

**OCONEE COUNTY
BOARD OF EDUCATION**

**ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2017**

OCONEE COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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I. FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of
the Oconee County Board of Education
Watkinsville, Georgia**

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 **Oconee County Board of Education**, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Oconee County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 Oconee County Board of Education, as of June 30, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of the Net Pension Liability – TRS, the Schedule of Contributions – TRS, and the Schedule of Proportionate Share of the Net Pension Liability – PSERS, on pages 4-13, 51, 52, and 53, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oconee County Board of Education's basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of special purpose local option sales tax proceeds and the schedule of expenditures of federal awards (collectively "the supplementary information") are the responsibility of management and were derived from and relate 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 supplementary information 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 February 22, 2018 on our consideration of the Oconee 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 Oconee 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 Oconee County Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 22, 2018

OCONEE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

INTRODUCTION

The District's financial statements for the fiscal year ended June 30, 2017 includes a series of basic financial statements that report financial information for the District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide financial information about all of the District's activities and present both a short term and long term view of the District's finances on a global basis. The fund financial statements provide information about all of the District's funds. Information about these funds, such as the District's General Fund, is important in its own right, but will also give insight into the District's overall soundness as reported in the Statement of Net Position and the Statement of Activities.

FINANCIAL HIGHLIGHTS

Key financial highlights for FY 2017 are as follows:

On the District-wide financial statements:

- The District's net position at June 30, 2017 was \$76.1 million. Net position reflects the difference between all assets and deferred outflows of resources of the District (including capital assets, net of depreciation) and all liabilities, both short term and long term, and deferred inflows of resources. The net position at June 30, 2017 of \$76.1 million represented an increase of \$7.5 million when compared to the prior year.
- The School District had approximately \$74.4 million in expenses relating to governmental activities; about \$44.7 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of \$37.2 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$37.2 million or about 45.4% of all revenues totaling approximately \$81.9 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these.

On the fund financial statements:

- Among major funds, the General Fund had roughly \$73.2 million in revenues and \$70.3 in expenditures. The General Fund balance of \$18.5 million at June 30, 2017 increased by roughly \$2.9 million from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of three parts; management's discussion and analysis (this section), the basic financial statements including notes to the financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the district-wide and fund financial statements.

OCONEE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The district-wide financial statements include the 'Statement of Net Position' and 'Statement of Activities'. These statements provide information about the activities of the School District presenting both short-term and long-term information about the School District's overall financial status.

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The 'Governmental Funds' statements disclose how basic services are financed in the short-term as well as what remains for future spending. The 'Fiduciary Funds' statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. In the case of the Oconee County Board of Education, the General Fund, Capital Projects Funds, and Debt Service Funds are all considered to be major funds. The District has no funds reported as nonmajor funds as defined by generally accepted accounting principles.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

District-Wide Statements

Since the Oconee County Board of Education has no operations that have been classified as "Business Activities", the District-Wide financial statements are basically a consolidation of all of the District's operating funds into one column called governmental activities. In reviewing the District-Wide financial statements, a reader might ask the question, are we in a better financial position now than last year? The 'Statement of Net Position' and the 'Statement of Activities' provides the basis for answering this question. These financial statements include all District's assets, deferred outflows of resources, liabilities, and deferred inflow of resources and uses the **accrual basis of accounting** similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and any changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, student-teacher ratios, and other factors.

OCONEE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

When analyzing District-wide financial statements, it is important to remember these statements are prepared using an economic resources measurement focus (accrual accounting) and involve the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position as follows:
 - *Net Investment in capital assets*
 - *Restricted net position* is amounts with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
 - *Unrestricted for no specific use*

Fund Financial Statements

The School District uses many funds or sub-funds to account for a multitude of financial transactions during the fiscal year. The fund financial statements presented in this report provide detail information about the School District's significant or major funds. As discussed previously, the District has no nonmajor Funds as defined by generally accepted accounting principles.

The District has two kinds of funds as discussed below:

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the **modified accrual method of accounting** which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

Fiduciary Funds – The School District is the trustee, or fiduciary, for assets that belong to clubs, organizations and others within the principals' accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

OCONEE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net position, which is the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, is one indicator of the financial condition of the District. When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as the District's operating results. The District's net position, as measured in the Statement of Net Position is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position - as measured in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. However, the District's goal and mission is to provide success for each child's education, not to generate profits as private corporations do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the District.

In the case of the Oconee County Board of Education, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$76.1 million at June 30, 2017. To better understand the District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net position category. For example, of the \$76.1 million of net position, approximately \$4.8 million was restricted for debt service. Accordingly, these funds were not available to meet the District's ongoing obligations to citizens and creditors.

In addition, the District had just over \$108.8 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets to provide educational services to students within geographic boundaries served by the District. Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the net position is *not* available for future spending.

The remaining balance of unrestricted net position is a \$(37.5) million deficit. The deficit unrestricted net position is due to the adoption of GASB 68 for pension plans. The liability for the District's portion TRS (Teacher Retirement System) pension, including related deferred outflows and inflows of resources, is \$(54.3) million. The remaining balance of \$16.8 million may be used to meet the District's ongoing obligations to citizens and creditors. In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts.

OCONEE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Table 1
Net Position

	Governmental Activities	
	FY 2017	FY 2016
Assets		
Current and Other Assets	\$ 54,688,300	\$ 24,381,634
Capital Assets, Net	<u>116,257,423</u>	<u>111,359,861</u>
Total Assets	<u>\$ 170,945,723</u>	<u>\$ 135,741,495</u>
Deferred Outflows of Resources	<u>17,784,836</u>	<u>5,315,645</u>
Total Assets and Deferred Outflows of Resources	<u>188,730,559</u>	<u>141,057,140</u>
Liabilities		
Current and Other Liabilities	\$ 15,625,621	\$ 11,450,443
Long-Term Liabilities	<u>95,793,439</u>	<u>55,006,168</u>
Total Liabilities	<u>\$ 111,419,060</u>	<u>\$ 66,456,611</u>
Deferred Inflows of Resources	<u>1,176,153</u>	<u>5,968,655</u>
Total Liabilities and Deferred Inflows of Resources	<u>112,595,213</u>	<u>72,425,266</u>
Net Position		
Net Investment in Capital Assets	\$ 108,818,926	\$ 105,720,030
Restricted	4,833,233	3,775,048
Unrestricted	<u>(37,516,813)</u>	<u>(40,863,204)</u>
Total Net Position	<u>\$ 76,135,346</u>	<u>\$ 68,631,874</u>

Table 1 provides a summary of the School District's net position for this fiscal year as compared to the prior fiscal year.

Total net position increased \$7.5 million in fiscal year 2017 from the prior year due to an increase in total assets of approximately \$35.2 million. There was an increase in liabilities and deferred inflows and outflows of resources of approximately \$27.7 million primarily due to an increase in bond payable (\$22.1), pension liability and related items (\$1.6), accounts payable (\$1.9) and an increase in construction contracts payable (\$1.4).

