. Trustmark National Bank purchased the warrants. The principal and interest on the purchase are to be paid from the Board's share of the special 2 cent sales tax levied by the Bibb County Commission pursuant to provisions of Act Number 17, Acts of Alabama 1957, as amended by Act Number 139, Acts of Alabama 1963, Act Number 584, Acts of Alabama 1967, and Act Number 181, Acts of Alabama 1976, of which the Board received 50% of the proceeds. Future revenues of \$433,193.20 are pledged to repay the principal and interest on the warrants at September 30, 2017. Proceeds of the additional sales tax in the amount of \$1,313,778.71 were received by the Board during the fiscal year ended September 30, 2017. However, pledged funds were not used to pay principal and interest on the warrants. The principal and interest payments were made from Fleet Renewal allocation received from the Alabama State Department of Education. The Special Tax Warrants, Series 2016, will mature in fiscal year 2027.

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. Automobile liability insurance and errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE) a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

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

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

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.

Note 11 – Interfund Transactions

Interfund Receivables and Payables

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

	<u>Interfund Receivables</u>		Totals
	General Fund	Special Revenue Fund	
<u>Interfund Payables:</u>			
General Fund	\$	\$28,779.30	\$28,779.30
Special Revenue Fund	36,458.07		36,458.07
Totals	<u>\$36,458.07</u>	<u>\$28,779.30</u>	<u>\$65,237.37</u>

Interfund Transfers

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

	<u>Transfers Out</u>			Totals
	General Fund	Special Revenue Fund	Other Governmental Funds	
<u>Transfers In</u>				
General Fund	\$	\$439,274.84	\$	\$ 439,274.84
Special Revenue Fund	577,005.66			577,005.66
Debt Service Fund	121,961.79		249,379.83	371,341.62
Other Governmental Funds	2,260.10			2,260.10
Totals	<u>\$701,227.55</u>	<u>\$439,274.84</u>	<u>\$249,379.83</u>	<u>\$1,389,882.22</u>

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

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Required Supplementary Information

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

	2017	2016	2015
Employer's proportion of the net pension liability	0.260377%	0.259413%	0.252855%
Employer's proportionate share of the net pension liability	\$ 28,188	\$ 27,149	\$ 22,971
Employer's covered payroll during the measurement period (*)	\$ 16,517	\$ 16,389	\$ 16,026
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	170.66%	165.65%	143.34%
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 (See GASB Statement Number 82). For the 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.

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

	2017	2016	2015
Contractually required contribution	\$ 2,021	\$ 1,957	\$ 1,914
Contributions in relation to the contractually required contribution	<u>\$ 2,021</u>	<u>\$ 1,957</u>	<u>\$ 1,914</u>
Contribution deficiency (excess)	\$	\$	\$
Employer's covered payroll	\$ 17,018	\$ 16,517	\$ 16,389
Contributions as a percentage of covered payroll	11.88%	11.85%	11.68%

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***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
State	\$ 21,406,637.00	\$ 21,595,925.88	\$ 21,754,366.27
Federal	21,500.00	21,500.00	165,193.28
Local	3,856,500.00	2,856,500.00	3,316,411.53
Other	39,083.00	39,083.00	58,389.32
Total Revenues	<u>25,323,720.00</u>	<u>24,513,008.88</u>	<u>25,294,360.40</u>
Expenditures			
Current:			
Instruction	14,236,068.00	14,296,415.00	14,280,018.76
Instructional Support	4,373,453.50	4,690,795.01	4,728,324.06
Operation and Maintenance	1,620,590.00	1,642,855.13	1,852,854.38
Auxiliary Services:			
Student Transportation	2,081,511.00	2,081,511.00	2,007,490.76
General Administrative	944,154.00	1,239,287.00	1,297,400.96
Other	672,525.50	674,341.50	846,006.64
Capital Outlay			6,745.00
Debt Service:			
Principal Retirement			135,466.45
Total Expenditures	<u>23,928,302.00</u>	<u>24,625,204.64</u>	<u>25,154,307.01</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,395,418.00</u>	<u>(112,195.76)</u>	<u>140,053.39</u>
Other Financing Sources (Uses)			
Indirect Cost	237,644.00	260,164.00	250,653.44
Transfers In	182,159.22	858,573.13	439,274.84
Other Financing Sources		197.00	14,892.03
Transfers Out	(1,471,161.00)	(919,913.00)	(701,227.55)
Total Other Financing Sources (Uses)	<u>(1,051,357.78)</u>	<u>199,021.13</u>	<u>3,592.76</u>
Net Change in Fund Balances	344,060.22	86,825.37	143,646.15
Fund Balances - Beginning of Year	<u>3,611,500.00</u>	<u>3,332,311.28</u>	<u>3,331,577.88</u>
Fund Balances - End of Year	<u>\$ 3,955,560.22</u>	<u>\$ 3,419,136.65</u>	<u>\$ 3,475,224.03</u>

