



# **DODGE COUNTY BOARD OF EDUCATION EASTMAN, GEORGIA**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

**(Including Independent Auditor's Reports)**



DODGE COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL



# DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
Atlanta, Georgia 30334-8400

**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

March 1, 2018

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Dodge County Board of Education

## INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

### **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 Dodge County Board of Education (School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District'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 basic 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 School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2016, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages 29 through 35 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 regarding 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 School District's basic financial statements. The accompanying supplementary information, consisting of Schedules 8 through 10, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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*, and is also not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 March 1, 2018, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 School District's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive, flowing style.

Greg S. Griffin  
State Auditor

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DODGE COUNTY BOARD OF EDUCATION

DODGE COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2016

EXHIBIT "A"

		<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	6,938,529.30
Investments		215,894.59
Accounts Receivable, Net		
Taxes		818,878.08
State Government		3,058,334.37
Federal Government		673,206.54
Local		68,500.77
Other		11,602.05
Inventories		22,476.51
Capital Assets, Non-Depreciable		5,186,336.41
Capital Assets, Depreciable (Net of Accumulated Depreciation)		<u>33,045,371.77</u>
 Total Assets		 <u>50,039,130.39</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Related to Defined Benefit Pension Plans		<u>2,452,933.09</u>
<u>LIABILITIES</u>		
Accounts Payable		629,794.92
Salaries and Benefits Payable		3,531,875.00
Payroll Withholdings Payable		187,955.91
Contracts Payable		718,627.89
Retainages Payable		151,604.86
Net Pension Liability		<u>22,439,504.00</u>
 Total Liabilities		 <u>27,659,362.58</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Related to Defined Benefit Pension Plans		<u>2,368,224.00</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets		37,289,167.99
Restricted for		
Continuation of Federal Programs		1,106,942.42
Capital Projects		3,332,516.81
Unrestricted (Deficit)		<u>(19,264,150.32)</u>
 Total Net Position	 \$	 <u>22,464,476.90</u>

DODGE COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 20,271,323.19	\$ 438,551.00
Support Services		
Pupil Services	1,814,011.07	-
Improvement of Instructional Services	1,019,157.47	-
Educational Media Services	505,460.08	-
General Administration	658,850.97	-
School Administration	1,264,105.91	-
Business Administration	484.67	-
Maintenance and Operation of Plant	1,708,240.77	-
Student Transportation Services	1,678,430.70	-
Other Support Services	96,852.43	-
Operations of Non-Instructional Services		
Food Services	2,470,593.07	187,990.97
 Total Governmental Activities	 \$ 31,487,510.33	 \$ 626,541.97
 General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Other Taxes		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
 Total General Revenues		
 Change in Net Position		
 Net Position - Beginning of Year		
  Net Position - End of Year		

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
\$ 15,735,278.42	\$ 633,707.00	\$ (3,463,786.77)
526,616.77	-	(1,287,394.30)
470,398.25	-	(548,759.22)
407,052.78	-	(98,407.30)
713,249.45	-	54,398.48
926,842.08	-	(337,263.83)
	-	(484.67)
988,088.85	-	(720,151.92)
664,994.68	154,440.00	(858,996.02)
58,971.39	-	(37,881.04)
<u>2,385,545.60</u>	<u>-</u>	<u>102,943.50</u>
\$ <u>22,877,038.27</u>	\$ <u>788,147.00</u>	\$ <u>(7,195,783.09)</u>
		5,448,393.04
		22,506.45
		1,842,855.18
		62,039.52
		2,028,751.00
		11,109.24
		<u>309,255.77</u>
		<u>9,724,910.20</u>
		2,529,127.11
		<u>19,935,349.79</u>
		\$ <u>22,464,476.90</u>

DODGE COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

EXHIBIT "C"