OCONEE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Table 2
Change in Net Position

	Governmental Activities	
	FY 2017	FY 2016
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 4,025,716	\$ 3,984,779
Operating Grants and Contributions	38,796,336	36,899,988
Capital Grants and Contributions	1,878,998	154,440
Total Program Revenues	<u>\$ 44,701,050</u>	<u>\$ 41,039,207</u>
General Revenues:		
Property Taxes, Maintenance and Operations	\$ 29,312,843	\$ 27,565,504
Property Taxes, Debt Service	110,133	107,986
Sales Taxes	6,756,466	6,761,642
Intangible Recording & Real Estate Transfer	922,818	739,187
Investment Earnings	106,410	37,699
Total General Revenues	<u>\$ 37,208,670</u>	<u>\$ 35,212,018</u>
Total Revenues	<u><u>\$ 81,909,720</u></u>	<u><u>\$ 76,251,225</u></u>
Program Expenses		
Instruction	\$ 48,270,708	\$ 43,780,975
Support Services		
Pupil Services	2,664,535	2,473,813
Improvement of Instructional Services	1,211,293	1,409,625
Educational Media Services	1,063,455	971,878
Federal Grant Administration	108,950	98,192
General Administration	721,240	804,885
School Administration	5,634,706	5,106,838
Business Administration	493,715	359,398
Maintenance and Operation of Plant	5,606,006	5,154,219
Student Transportation Services	4,574,957	3,914,196
Central Support Services	608,658	560,366
Other Support Services	4,209	1,236
Operations of Non-Instructional Services		
Miscellaneous non-instructional services	871,534	750,674
Food Services	2,287,793	2,545,162
Interest on Short-Term and Long-Term Debt	284,489	58,625
Total Expenses	<u>\$ 74,406,248</u>	<u>\$ 67,990,082</u>
Increase in Net Position	<u><u>\$ 7,503,472</u></u>	<u><u>\$ 8,261,143</u></u>

OCONEE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cost of Providing Services

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity as compared to the prior fiscal year.

Table 3
Cost of Services

	Total Cost of Services		Net Cost of Services	
	FY 2017	FY 2016	FY 2017	FY 2016
Instruction	\$ 48,270,708	\$ 43,780,975	\$ 14,258,290	\$ 15,597,864
Support Services				
Pupil Services	2,664,535	2,473,813	2,388,109	2,098,866
Improvement of Instructional Services	1,211,293	1,409,625	751,249	961,268
Educational Media Services	1,063,455	971,878	101,274	29,088
Federal Grant Administration	108,950	98,192	-	-
General Administration	721,240	804,885	(574,829)	(442,903)
School Administration	5,634,706	5,106,838	3,675,300	3,106,590
Business Administration	493,715	359,398	491,049	352,489
Maintenance and Operation of Plant	5,606,006	5,154,219	3,211,129	2,839,320
Student Transportation Services	4,574,957	3,914,196	3,577,714	2,993,688
Central Support Services	608,658	560,366	587,683	551,794
Other Support Services	4,209	1,236	4,185	273
Operations of Non-Instructional Serv.				
Misc. non-instructional services	871,534	750,674	870,875	(1,595,405)
Food Services	2,287,793	2,545,162	78,681	399,318
Interest on Debt	284,489	58,625	284,489	58,625
Total Expenses	\$ 74,406,248	\$ 67,990,082	\$ 29,705,198	\$ 26,950,875

Expenses increased about \$6.4 million from the prior year, while net costs of services increased about \$2.8 million from the prior year. The increase in expenses is primarily due to all employees receiving a 3.0% salary improvement, increase in benefit costs, and growth in the student population. The increase in the net cost of services is also primarily due to all employees receiving a 3.0% salary improvement, increase in benefit costs, and growth in the student population. Operating Grants and Contributions Revenue increased approximately \$1.9 million due to growth in the student population and reduction of the austerity reduction. Also, Capital Grants and Contributions Revenue increased approximately \$1.7 million due to an increase in state capital outlay funding for capital projects.

OCONEE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Information about the School District's governmental funds is presented starting on Page 16 of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$80.5 million and total expenditures of approximately \$80.2 million in fiscal year 2017. Total governmental fund balances of \$40.6 million at June 30, 2017, an increase of \$25.1 million from the prior year. This increase was primarily caused by the proceeds from the issuance of \$22,740,000 Series 2017 General Obligation Bonds.

General Fund Budget Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2017, the School District amended its General Fund budget as needed.

The School District budget is adopted at the aggregate level and maintained at the program, function, object, and site levels to facilitate budgetary control. The budgeting systems are designed to control the total budget, but provide flexibility to meet the ongoing programmatic needs. The budgeting systems are also designed to control total site budgets but provide flexibility for site management as well.

For the General Fund, the final actual revenues of \$73.2 million were more than the final budget by approximately \$2.6 million. This is attributed to federal grant allotments being received after the General Fund budget is adopted. Additionally, the District did not include revenues in the final budget for school activity accounts (included in miscellaneous and charges for services revenues). Also, more state revenue was received than budgeted due to student growth and growth in tax digest.

The General Fund's final actual expenditures of approximately \$70.3 million were less than the final budget by \$41 thousand.

OCONEE BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2017, the School District had \$116.3 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation, as compared to the prior fiscal year.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	FY 2017	FY 2016
Land	\$ 5,811,126	\$ 4,753,482
Construction in Progress	3,866,668	181,216
Land Improvements	4,593,837	4,579,756
Buildings and Improvements	97,157,409	98,134,214
Equipment	4,828,383	3,711,193
Total	\$ 116,257,423	\$ 111,359,861

Additional information about the School District's Capital Assets can be found in Note 6 to the Financial Statements.

Long Term Debt

At June 30, 2017, the School District had approximately \$27.7 million in bond and other debt outstanding. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

Table 5
Change in Long Term Debt

	Governmental Activities	
	FY 2017	FY 2017
General Obligation Bonds	\$ 25,515,000	\$ 5,425,000
Bond Premiums Unamortized	2,074,253	87,689
Installment Sales Agreement	88,047	112,995
Total	\$ 27,677,300	\$ 5,625,684

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The increase in bonds payable was caused by the issuance of \$22,740,000 Series 2017 General Obligation Bonds. Additional information about the School District's debt can be found in Note 10 to the Financial Statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known circumstances that are expected to have a significant effect on financial position or results of operations in future years are as follows:

- The School District is financially stable. Oconee County School Districts' priority on academic instruction continues to attract new residents into the county due to the school system's focus on quality instructional programs. The District consistently ranks within the top ten (10) achieving school systems in Georgia.
- Oconee County continues to collect approximately 98% of the assessed taxes. This consistent collection of property taxes has assisted the local school district to meet financial obligations.
- The School District plans to fund additional capital outlays with the one percent local sales tax revenue and state capital outlay grants.
- The Oconee County School System will remain optimistic about the ability to maximize all of the financial resources to provide an exceptional educational experience for our students. The challenge will be to balance revenue streams (the state not fully funding education) with occurring increases in expenses (personnel, employer paid health benefits and operational costs). In spite of these challenges, the School District will continue to be a good steward of tax dollars while providing a quality educational opportunity.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Saranna Charping, CFO, at the Oconee County Board of Education, P.O. Box 146, 34 School Street, Watkinsville, Georgia 30677. You may also email your questions to scharping@oconeeschools.org.