Explanation of differences:

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

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 21,754,366.27
	165,193.28
56,155.80	3,372,567.33
	58,389.32
<u>56,155.80</u>	<u>25,350,516.20</u>
(110,701.35)	14,169,317.41
6,688.18	4,735,012.24
(2,997.70)	1,849,856.68
7,690.93	2,015,181.69
713.88	1,298,114.84
(15,437.15)	830,569.49
	6,745.00
	135,466.45
<u>(114,043.21)</u>	<u>25,040,263.80</u>
170,199.01	310,252.40
	250,653.44
	439,274.84
	14,892.03
	(701,227.55)
	<u>3,592.76</u>
170,199.01	313,845.16
<u>(2,343,021.69)</u>	<u>988,556.19</u>
<u>\$ (2,172,822.68)</u>	<u>\$ 1,302,401.35</u>

\$ 170,199.01

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

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Federal	\$ 3,388,151.00	\$ 3,692,115.07	\$ 3,568,956.74
Local	2,159,952.00	2,206,155.23	2,343,247.13
Other	75,000.00	75,000.00	154,069.97
Total Revenues	<u>5,623,103.00</u>	<u>5,973,270.30</u>	<u>6,066,273.84</u>
Expenditures			
Current:			
Instruction	1,864,252.60	1,973,523.59	1,868,875.91
Instructional Support	926,633.60	956,314.29	888,450.56
Operation and Maintenance	176,690.00	190,070.00	179,021.36
Auxiliary Services:			
Student Transportation	32,858.00	33,048.00	32,001.60
Food Service	2,903,878.00	2,968,263.00	2,545,602.29
General Administrative	219,565.00	289,231.00	385,652.29
Other	428,769.80	659,894.45	577,260.45
Capital Outlay			82,690.00
Total Expenditures	<u>6,552,647.00</u>	<u>7,070,344.33</u>	<u>6,559,554.46</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(929,544.00)</u>	<u>(1,097,074.03)</u>	<u>(493,280.62)</u>
Other Financing Sources (Uses)			
Transfers In	799,988.35	566,145.06	577,005.66
Other Financing Sources			1,668.88
Transfers Out	(318,250.00)	(356,458.19)	(439,274.84)
Total Other Financing Sources (Uses)	<u>481,738.35</u>	<u>209,686.87</u>	<u>139,399.70</u>
Net Change in Fund Balances	(447,805.65)	(887,387.16)	(353,880.92)
Fund Balances - Beginning of Year	<u>1,812,099.00</u>	<u>2,397,069.32</u>	<u>2,397,069.32</u>
Fund Balances - End of Year	<u>\$ 1,364,293.35</u>	<u>\$ 1,509,682.16</u>	<u>\$ 2,043,188.40</u>

Explanation of differences:

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

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 3,568,956.74
	2,343,247.13
	154,069.97
	<u>6,066,273.84</u>
	1,868,875.91
	888,450.56
	179,021.36
	32,001.60
131.77	2,545,734.06
	385,652.29
	577,260.45
	82,690.00
131.77	<u>6,559,686.23</u>
<u>(131.77)</u>	<u>(493,412.39)</u>
	577,005.66
	1,668.88
	<u>(439,274.84)</u>
	<u>139,399.70</u>
(131.77)	(354,012.69)
<u>(122,718.89)</u>	<u>2,274,350.43</u>
<u>\$ (122,850.66)</u>	<u>\$ 1,920,337.74</u>

\$ (131.77)