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 4,362,458.64	\$ 2,576,070.66	\$ 6,938,529.30
Investments	215,894.59	-	215,894.59
Accounts Receivable, Net			
Taxes	667,171.01	151,707.07	818,878.08
State Government	2,424,627.37	633,707.00	3,058,334.37
Federal Government	673,206.54	-	673,206.54
Local	68,500.77	-	68,500.77
Other	11,602.05	-	11,602.05
Inventories	22,476.51	-	22,476.51
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 8,445,937.48	\$ 3,361,484.73	\$ 11,807,422.21
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES</u>			
Accounts Payable	\$ 528,519.56	\$ 101,275.36	\$ 629,794.92
Salaries and Benefits Payable	3,531,875.00	-	3,531,875.00
Payroll Withholdings Payable	187,955.91	-	187,955.91
Contracts Payable	-	718,627.89	718,627.89
Retainages Payable	-	151,604.86	151,604.86
	<hr/>	<hr/>	<hr/>
Total Liabilities	4,248,350.47	971,508.11	5,219,858.58
	<hr/>	<hr/>	<hr/>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Property Taxes	433,140.09	-	433,140.09
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCES</u>			
Nonspendable	22,476.51	-	22,476.51
Restricted	1,084,465.91	2,389,976.62	3,474,442.53
Unassigned	2,657,504.50	-	2,657,504.50
	<hr/>	<hr/>	<hr/>
Total Fund Balances	3,764,446.92	2,389,976.62	6,154,423.54
	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,445,937.48	\$ 3,361,484.73	\$ 11,807,422.21
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

DODGE COUNTY BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2016

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 6,154,423.54

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 986,638.61	
Construction in progress	4,199,697.80	
Buildings and improvements	42,903,080.42	
Equipment	5,883,224.59	
Land improvements	2,198,045.15	
Accumulated depreciation	<u>(17,938,978.39)</u>	38,231,708.18

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension liability (22,439,504.00)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. 84,709.09

Taxes that are not available to pay current period expenditures are defined in the funds. expenditures are deferred in the governmental funds.

Property taxes 433,140.09

Net position of governmental activities (Exhibit "A") \$ 22,464,476.90

DODGE COUNTY BOARD OF EDUCATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2016

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
<u>REVENUES</u>			
Property Taxes	\$ 5,280,991.94	\$ -	\$ 5,280,991.94
Sales Taxes	62,039.52	1,842,855.18	1,904,894.70
State Funds	19,987,460.15	633,707.00	20,621,167.15
Federal Funds	5,130,036.84	-	5,130,036.84
Charges for Services	626,541.97	-	626,541.97
Investment Earnings	2,650.49	8,458.75	11,109.24
Miscellaneous	309,255.77	-	309,255.77
	<u>31,398,976.68</u>	<u>2,485,020.93</u>	<u>33,883,997.61</u>
Total Revenues			
<u>EXPENDITURES</u>			
Current			
Instruction	19,746,711.88	291,449.33	20,038,161.21
Support Services			
Pupil Services	1,842,924.43	6,644.04	1,849,568.47
Improvement of Instructional Services	1,024,910.51	24,038.16	1,048,948.67
Educational Media Services	519,571.37	3,232.33	522,803.70
General Administration	603,007.74	84,650.86	687,658.60
School Administration	1,398,246.35	4,881.71	1,403,128.06
Business Administration	484.67	-	484.67
Maintenance and Operation of Plant	1,702,671.20	15,023.97	1,717,695.17
Student Transportation Services	1,653,489.32	199,928.19	1,853,417.51
Other Support Services	97,371.78	-	97,371.78
Food Services Operation	2,450,913.88	-	2,450,913.88
Capital Outlay	-	3,606,303.98	3,606,303.98
	<u>31,040,303.13</u>	<u>4,236,152.57</u>	<u>35,276,455.70</u>
Total Expenditures			
Net Change in Fund Balances	358,673.55	(1,751,131.64)	(1,392,458.09)
Fund Balances - Beginning	<u>3,405,773.37</u>	<u>4,141,108.26</u>	<u>7,546,881.63</u>
Fund Balances - Ending	<u>\$ 3,764,446.92</u>	<u>\$ 2,389,976.62</u>	<u>\$ 6,154,423.54</u>

DODGE COUNTY BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2016

EXHIBIT "F"

Total net change in fund balances - governmental funds (Exhibit "E") \$ (1,392,458.09)

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

Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 4,128,578.01	-
Depreciation expense	<u>(1,213,584.07)</u>	2,914,993.94

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. (12,717.65)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 189,907.55

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension expense		<u>829,401.36</u>
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Change in net position of governmental activities (Exhibit "B") \$ 2,529,127.11

DODGE COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>139,813.97</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>139,813.97</u>

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Dodge County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a board elected by the voters and a Superintendent appointed by the Board. The School District 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

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

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. The government-wide statements focus on the School District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

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 Net Position presents the School District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

1. **Net Investment in capital assets** consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by contracts, retainages and accounts payables related to these assets.
2. **Restricted net position** consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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.