BASIC FINANCIAL STATEMENTS

OCONEE COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 45,915,871
Receivables:	
Taxes	1,161,472
Intergovernmental	7,303,952
Other	157,157
Inventory	147,689
Prepaid items	2,159
Capital assets (nondepreciable)	9,677,794
Capital assets (depreciable, net of accumulated depreciation)	106,579,629
Total assets	<u>170,945,723</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	17,784,836
Total deferred outflows of resources	<u>17,784,836</u>
 LIABILITIES	
Accounts payable	2,590,052
Salaries and benefits payable	8,195,731
Accrued interest payable	275,586
Construction contracts payable	1,381,331
Retainage payable	250,965
Installment sales agreement, due within one year	26,513
Installment sales agreement, due in more than one year	61,534
Bonds payable, due within one year	2,775,000
Bonds payable, due in more than one year	24,814,253
Net pension liability, due in more than one year	70,903,159
Compensated absences, within one year	130,443
Compensated absences, due in more than one year	14,493
Total liabilities	<u>111,419,060</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension related items	1,176,153
Total deferred inflows of resources	<u>1,176,153</u>
 NET POSITION	
Net investment in capital assets	108,818,926
Restricted for:	
Debt service	4,833,233
Unrestricted	(37,516,813)
Total net position	<u>\$ 76,135,346</u>

The accompanying notes are an integral part of these financial statements.

OCONEE COUNTY BOARD OF EDUCATION

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 48,270,708	\$ 2,926,671	\$ 29,350,647	\$ 1,735,100	\$ (14,258,290)
Support services:					
Pupil services	2,664,535	-	276,426	-	(2,388,109)
Improvement of instructional services	1,211,293	-	459,805	239	(751,249)
Educational media services	1,063,455	-	962,181	-	(101,274)
Federal grant administration	108,950	-	108,950	-	-
General administration	721,240	-	1,295,708	361	574,829
School administration	5,634,706	-	1,958,062	1,344	(3,675,300)
Business administration	493,715	-	2,666	-	(491,049)
Maintenance and operation of facilities	5,606,006	31,502	2,360,319	3,056	(3,211,129)
Student transportation services	4,574,957	-	877,746	119,497	(3,577,714)
Central support services	608,658	-	5,348	15,627	(587,683)
Other support services	4,209	-	24	-	(4,185)
Operations of non-instructional services:					
Miscellaneous non-instructional services	871,534	-	-	659	(870,875)
Food services operation	2,287,793	1,067,543	1,138,454	3,115	(78,681)
Interest on long-term debt	284,489	-	-	-	(284,489)
Total governmental activities	<u>\$ 74,406,248</u>	<u>\$ 4,025,716</u>	<u>\$ 38,796,336</u>	<u>\$ 1,878,998</u>	<u>(29,705,198)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	29,312,843
Property taxes, levied for debt service	110,133
Sales taxes	6,756,466
Other taxes	922,818
Unrestricted investment earnings	106,410
Total general revenues	<u>37,208,670</u>
Change in net position	7,503,472
Net position, beginning of year	68,631,874
Net position, end of year	<u>\$ 76,135,346</u>

The accompanying notes are an integral part of these financial statements.

OCONEE COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2017

ASSETS	General	District-Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 19,380,552	\$ 21,997,384	\$ 4,537,935	\$ 45,915,871
Receivables:				
Taxes	580,077	10,511	570,884	1,161,472
Intergovernmental	5,793,823	1,510,129	-	7,303,952
Other	157,157	-	-	157,157
Due from other funds	1,941,199	-	-	1,941,199
Prepaid items	2,159	-	-	2,159
Advances to other funds	1,292,144	-	-	1,292,144
Inventory	147,689	-	-	147,689
Total assets	\$ 29,294,800	\$ 23,518,024	\$ 5,108,819	\$ 57,921,643
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,380,412	\$ 209,640	\$ -	\$ 2,590,052
Salaries and benefits payable	8,195,731	-	-	8,195,731
Construction contracts payable	-	1,381,331	-	1,381,331
Retainage payable	-	250,965	-	250,965
Due to other funds	-	1,941,199	-	1,941,199
Advances from other funds	-	1,292,144	-	1,292,144
Total liabilities	10,576,143	5,075,279	-	15,651,422
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow resources - intergovernmental revenues	-	1,510,129	-	1,510,129
Deferred inflow resources - property taxes	195,753	-	-	195,753
Total deferred inflows of resources	195,753	1,510,129	-	1,705,882
FUND BALANCES				
Nonspendable:				
Inventory	147,689	-	-	147,689
Prepaid items	2,159	-	-	2,159
Advance to other funds	1,292,144	-	-	1,292,144
Restricted for:				
Capital projects	-	16,932,616	-	16,932,616
Debt service	-	-	5,108,819	5,108,819
Assigned for:				
Appropriation for next year's budget	1,545,233	-	-	1,545,233
Unassigned	15,535,679	-	-	15,535,679
Total fund balances	18,522,904	16,932,616	5,108,819	40,564,339
Total liabilities, deferred inflows of resources and fund balances	\$ 29,294,800	\$ 23,518,024	\$ 5,108,819	\$ 57,921,643

The accompanying notes are an integral part of these financial statements.

OCONEE COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances - governmental funds	\$	40,564,339
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Amounts reported for governmental activities in the statement of net position are different because:

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

Cost	\$	147,803,780	
Less accumulated depreciation		<u>(31,546,357)</u>	116,257,423

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.

Property taxes	\$	195,753	
Intergovernmental revenues		<u>1,510,129</u>	1,705,882

The net pension liability are related deferrals are not a financial liability in governmental fund activities and is therefore not reported in governmental funds.

Net pension liability	\$	(70,903,159)	
Pension related deferred outflows of resources		17,784,836	
Pension related deferred inflows of resources		<u>(1,176,153)</u>	(54,294,476)

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

Bonds payable	\$	(25,515,000)	
Premium, net of amortization		(2,074,253)	
Accrued interest		(275,586)	
Compensated absences		(144,936)	
Installment sales agreement		<u>(88,047)</u>	<u>(28,097,822)</u>

Net position of governmental activities	\$	<u><u>76,135,346</u></u>
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The accompanying notes are an integral part of these financial statements.