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Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number
<u>U. S. Department of Agriculture</u>		
<u>Passed Through Alabama Department of Education</u>		
Child Nutrition Cluster:		
School Breakfast Program - Cash Assistance	10.553	N.A.
National School Lunch Program:		
Cash Assistance	10.555	N.A.
Non-Cash Assistance (Commodities)	10.555	N.A.
Sub-Total National School Lunch Program		
Total Child Nutrition Cluster		
<u>Passed Through Bibb County Commission</u>		
Schools and Roads - Grants to States	10.665	N.A.
Total U. S. Department of Agriculture		
<u>U. S. Department of the Interior</u>		
<u>Passed Through Bibb County Commission</u>		
National Wildlife Refuge Fund	15.659	N.A.
Total U. S. Department of Interior		
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of Education</u>		
Title I Grants to Local Educational Agencies	84.010	N.A.
Special Education Cluster:		
Special Education - Grants to States	84.027	N.A.
Special Education - Preschool Grants	84.173	N.A.
Sub-Total Special Education Cluster (M)		
Career and Technical Education - Basic Grants to States	84.048	N.A.
Education for Homeless Children and Youth	84.196	N.A.
Twenty-First Century Community Learning Centers	84.287	N.A.
Supporting Effective Instruction State Grants	84.367	N.A.
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of Early Childhood Education</u>		
Preschool Development Grant	84.419	N.A.
Total U. S. Department of Education		
Sub-Total Forward		

Pass-Through to Subrecipients	Total Federal Expenditures
N.A.	\$ 308,852.16
N.A.	994,998.57
N.A.	<u>144,749.02</u>
	<u>1,139,747.59</u>
	<u>1,448,599.75</u>
N.A.	<u>24,104.84</u>
	<u>1,472,704.59</u>
N.A.	<u>4,786.98</u>
	<u>4,786.98</u>
N.A.	994,966.47
N.A.	854,860.75
N.A.	<u>27,208.00</u>
	882,068.75
N.A.	45,688.35
N.A.	5,295.39
N.A.	137,080.60
N.A.	185,785.10
N.A.	<u>10,136.87</u>
	<u>2,261,021.53</u>
	\$ 3,738,513.10

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number
Sub-Total Brought Forward		
<u>U. S. Department of Health and Human Services Passed Through Alabama Department of Education</u>		
Child Care and Development Block Grant Total U. S. Department of Health and Human Services	93.575	N.A.
<u>Social Security Administration Passed Through Alabama Department of Education</u>		
Social Security - Disability Insurance Total Social Security Administration	96.001	N.A.
<u>U. S. Department of Homeland Security Passed Through Alabama Emergency Management Agency</u>		
Hazard Mitigation Grant Total U. S. Department of Homeland Security	97.039	N.A.
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.



<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
	\$ 3,738,513.10
N.A.	<u>23,536.13</u> <u>23,536.13</u>
N.A.	<u>1,260.00</u> <u>1,260.00</u>
N.A.	<u>6,490.83</u> <u>6,490.83</u>
	<u>\$ 3,769,800.06</u>

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

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Bibb 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 Bibb County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Bibb 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 Bibb County Board of Education has not elected to use the 10% de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

Board Members and Administrative Personnel
October 1, 2016 through September 30, 2017

Board Members		Term Expires
Hon. Mike Oakley	President	2023
Hon. Mike McMillan	Vice-President	2018
Hon. Morris Moody	Member	2021
Hon. Billie Dailey	Member	2023
Hon. Elaine Stoudemire Jones	Member	2018
 <u>Administrative Personnel</u>		
Hon. Terry D. McGee	Superintendent	2018
Bradley Colburn	Chief School Financial Officer	2017
Laura Madison	Chief School Financial Officer	2017

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

Independent Auditor's Report

Members of the Bibb County Board of Education,
Superintendent and Chief School Financial Officer
Centreville, 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 Bibb 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 Bibb County Board of Education's basic financial statements and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, which we consider to be a significant deficiency.

Compliance and Other Matters

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

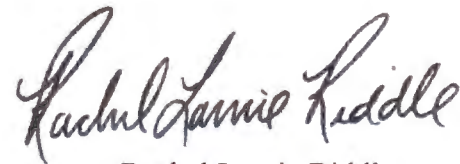
Bibb County Board of Education's Response to Findings

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

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

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

December 14, 2018

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

Independent Auditor's Report

Members of the Bibb County Board of Education,
Superintendent and Chief School Financial Officer
Centreville, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Bibb 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 Bibb County Board of Education's major federal program for the year ended-September 30, 2017. The Bibb 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 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 Bibb 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 Bibb 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 qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Bibb County Board of Education's compliance.