#### 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 financial statements are presented for governmental and fiduciary funds. 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:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.

The School District reports the following fiduciary fund type:

- Agency funds are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

#### BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of 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 and grants. 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 60 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Capital asset acquisitions are reported as expenditures in governmental funds.

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 resources 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.

#### NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District did not have any items that required a reassessment of value for reporting purposes as a result of adoption of this statement.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The School District participates in an external investment pool, the State of Georgia local government investment pool (Georgia Fund 1), which does not meet the criteria of this statement. Therefore, the investment in this pool is measured at fair value as provided in paragraph 11 of GASB Statement No. 31, as amended.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (O.C.G.A.) §45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

#### INVESTMENTS

The School District can invest its funds as permitted by O.C.G.A. §36-83-4. 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.

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. All other investments are reported at fair value.

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For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

**RECEIVABLES**

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 do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

**INVENTORIES**

**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 (calculated on the first-in first-out basis). 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 future accounting periods are recorded as prepaid items, in both the government-wide and governmental fund financial statements.

**CAPITAL ASSETS**

On the government-wide financial statements, capital assets are recorded 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 acquisition value on the date donated. 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. The School District does not capitalize book collections or works of art.

Capital acquisition and construction are recorded as expenditures in the governmental fund financial statements at the time of purchase (including ancillary charges), and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is computed using the straight-line for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives.

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

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	\$ 5,000.00	15 to 80 years
Buildings and Improvements	\$ 5,000.00	up to 80 years
Equipment	\$ 5,000.00	5 to 50 years
Construction in Progress	\$ 5,000.00	N/A
Intangible Assets	\$ 200,000.00	5 to 10 years

#### DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time.

#### 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 pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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 BALANCES

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The School District's fund balances are classified as follows:

**Nonspendable** consists of resources that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** consists of resources that can be used only for specific purposes pursuant constraints either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed** consists of resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. The Board is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** consists of resources constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

**Unassigned** consists of resources within the general fund not meeting the definition of any aforementioned category. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

#### USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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## PROPERTY TAXES

The Dodge County Board of Commissioners adopted the property tax levy for the 2015 tax digest year (calendar year) on September 23, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on December 1, 2015 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The Dodge County Board of Commissioners 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, 2016, for maintenance and operations amounted to \$4,853,852.58.

The tax millage rate levied for the 2015 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>14.00 mills</u>
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$404,632.91 during fiscal year ended June 30, 2016.

## SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$1,842,855.18 and is to be used for capital outlay for educational purposes. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

## NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

See the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual in the Supplementary Information Section for a detail of any over/under expenditures during the fiscal year under review.

NOTE 4: DEPOSITS AND CASH EQUIVALENTS

COLLATERALIZATION OF DEPOSITS

O.C.G.A. §45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. §45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance. At June 30, 2016, \$33,850.59 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

Acceptable security for deposits consists of any one of or any combination of the following:

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2016, School District had deposits with a carrying amount of \$3,837,742.28, and a bank balance of \$5,239,092.69. The bank balances insured by Federal depository insurance were \$1,000,000.00.

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At June 30, 2016, \$4,239,092.69 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	33,850.59
Uninsured with collateral held by the pledging financial institution in the School District's name		<u>4,205,242.10</u>
Total	\$	<u><u>4,239,092.69</u></u>

Reconciliation of cash and cash equivalents balances to carrying value of deposits:

Statement of Net Position		
Cash and cash equivalents	\$	6,938,529.30
Statement of Fiduciary Net Position		
Cash and cash equivalents		<u>139,813.97</u>
Total cash and cash equivalents	\$	7,078,343.27
Add:		
Deposits with original maturity of 3 months or more reported as investments		215,894.59
Less:		
Investment Pools reported as cash and cash equivalents Georgia Fund 1		<u>3,456,495.58</u>
Total Carrying Value of Deposits- June 30, 2017	\$	<u><u>3,837,742.28</u></u>

**CATEGORIZATION OF CASH EQUIVALENTS**

The School District reported cash equivalents of \$3,456,495.58 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2016, was 42 days.