OCONEE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 29,354,210	\$ 115,397	\$ -	\$ 29,469,607
Sales taxes	-	-	6,756,466	6,756,466
Other taxes	922,818	-	-	922,818
State funds	35,957,616	368,869	-	36,326,485
Federal funds	2,917,248	-	-	2,917,248
Investment income	24,831	63,741	17,838	106,410
Charges for services	1,708,584	-	-	1,708,584
Miscellaneous	2,317,132	-	-	2,317,132
Total revenues	<u>73,202,439</u>	<u>548,007</u>	<u>6,774,304</u>	<u>80,524,750</u>
EXPENDITURES				
Current:				
Instruction	45,655,363	-	-	45,655,363
Support services:				
Pupil services	2,599,369	-	-	2,599,369
Improvement of instructional services	1,166,361	-	-	1,166,361
Educational media services	1,036,815	-	-	1,036,815
Federal grant administration	105,836	-	-	105,836
General administration	689,183	1,900	-	691,083
School administration	5,456,005	-	-	5,456,005
Business administration	468,480	5,375	-	473,855
Maintenance and operation of facilities	5,535,668	-	-	5,535,668
Student transportation services	3,856,218	341,112	-	4,197,330
Central support services	454,822	-	-	454,822
Other support services	4,209	-	-	4,209
Miscellaneous non-instructional services	865,836	-	-	865,836
Food services operation	2,253,803	-	-	2,253,803
Capital Outlay	124,672	6,421,766	-	6,546,438
Debt service:				
Principal retirement	24,948	-	2,650,000	2,674,948
Interest and fees	5,134	-	111,400	116,534
Bond issuance costs	-	337,169	-	337,169
Total expenditures	<u>70,302,722</u>	<u>7,107,322</u>	<u>2,761,400</u>	<u>80,171,444</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,899,717</u>	<u>(6,559,315)</u>	<u>4,012,904</u>	<u>353,306</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,543,115	-	2,543,115
Transfers out	(270)	-	(2,542,845)	(2,543,115)
Bonds issued	-	22,740,000	-	22,740,000
Premium on bonds issued	-	2,047,795	-	2,047,795
Proceeds from sale of capital assets	12,611	-	-	12,611
Total other financing sources (uses)	<u>12,341</u>	<u>27,330,910</u>	<u>(2,542,845)</u>	<u>24,800,406</u>
Net change in fund balances	2,912,058	20,771,595	1,470,059	25,153,712
FUND BALANCES, beginning of year	<u>15,610,846</u>	<u>(3,838,979)</u>	<u>3,638,760</u>	<u>15,410,627</u>
FUND BALANCES, end of year	<u>\$ 18,522,904</u>	<u>\$ 16,932,616</u>	<u>\$ 5,108,819</u>	<u>\$ 40,564,339</u>

The accompanying notes are an integral part of these financial statements.

OCONEE COUNTY BOARD OF EDUCATION

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Net change in fund balances - total governmental funds	\$	25,153,712
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is as follows:

Capital outlay	\$	7,649,555	
Depreciation expense		<u>(2,751,993)</u>	4,897,562

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Property taxes	\$	(46,631)	
Intergovernmental revenue		<u>1,510,129</u>	1,463,498

In the governmental funds, current year expenditures related to pensions are comprised solely of amounts contributed to the plan for the current year. However, in the statement of activities, expenses related to pensions include amounts that do not require the use of current financial resources. This amount represents the difference in the required accounting treatment of pensions and related items.

(1,585,562)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond proceeds	\$	(24,787,795)	
Principal payments - bonds		2,650,000	
Principal payments - installment sales agreement		<u>24,948</u>	(22,112,847)

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.

Amortization of bond premium	\$	61,231	
Change in compensated absences		(144,936)	
Change in accrued interest		<u>(229,186)</u>	(312,891)

Change in net position of governmental activities	\$	<u><u>7,503,472</u></u>
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The accompanying notes are an integral part of these financial statements.

OCONEE COUNTY BOARD OF EDUCATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 28,276,885	\$ 29,046,885	\$ 29,354,210	\$ 307,325
Other taxes	924,280	802,680	922,818	120,138
State funds	34,288,765	35,333,922	35,957,616	623,694
Federal funds	4,340,723	4,918,236	2,917,248	(2,000,988)
Charges for services	271,667	106,000	1,708,584	1,602,584
Investment income	25,000	25,000	24,831	(169)
Miscellaneous	-	320,000	2,317,132	1,997,132
	<u>68,127,320</u>	<u>70,552,723</u>	<u>73,202,439</u>	<u>2,649,716</u>
EXPENDITURES				
Current:				
Instruction	44,802,809	45,783,131	45,655,363	127,768
Support services:				
Pupil services	2,964,562	3,015,642	2,599,369	416,273
Improvement of instructional services	1,305,254	1,340,107	1,166,361	173,746
Educational media services	955,515	975,515	1,036,815	(61,300)
Federal grant administration	104,463	105,607	105,836	(229)
General administration	756,155	776,983	689,183	87,800
School administration	4,728,540	4,788,539	5,456,005	(667,466)
Business administration	423,839	473,839	468,480	5,359
Maintenance and operation of plant	4,738,978	5,188,978	5,535,668	(346,690)
Student transportation services	3,493,309	4,073,979	3,856,218	217,761
Central support services	927,057	927,057	454,822	472,235
Other support services	3,657	-	4,209	(4,209)
Miscellaneous non-instructional services	-	-	865,836	(865,836)
Food services operation	2,854,001	2,854,001	2,253,803	600,198
Capital outlay	-	-	124,672	(124,672)
Debt service:				
Principal payments	30,000	30,000	24,948	5,052
Interest	10,000	10,000	5,134	4,866
Total expenditures	<u>68,098,139</u>	<u>70,343,378</u>	<u>70,302,722</u>	<u>40,656</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,181</u>	<u>209,345</u>	<u>2,899,717</u>	<u>2,690,372</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	12,611	12,611
Transfers out	-	-	(270)	(270)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>12,341</u>	<u>12,341</u>
Net change in fund balances	<u>29,181</u>	<u>209,345</u>	<u>2,912,058</u>	<u>2,702,713</u>
FUND BALANCES, beginning of year	<u>15,610,846</u>	<u>15,610,846</u>	<u>15,610,846</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 15,640,027</u>	<u>\$ 15,820,191</u>	<u>\$ 18,522,904</u>	<u>\$ 2,702,713</u>

The accompanying notes are an integral part of these financial statements.

OCONEE COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

JUNE 30, 2017

ASSETS		Club and Athletics Fund
Cash		<u>\$ 165,844</u>
Total assets		<u><u>\$ 165,844</u></u>
LIABILITIES		
Funds held for others		<u>\$ 165,844</u>
Total liabilities		<u><u>\$ 165,844</u></u>

The accompanying notes are an integral part of these financial statements.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Oconee County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The School District's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements of the Oconee County Board of Education.

Government-wide Statements:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District'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. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs 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.

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes and unrestricted amounts.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements:

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- *Debt Service Fund* accounts for taxes (property and sales) legally restricted for the payment of general long-term debt principal, interest and paying agent's fees.

The School District also reports the following fund types:

- *Agency Fund* accounts for assets held by the School District as an agent for various individual school clubs and activities.

Basis of Accounting/Measurement Focus

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental activities and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 School District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period; however, intergovernmental revenues reported in the governmental funds are considered to be available if they are collected within 120 days after year-end.

Property taxes, sales taxes, intergovernmental revenue, and interest are considered to be susceptible to accrual. 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. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and capital leases are reported as other financing sources.

Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School District over the same twelve month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents

COMPOSITION OF DEPOSITS

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Georgia Laws OCGA 45-8-14 authorizes the School District to deposit its funds in one or more solvent banks or insured Federal savings and loan associations.

Investments

COMPOSITION OF INVESTMENTS

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following:

- (1) Obligations issued by the State of Georgia or by other states,
- (2) Obligations issued by the United States government,
- (3) Obligations fully insured or guaranteed by the United States government or a United States government agency,
- (4) Obligations of any corporation of the United States government,
- (5) Prime banker's acceptances,
- (6) The Local Government Investment Pool administered by the State Treasurer of the State of Georgia,
- (7) Repurchase agreements, and
- (8) Obligations of other political subdivisions of the State of Georgia.

The School District does not have a formal policy regarding investments that addresses credit risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on federal, state or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements are reported net of an allowance for uncollectible receivables when necessary.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and are offset by a fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property Taxes

The Oconee County Tax Commissioner levied the property tax for the 2016 tax digest year (calendar year) on August 30, 2016 (levy date). Taxes were due on November 15, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. The Oconee County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2017, for maintenance and operations amounted to \$27,607,269 and for debt service (reported in the capital projects fund) amounted to \$2,452.

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The Oconee County Board of Education is in compliance with this law. Tax millage rates levied for the 2016 tax year (calendar year) for the Oconee County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Maintenance and Operations	17.0 mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$1,746,941 for the General Fund and \$112,945 for the Capital Projects Fund during the fiscal year ended June 30, 2017.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$6,756,466 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

CONSUMABLE SUPPLIES

On the basic financial statements, consumable supplies are reported at cost (first-in, first-out). The School District uses the consumption method to account for the consumable supplies inventory whereby an asset is recorded when supplies are purchased and expenses/expenditures are recorded at the time the supplies are consumed.

FOOD INVENTORIES

On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their federally assigned value and purchased foods inventories are reported at cost (first-in, first-out). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to June 30, 2017, are recorded as prepaid items using the consumption method.

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated acquisition value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalization thresholds and estimated useful lives of capital assets reported in the District-wide statements are as follows:

		<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land		All	N/A
Land Improvements	\$	25,000	70 years
Buildings and Improvements	\$	25,000	15 to 70 years
All Equipment	\$	5,000	5 to 25 years
Intangible Assets	\$	25,000	15 to 20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. These items are the deferred outflows of resources related to the reporting of the net pension liability reported in the government-wide statement of net position. The School District reports five (5) deferred outflows of resources related to the reporting of the net pension liability. The Governmental Activities report a deferred outflow of resources for the School District's actual contributions to the pension plan during the fiscal year ended June 30, 2017 which are subsequent to the measurement date of the net pension liability and will be recognized in fiscal year 2018. The Governmental Activities reports a deferred outflow of resources for experience gains or losses related to the pension plan; a deferred outflow of resources for the difference between the School District's actual contributions towards the pension plan and the School District's proportionate share of contributions, as well as the change in the School District's proportionate share; and a deferred outflow of resources for the changes in actuarial assumptions which will be amortized over the remaining service period. The Governmental Activities reports a deferred outflow of resources for the net difference between projected and actual investment earnings on the pension assets, which will be amortized over a five year period.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one type of deferred inflow under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and intergovernmental revenues and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The School District also has two items that qualify for reporting in this category which occurs only in the governmental activities. The Governmental Activities reports a deferred inflow of resources for experience gains or losses related to the pension plan and a deferred inflow of resources for the difference between the School District's actual contributions towards the pension plan and the School District's proportionate share of contributions, as well as the change in the School District's proportionate share, which will be amortized over the remaining service period.

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund existing general obligations bonds. Bond issuance costs are recognized in the financial statements during the fiscal year bonds are issued. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

In the fund financial statements, the face amount of debt issued and any related premium, is reported as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

All 12 month personnel of Oconee County Board of Education shall earn 15 annual vacation days per year from July 1 through June 30. Annual vacation leave will be credited to 12-month employees at the rate of 1.25 days per month, for a total of 15 days per year between July 1 and June 30. Employees may carryforward a maximum of 7.5 vacation days at July 1 of each year. Accrued vacation compensated absences are shown as long-term liabilities on the statement of net position. A fund liability is accrued only for the matured portion of compensated absences at fiscal year end.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees Retirement System of Georgia (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – Generally, fund balance represents the difference between the assets, liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting.

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Only the Board of Education may modify or rescind the commitment, also through a resolution.
- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the Superintendent or his or her designee to assign fund balances.
- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The School District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the School District has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School District adopts an annual budget for the General Fund and Debt Service Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167 and in accordance with U.S. generally accepted accounting principles. The legal level of budgetary control was established by the Board and the aggregate function level. After the Board of Education has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget.

The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2017:

General Fund:	
Support Services:	
Educational media services	\$ 61,300
Federal grant administration	299
School administration	667,466
Maintenance and operation of plant	346,690
Other support services	4,209
Miscellaneous non-instructional services	865,836
Capital outlay	124,672

Note 4: DEPOSITS AND INVESTMENTS

INVESTMENTS

At June 30, 2017, the School District's investments consist of funds in the amount of \$6,847,103 which are on deposit in the Georgia Fund 1, the State of Georgia investment pool created by OCGA 36-83-8, which is a stable asset value investment pool which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the School District's investment in the Georgia Fund 1 is reported at fair value. The School District considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 4: DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS (continued)

At June 30, 2017, the School District's investment in the Georgia Fund 1 is rated AA Af and the Georgia Fund 1 has a weighted average maturity of 26 days. . The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the School District does not disclose the investment in the Georgia Fund 1 within the fair value hierarchy.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. For the year ended June 30, 2017, the commodities usage is recorded at their federally assigned value of \$192,932.

OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	<u>Balances</u> <u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balances</u> <u>June 30, 2017</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 4,753,482	\$ 1,057,644	\$ -	\$ -	\$ 5,811,126
Construction in progress	181,216	3,866,668	-	(181,216)	3,866,668
Total	<u>4,934,698</u>	<u>4,924,312</u>	<u>-</u>	<u>(181,216)</u>	<u>9,677,794</u>
Capital assets, being depreciated:					
Building improvements	119,744,242	855,259	-	181,216	120,780,717
Equipment	9,897,647	1,771,216	(301,058)	-	11,367,805
Land improvements	5,878,696	98,768	-	-	5,977,464
Total	<u>135,520,585</u>	<u>2,725,243</u>	<u>(301,058)</u>	<u>181,216</u>	<u>138,125,986</u>
Less accumulated depreciation for:					
Building improvements	(21,610,028)	(2,013,280)	-	-	(23,623,308)
Equipment	(6,186,454)	(654,026)	301,058	-	(6,539,422)
Land improvements	(1,298,940)	(84,687)	-	-	(1,383,627)
Total	<u>(29,095,422)</u>	<u>(2,751,993)</u>	<u>301,058</u>	<u>-</u>	<u>(31,546,357)</u>
Total capital assets, being depreciated, net	<u>106,425,163</u>	<u>(26,750)</u>	<u>-</u>	<u>181,216</u>	<u>106,579,629</u>
Governmental activities capital assets, net	<u>\$ 111,359,861</u>	<u>\$ 4,897,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,257,423</u>

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 6: CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Instruction	\$	2,175,049
Support services:		
Improvement of instructional services		2,070
General administration		3,127
School Administration		11,625
Maintenance and operation of facilities		26,437
Student transportation services		365,818
Central Support Services		135,204
Operations of non-instructional services:		
Food services		26,965
Other enterprise operations		5,698
		\$ 2,751,993

Note 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables/payables as of June 30, 2017, consisted of the following:

Interfund Payable	Interfund Receivable	Total
District-Wide Capital Projects	General Fund	\$ 1,941,199

The interfund balance above represents expenditures incurred by the General Fund to prefund certain capital projects, which will be repaid with future collections of sales tax or bond proceeds.