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

Basis for Qualified Opinion on the Special Education Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the Bibb County Board of Education did not comply with procurement requirements regarding the Special Education Cluster (CFDA Numbers 84.027 and 84.173), as described in the finding numbered 2017-002. Compliance with such requirements is necessary, in our opinion, for the Bibb County Board of Education to comply with the requirements applicable to that program.

Qualified Opinion on the Special Education Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Bibb 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.

Other Matters

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

Report on Internal Control Over Compliance

Management of the Bibb 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 Bibb County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Bibb County Board of Education's internal control over compliance.

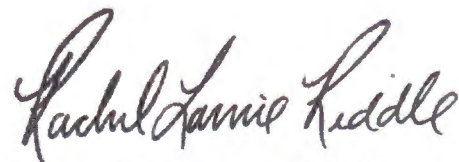
***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002, that we consider to be a material weakness.

The Bibb County Board of Education's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Bibb County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

December 14, 2018

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

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? X Yes _____ None reported
 Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? X Yes _____ No
 Significant deficiency(ies) identified? _____ Yes X None reported
 Type of auditor's report issued on compliance for major programs: Qualified
 Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*? X Yes _____ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster

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

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

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2017-001	Internal Control	<p><u>Finding:</u> Governmental accounting standards require the government wide financial statements to be prepared on the accrual basis of accounting and the governmental fund financial statements to be prepared on the modified accrual basis of accounting. The Board did not accrue sales tax revenues in the amount of \$107,105.42 due for the month of September 2017. Additionally, the financial statements included receivables for which the Board had no supporting documentation. Audit procedures performed determined that amounts reported as receivables were materially correct.</p> <p>The Board did not have procedures in place to ensure that accruals were made in accordance with governmental accounting standards. As a result, the Board’s receivables were misstated on the financial statements.</p> <p><u>Recommendation:</u> The Board should ensure that receivables are accrued and reported in accordance with governmental accounting standards, and are supported by adequate documentation.</p> <p><u>Views of Responsible Officials:</u> The Board agreed with the finding.</p>	

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

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2017-002	84.027 and 84.173	U. S. Department of Education, Passed through Alabama Department of Education; Special Education Cluster for 10/01/2016 through 09/30/2017	<u>Finding:</u> Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i> requires the Board to use specific methods of procurement. The <i>Uniform Guidance</i> , Section 200.320, requires small purchase procedures to be used for securing services, supplies or other property for amounts that exceed the micro-purchase threshold (\$3,500.00) but do not exceed the simplified acquisition threshold (\$150,000.00) by obtaining quotations from an adequate number of qualified sources. Sealed bids or competitive proposals are required for purchases of services, supplies or other property that exceed the simplified acquisition threshold. The Bibb County Board of Education adopted a policy on December 13, 2016, related to the <i>Uniform Guidance</i> for Federal Awards that requires obtaining price or rate quotes from two or more qualified sources for procurement transactions that exceed the micro-purchase threshold, and proposals for professional service contracts that exceed \$150,000.00.	\$366,984.43

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

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			<p><u>Finding Continued:</u> The Board expended funds from the Special Education Cluster for services which exceeded the small purchase threshold without obtaining quotations from an adequate number of sources. In addition, Special Education Cluster funds were expended for services which exceeded \$150,000.00 without obtaining sealed bids or competitive proposals. As a result, the Board did not follow <i>Uniform Guidance</i> Section 200.320 or its adopted policy related to the <i>Uniform Guidance</i> for Federal Awards for these transactions.</p> <p><u>Recommendation:</u> The Board should ensure compliance with the <i>Uniform Guidance</i>, Section 200.320, and its adopted policy related to the <i>Uniform Guidance</i> for Federal Awards.</p> <p><u>Views of Responsible Officials:</u> The Board agreed with the finding.</p>	



Auditee Response/Corrective Action Plan

Bibb County Board of Education

721 Walnut St.

Centreville, Alabama 35042

Telephone (205) 926-9881

Fax (205) 926-5075

E-mail: BibbBOE@bibbed.org

Superintendent

Duane McGee

January 22, 2019

State of Alabama, Examiners of Public Accounts
P.O. Box 302251
Montgomery, Alabama 36130-2251
Attention: Ms. Rachel Laurie Riddle, Chief Examiner

Dear Ms. Riddle:

We have had the opportunity to review your email letter dated January 22, 2019 which outlines the *revised* audit findings for the Bibb County Board of Education for the Fiscal Year Ended 2016.17. We have included the revisions and our "*Corrective Action Plan*" responses on the enclosed pages.