Advances to/from other funds are as follows:

Payable Fund	Receivable Fund	Total
District-Wide Capital Projects	General Fund	\$ 1,292,144

The interfund advance balance above represents capital expenditures to be reimbursed to the General Fund upon future collections of sales tax or bond proceeds.

**OCONEE COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017**

Note 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund transfers for the year ended June 30, 2017, consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>
General Fund	District-Wide Capital Projects Fund	\$ 270
Debt Service Fund	District-Wide Capital Projects Fund	2,542,845
		<u>\$ 2,543,115</u>

Transfers are used to move SPLOST proceeds from Debt Service Fund to District-Wide Capital Projects Fund to fund SPLOST projects as allowed in the referendum.

Note 8: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; acts of God; and unemployment compensation and vision plan.

The School District has obtained commercial insurance for risk of loss associated with torts, assets and errors or omissions. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past four years.

The School District has obtained commercial insurance for all losses related to acts of God. The School District has not experienced any losses related to this risk in the past four years.

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	<u>Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year</u>
2016	\$ -	\$ 900	\$ 900	-
2017	-	-	-	-

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 8: RISK MANAGEMENT (Continued)

The School District pays an annual premium to the Fund for its general insurance coverage. The School District has purchased surety bonds to provide additional insurance coverage as follows:

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$100,000
Driver Education	\$10,000

Note 9: OPERATING LEASES

Oconee County Board of Education is committed under various leases for equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year totaled approximately \$139,490. Future minimum lease payments on these leases are as follows:

<u>Year ending June 30,</u>	
2018	\$ 60,138
2019	50,880
2020	26,313
2021	1,734
Total	<u>\$ 139,065</u>

Note 10: LONG – TERM DEBT

INSTALLMENT SALES AGREEMENT

The Oconee County Board of Education entered into an agreement dated June 1, 2006, with the Northeast Georgia Regional Educational Service Agency for the construction and subsequent lease of the Rutland Center. Under the terms of the agreement, the School District will make annual payments through June 15, 2020.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Outstanding Balance at June 30, 2017</u>
General Government - Series 2012	1.50% - 4.00%	\$ 2,775,000
General Government - Series 2017	2.50% - 4.00%	\$ 22,740,000

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 10: LONG – TERM DEBT (Continued)

The changes in long-term obligations during the fiscal year ended June 30, 2017, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,425,000	\$ 22,740,000	\$ (2,650,000)	\$ 25,515,000	\$ 2,775,000
Unamortized bond premium	87,689	2,047,795	(61,231)	2,074,253	-
Compensated absences	-	460,907	(315,971)	144,936	130,443
Installment Sales Agreement	112,995	-	(24,948)	88,047	26,513
Net pension liability	52,055,904	24,226,662	(5,379,407)	70,903,159	-
Governmental activity					
Long-term liabilities	<u>\$ 57,681,588</u>	<u>\$ 49,475,364</u>	<u>\$ (8,431,557)</u>	<u>\$ 98,725,395</u>	<u>\$ 2,931,956</u>

For governmental activities, the net pension liability and compensated absences are being liquidated primarily by the General Fund.

In February 2012, the Oconee County School District issued \$13,500,000 of General Obligation Bonds Series 2012. The 2012 bonds were issued to (i) finance certain capital outlay projects, (ii) pay all or a portion of the principal and interest on certain general obligation bonds maturing on April 1, 2012, (iii) pay capitalized interest and (iv) pay expenses incident to the issuance of the Bonds. Interest on the Bonds is payable semiannually, on February 1 and August 1 of each year, commencing August 1, 2012.

In February 2017, the Oconee County School District issued \$22,740,000 of General Obligation Bonds Series 2017. The 2017 bonds were issued to (i) finance certain capital outlay projects, (ii) paying capitalized interest and (iii) paying the cost of issuing the Series 2017 Bonds. Interest on the Bonds is payable semiannually, on March 1 and September 1 of each year, commencing September 1, 2017.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 10: LONG – TERM DEBT (Continued)

At June 30, 2017, payments due by fiscal year, which includes principal and interest, for these items are as follows:

Fiscal Year Ending June 30	Installment Sales Agreement		
	Principal	Interest	Total
2018	\$ 26,513	\$ 2,894	\$ 29,407
2019	27,606	1,768	29,374
2020	33,928	597	34,525
Total	<u>\$ 88,047</u>	<u>\$ 5,259</u>	<u>\$ 93,306</u>

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 2,775,000	\$ 987,512	\$ 3,762,512
2019	-	882,975	882,975
2020	5,365,000	882,975	6,247,975
2021	5,575,000	668,375	6,243,375
2022	5,800,000	445,375	6,245,375
2023	6,000,000	240,000	6,240,000
Total	<u>\$ 25,515,000</u>	<u>\$ 4,107,212</u>	<u>\$ 29,622,212</u>

Note 11: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the District as of June 30, 2017:

Project	Amount
Dove Creek Elementary School	\$ 12,107,755
Malcom Bridge Elementary School	121,851
Malcom Bridge Middle School	206,684
Oconee County Middle School	333,409
	<u>\$ 12,769,699</u>

The amounts described in this note are not reflected in the basic financial statements.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$180,632 for retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Teachers Retirement District
for Teachers Retirement (TRS)
in the amount of \$51,052

State Treasurer of the State of Georgia
Paid to the Public School Employees Retirement System
for Public School Employees Retirement (PSERS) Employer's Cost
in the amount of \$129,580

Note 13: SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally from the federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

Note 14: RETIREMENT PLANS

GENERAL INFORMATION ABOUT THE TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan description: –All teachers of the District as defined in §47-3-60 of the Official Code of Georgia Annotated (O.C.G.A.) and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 14: RETIREMENT PLANS (Continued)

Benefits provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee’s two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee’s creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee’s beneficiary had the employee retired on the date of death. Death benefits are based on the employee’s creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00 % of their annual pay during fiscal year 2017. The School District’s contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual school district payroll. District contributions to TRS were \$5,687,700 for the year ended June 30, 2017.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for support attributable to those personnel funded on behalf of the District by the State of Georgia. The amount recognized by the District as its proportionate share of the net pension liability, the related State of Georgia funding, and the total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of the net pension liability	\$ 70,903,159
State of Georgia’s proportionate share of the net pension liability associated with the District	944,492
	944,492
Total	\$ 71,847,651

The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The District’s proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2016. At June 30, 2016, the District’s proportion was 0.343671%, which was an increase of 0.001738% from its proportion measured as of June 30, 2015.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 14: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$7,479,780 and revenue of \$142,756 for support provided by the State of Georgia for certain support personnel. At June 30, 2017, the District 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 1,056,266	\$ 350,617
Changes in assumption	1,837,712	-
Net difference between projected and actual earnings on pension plan investments	8,969,542	-
Changes in proportion and differences between District contributions and proportionate share of contributions	233,616	825,536
District contributions subsequent to the measurement date	<u>5,687,700</u>	<u>-</u>
Total	<u><u>\$ 17,784,836</u></u>	<u><u>\$ 1,176,153</u></u>

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 14: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

District contributions subsequent to the measurement date of \$5,687,700 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 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 June 30:	
2018	\$ 1,124,820
2019	1,124,817
2020	4,996,100
2021	3,526,317
2022	148,929
Total	<u>\$ 10,920,983</u>

Actuarial assumptions: The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.75 – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Postretirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on November 18, 2015, the numbers of expected future deaths are 8-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 14: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

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 nominal returns, net of pension plan investment expense and the assumed rate of 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(.50)%
Domestic large equities	39.80	9.00
Domestic mid equities	3.70	12.00
Domestic small equities	1.50	13.50
International developed market equities	19.40	8.00
International emerging market equities	5.60	12.00
Total	<u>100.00%</u>	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer and State of Georgia 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.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 14: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 110,361,642	\$ 70,903,159	\$ 38,415,603

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at www.trsga.com/publications.

GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM (PSERS)

Plan description: PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided: A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 14: RETIREMENT PLANS (Continued)

**GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS EMPLOYEES
RETIREMENT SYSTEM (PSERS) (Continued)**

Contributions: The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees.

Pension Liabilities and Pension Expense

At June 30, 2017, the District did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the District is as follows:

State of Georgia's proportionate share of the Net Pension Liability associated with the District	<u>\$ 946,208</u>
---	-------------------

The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of \$155,119 and revenue of \$155,119 for support provided by the State of Georgia.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 14: RETIREMENT PLANS (Continued)

**GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS EMPLOYEES
RETIREMENT SYSTEM (PSERS) (Continued)**

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

Inflation	2.75%
Salary increase	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Postretirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 14: RETIREMENT PLANS (Continued)

**GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS EMPLOYEES
RETIREMENT SYSTEM (PSERS) (Continued)**

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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(.50)%
Domestic large stocks	37.20	9.00
Domestic mid stocks	3.40	12.00
Domestic small stocks	1.40	13.50
International developed market stocks	17.80	8.00
International emerging market stocks	5.20	12.00
Alternatives	5.00	10.50
Total	<u>100.00%</u>	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer and State of Georgia 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.

**OCONEE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 15: POSTEMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POSTEMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Postemployment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). Additional information about the School OPEB Fund is disclosed in the State of Georgia Comprehensive Annual Financial Report. This report can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

Funding Policy. The contribution requirements of Plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of Plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

II. REQUIRED SUPPLEMENTARY INFORMATION

OCONEE COUNTY BOARD OF EDUCATION

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.343671%	0.341933%	0.346482%
District's proportionate share of the net pension liability	\$ 70,903,159	\$ 52,055,904	\$ 43,773,431
State of Georgia's proportionate share of the net pension liability associated with the District	<u>944,492</u>	<u>610,787</u>	<u>470,099</u>
Total	<u>\$ 71,847,651</u>	<u>\$ 52,666,691</u>	<u>\$ 44,243,530</u>
District's covered-employee payroll	\$ 37,697,316	\$ 36,092,996	\$ 35,348,046
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.09%	144.23%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	76.06%	81.44%	84.03%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

OCONEE COUNTY BOARD OF EDUCATION

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 5,687,700	\$ 5,379,407	\$ 4,746,229	\$ 4,340,740
Contributions in relation to the contractually required contributions	<u>5,687,700</u>	<u>5,379,407</u>	<u>4,746,229</u>	<u>4,340,740</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	39,857,744	37,697,316	36,092,996	35,348,046
Contributions as a percentage of covered-employee payroll	14.27%	14.27%	13.15%	12.28%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

OCONEE COUNTY BOARD OF EDUCATION

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the District	<u>946,208</u>	<u>606,841</u>	<u>530,173</u>
Total	<u>\$ 946,208</u>	<u>\$ 606,841</u>	<u>\$ 530,173</u>
District's covered-employee payroll	\$ 2,274,156	\$ 1,747,927	\$ 1,677,933
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	81.00%	87.00%	88.29%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

OCONEE COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Teachers Retirement System of Georgia:

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board of TRS adopted recommended changes to the economic and demographic assumptions utilized by the Plan. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

Public Schools Employees Retirement System of Georgia:

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females).

III. OTHER SUPPLEMENTARY INFORMATION

OCONEE COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Project</u>	<u>Original Estimated Cost(1)</u>	<u>Current Estimated Cost(2)</u>	<u>Expended In Current Year (3)</u>	<u>Expended In Prior Years (3)</u>	<u>Total Completion Cost</u>	<u>Project Status</u>
2012 Referendum - ESPLOST IV Projects:						
Adding to, renovating, repairing, improving and equipping existing educational buildings, properties and facilities of the School District, including, without limitation, athletic facilities, concession areas, road improvements, heating and air systems, classrooms and technology infrastructure and equipment;	\$ 27,353,853	\$ 27,500,000	\$ 1,394,535	\$ 24,972,516	\$ 26,367,051	Ongoing
Retiring that portion of the School District's series 2006 general obligation bonds maturing April 1, 2012, at a maximum cost of \$3,000,000;	3,000,000	1,800,000	-	1,800,000	1,800,000	Complete
Paying expenses incidental thereto (including capitalized interest);	711,892	268,945	-	268,945	268,945	Complete
And, to the extent there are funds available, acquiring real property (improved or unimproved) for future school sites; constructing additional new schools and administrative facilities and purchasing school buses and equipment for the Maintenance Department;	-	985,000	341,112	639,196	980,308	Ongoing
Paying up to \$1,000,000 in debt service due July 1, 2013 and January 1, 2014 on the School District's 2004 general obligation bonds.	1,000,000	425,000	-	425,000	425,000	Complete
Total ESPLOST IV expenditures	\$ 32,065,745	\$ 30,978,945	\$ 1,735,647	\$ 28,105,657	\$ 29,841,304	
2017 Referendum - ESPLOST V Projects:						
Acquiring, constructing and equipping new schools, administrative and service facilities and or additions to, renovations of, repairs to, improvements to, and equipment for existing educational, administrative and services buildings, properties, and facilities of the School District, including, without limitation, athletic facilities, transportation facilities, and educational facilities; heating and air systems; technology infrastructure;	\$ 40,000,000	\$ 40,000,000	\$ 3,155,508	\$ -	\$ 3,155,508	Ongoing
Acquiring real and personal property for future school or administrative and services facility sites and school buses;	4,500,000	4,500,000	-	-	-	Ongoing
Paying expenses incidental thereto;	500,000	500,000	337,169	-	337,169	Ongoing
Total ESPLOST V expenditures	\$ 45,000,000	\$ 45,000,000	\$ 3,492,677	\$ -	\$ 3,492,677	
Total ESPLOST expenditures	\$ 77,065,745	\$ 75,978,945	\$ 5,228,324	\$ 28,105,657	\$ 33,333,981	