Ms. Riddle, we appreciate the services of the Examiners of Public Accounts and welcome the opportunity to work with your organization in order that the Bibb County Board of Education will continue to maintain and report upon sound financial systems. Please do not hesitate to contact me at 205.926.9881 or McGeed@bibbed.org if you have any questions or need additional information.

Sincerely,



Terry D. McGee
Superintendent
Bibb County Board of Education



"Preparing Today's Youth for Tomorrow's World"

Bibb County Board of Education

Superintendent
Duane McSee

721 Walnut St.
Centreville, Alabama 35042

Telephone (205) 926-9881
Fax (205) 926-5075
E-mail: BibbBOE@bibbed.org

Corrective Action Plan For the Year Ended September 30, 2017

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the **Bibb County Board of Education** has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2017.

**Finding
Ref.
No.**

Corrective Action Plan Details

2017-001

Finding: Governmental accounting standards require the government wide financial statements to be prepared on the accrual basis of accounting and the governmental fund financial statements to be prepared on the modified accrual basis of accounting. The Board did not accrue sales tax revenues in the amount of \$107,105.42 due for the month of September 2017. Additionally, the financial statements included receivables for which the Board had no supporting documentation. Audit procedures performed determined that amounts reported as receivables were materially correct.

The Board did not have procedures in place to ensure that accruals were made in accordance with governmental accounting standards. As a result, the Board's receivables were misstated on the financial statements.

Response: The Bibb County Board of Education has evaluated the findings and implemented procedures that will ensure that receivables are adequately documented and properly recorded.



"Preparing Today's Youth for Tomorrow's World"

Bibb County Board of Education

721 Walnut St.

Centreville, Alabama 35042

Telephone (205) 926-9831

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E-mail BibbBOE@bibbed.org

Superintendent
Duane McGee

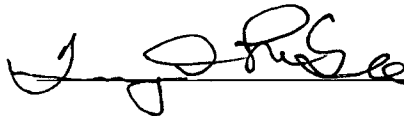
**Finding
Ref.
No.**

Corrective Action Plan Details

2017-002

Finding: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements/or Federal Awards (Uniform Guidance)* requires the Board to use specific methods of procurement. The *Uniform Guidance*, Section 200.320, requires small purchase procedures to be used for securing services, supplies or other property for amounts that exceed the micro-purchase threshold (\$3,500.00) but do not exceed the simplified acquisition threshold (\$150,000.00) by obtaining quotations from an adequate number of qualified sources. Sealed bids or competitive proposals are required for purchases of services, supplies or other property that exceed the simplified acquisition threshold. The Bibb County Board of Education adopted a policy on December 13, 2016, related to the *Uniform Guidance* for Federal Awards that requires obtaining price or rate quotes from two or more qualified sources for procurement transactions that exceed the micro-purchase threshold, and proposals for professional service contracts that exceed \$150,000.00. The Board expended funds from the Special Education Cluster for services which exceeded the small purchase threshold without obtaining quotations from an adequate number of sources. In addition, Special Education Cluster funds were expended for services which exceeded \$150,000.00 without obtaining sealed bids or competitive proposals. The Board failed to adhere to its own policies regarding purchases subject to the requirements of the *Uniform Guidance*. As a result, the Board was not in compliance with the *Uniform Guidance*, Section 200.320, or its adopted policies related to expenditures for Federal Awards.

Response: The Bibb County Board of Education has evaluated the findings. The Special Education Coordinator working in concert with the Chief School Financial Officer has implemented a process that will adequately ensure compliance with Federal and State procurement regulations.



Terry Duane McGee, Superintendent
Bibb County Board of Education



"Preparing Today's Youth for Tomorrow's World"