Note: Included in the expenditures above, the School District has incurred interest to provide advance funding for the above projects as follows:

ELOST IV:

Prior fiscal years	\$ 1,007,440
Current fiscal year	111,360
	<u>\$ 1,118,800</u>

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the project(s). Includes all cost from project inception to completion.
- (3) The voters of Oconee County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

IV. SINGLE AUDIT SECTION



**INDEPENDENT AUDITOR'S 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***

**To the Superintendent and Members of
the Oconee County Board of Education
Watkinsville, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oconee County Board of Education (the "District") as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 22, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 22, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Superintendent and Members of
the Oconee County Board of Education
Watkinsville, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the Oconee County Board of Education (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor'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 each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 22, 2018

OCONEE COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through Georgia Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Cash Assistance	10.553	17175GA324N1099	\$ 154,328
National School Lunch Program:			
Non-Cash Assistance - Commodities (1)	10.555	17175GA324N1100	192,932
Cash Assistance	10.555	17175GA324N1100	694,881
Total Child Nutrition Cluster			<u>1,042,141</u>
Total U. S. Department of Agriculture			<u>1,042,141</u>
U. S. DEPARTMENT OF EDUCATION			
Passed through the Georgia Department of Education:			
Title I, Part A			
Title I Programs - Reward Districts Award	84.010	S010A160010	25,000
Title I Programs - Improving Academic Achievement of the Disadvantaged	84.010	S010A150010	46,482
Title I Programs - Improving Academic Achievement of the Disadvantaged	84.010	S010A160010	400,531
Total Title I, Part A			<u>472,013</u>
Passed through Georgia Department of Education (continued):			
Title II-A - Improving Teacher Quality	84.367	S367A150001	4,827
Title II-A - Improving Teacher Quality	84.367	S367A160001	94,558
Title II-A - Advance Placement Grant	84.367	S367A160001	3,300
Subtotal			<u>102,685</u>
Special Education Cluster (IDEA)			
Title VI-B High Cost Fund Pool	84.173	H173A160081	21,028
Title VI-B Preschool	84.173	H173A160081	38,332
Title VI-B Flowthrough	84.027	H027A150073	233,039
Title VI-B Flowthrough	84.027	H027A160073	919,789
Total Special Education Cluster (IDEA)			<u>1,212,188</u>
Title I, Part C	84.011	S011A160011	<u>39</u>

(Continued)

OCONEE COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Expenditures</u>
U. S. DEPARTMENT OF EDUCATION (Continued):			
Title III - Immigrant	84.365	S365A160010	109
Title III - Immigrant	84.365	S365A160010	1,504
Title III - Limited English Proficient	84.365	S365A150010	4,513
Title III - Limited English Proficient	84.365	S365A160010	16,392
			<u>22,518</u>
Vocational Education - Perkins IV - Reserve - Perkins Carryover	84.048	V048A160010	2,284
Vocational Education - Perkins Plus Reserve	84.048	V048A160010	5,179
Vocational Education - Perkins IV - Program Improvement	84.048	V048A160010	30,636
Total Vocational Education			<u>38,099</u>
Total Passed Through Georgia Department of Education			<u>1,847,542</u>
Total U. S. Department of Education			<u>1,847,542</u>
Total Expenditures of Federal Awards			<u>\$ 2,889,683</u>

Notes to the Schedule of Expenditures of Federal Awards:

(1) The amounts shown for the Food Distribution Program represents the federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the system during the current fiscal year.

(2) The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Oconee County Board of Education and is presented on the modified accrual basis of accounting.

(3) The School District did not utilize the 10% de minimis indirect cost rate.

(4) 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

OCONEE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:
 Material weaknesses identified?

___ yes X no

Significant deficiencies identified?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal Control over major federal programs:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified?

___ yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___yes X no

Identification of major federal programs:

CFDA Number
10.553, 10.555
84.027, 84.173

Name of Federal Program or Cluster
 Child Nutrition Cluster
 Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

___ yes X no

OCONEE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

OCONEE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

OCONEE COUNTY BOARD OF EDUCATION

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

STATUS OF PRIOR YEAR FINDINGS

2016-001 Cash Management

***Program Information:* CFDA #84.027 & 84.173 – Special Education Cluster**

Criteria: The grant agreements for this program require the School District to request cash drawdowns on a reimbursement basis. Federal requirements also require Federal grant recipients establish an effective internal control structure which would ensure compliance with direct and material compliance requirements of Federal programs.

Condition: During our testing of the Special Education program, the School District’s internal controls over the cash management process were not consistently being followed. The process calls for preparation of the drawdown request by one individual and review and approval of the drawdown by a separate individual. Of the fourteen (14) drawdowns prepared by the School District for this grant during the fiscal year, we noted that all fourteen of the drawdowns were prepared, approved, and submitted by the same individual without review by a separate individual.

Status: Finding was resolved during the current fiscal year.

2016-002 Cash Management

***Program Information:* CFDA #10.553 and 10.555 – Child Nutrition Cluster**

Criteria: The grant agreements for this program require the School District to report the number of meals served at each school to claim reimbursement. Federal requirements also require Federal grant recipients establish an effective internal control structure which would ensure compliance with direct and material compliance requirements of Federal programs.

Condition: During our testing of the Child Nutrition Cluster, the School District’s internal controls over the cash management process were not consistently being followed. The process calls for preparation of the drawdown request by one individual and review and approval of the drawdown by a separate individual. We tested four (4) of the twelve (12) monthly drawdowns prepared by the School District for this grant during the fiscal year and noted that three of the drawdowns did not properly report the meal counts for several schools.

Status: Finding was resolved during the current fiscal year.

OCONEE COUNTY BOARD OF EDUCATION

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

2016-003 Paid Lunch Equity – Special Test

***Program Information:* CFDA #10.553 and 10.555 – Child Nutrition Cluster**

Criteria: Grant requirements state a School Food Authority (SFA) participating in the National School Lunch Program (NSLP) is required to ensure that sufficient funds are provided to its nonprofit school food service accounts from lunches served to students not eligible for free or reduced price meals. A SFA currently charging less for a paid lunch than the difference between the Federal reimbursement rate for such a lunch and that for a free lunch is required to comply.

Condition: During testing of the paid lunch equity calculations prepared by the School District, we noted the School District did not raise meal prices in the 2015 – 2016 school year to meet the required minimum weighted average meal price in accordance with the Price Adjustment Calculator provided by the US Department of Agriculture. Internal controls were not sufficient to prevent this error.

Status: Finding was resolved during the current fiscal year.