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at [www.audits.ga.gov/SGD/CAFR.html](http://www.audits.ga.gov/SGD/CAFR.html).

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NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 986,638.61	\$ -	\$ -	\$ 986,638.61
Construction in Progress	663,559.86	3,536,137.94	-	4,199,697.80
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,650,198.47</b>	<b>3,536,137.94</b>	<b>-</b>	<b>5,186,336.41</b>
Capital Assets Being Depreciated				
Buildings and Improvements	42,866,330.42	36,750.00	-	42,903,080.42
Equipment	5,412,318.91	555,690.07	84,784.39	5,883,224.59
Land Improvements	2,198,045.15	-	-	2,198,045.15
Less Accumulated Depreciation for:				
Buildings and Improvements	11,364,166.33	829,841.92	-	12,194,008.25
Equipment	3,856,781.93	339,319.01	72,066.74	4,124,034.20
Land Improvements	1,576,512.80	44,423.14	-	1,620,935.94
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>33,679,233.42</b>	<b>(621,144.00)</b>	<b>12,717.65</b>	<b>33,045,371.77</b>
<b>Governmental Activity Capital Assets - Net</b>	<b>\$ 35,329,431.89</b>	<b>\$ 2,914,993.94</b>	<b>\$ 12,717.65</b>	<b>\$ 38,231,708.18</b>

Current year depreciation expense by function is as follows:

Instruction	\$ 930,158.54
Support Services	
Pupil Services	\$ 20,470.80
General Administration	17,650.96
Maintenance and Operation of Plant	3,172.29
Student Transportation Services	205,006.33
Food Services	37,125.15
	<b>\$ 1,213,584.07</b>

NOTE 6: RISK MANAGEMENT

INSURANCE

Commercial Insurance

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; and natural disasters. The School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceed commercial insurance coverage in any of the past three fiscal years.

**WORKERS' COMPENSATION**

Georgia Education Workers' Compensation Trust

The School District participates in the Georgia Education Workers' Compensation Trust (the Trust), a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1.0 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2.0 million. The Trust covers the first \$1.0 million of each Employers Liability claim with Safety National providing additional Employers Liability limits up to a \$2.0 million per occurrence maximum. Safety National Casualty Company also provides \$2.0 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

**UNEMPLOYMENT COMPENSATION**

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 Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2015	\$ -	\$ 2,406.00	\$ 2,406.00	\$ -
2016	\$ -	\$ 6,323.95	\$ 6,323.95	\$ -

**SURETY BOND**

The School District purchased a surety bond to provide additional insurance coverage as follows:

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ <u>50,000.00</u>

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NOTE 7: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2016:

Nonspendable			
Inventories		\$	22,476.51
Restricted			
Continuation of Federal programs	\$	1,084,465.91	
Capital projects		<u>2,389,976.62</u>	3,474,442.53
Unassigned			<u>2,657,504.50</u>
Fund Balance, June 30, 2016		\$	<u>6,154,423.54</u>

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

NOTE 8: SIGNIFICANT COMMITMENTS

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2016, together with funding available:

Project	Unearned Executed Contracts (1)	Payments through June 30, 2016
North Dodge and South Dodge	\$ <u>1,027,287.43</u>	\$ <u>790,935.33</u>

(1) The amounts described are not reflected in the basic financial statements.

NOTE 9: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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. Any disallowances resulting from the grantor audit may become a liability of the School District. However, the School District believes that such disallowances, if any, will be immaterial to its overall financial position.

NOTE 10: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

**Plan Description.** The Georgia School Personnel Post-Employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment 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](http://www.audits.ga.gov/SGD/CAFR.html).

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**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% 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.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2016:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

July 1, 2015 – June 30, 2016                      \$945.00 per member per month

For non-certificated school personnel:

July 1, 2015 – December 31, 2015      \$596.20 per member per month

January 1, 2016 – June 30, 2016      \$746.20 per member per month

No additional contribution was required by the Board for fiscal year 2016 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2016	100%	\$ 3,336,409.00
2015	100%	\$ 3,105,556.75
2014	100%	\$ 3,146,057.40

#### NOTE 11: RETIREMENT PLANS

The School District participates in various retirement plans administered by the State of Georgia, as further explained below.

##### TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

*Plan Description:* All teachers of the School District as defined in O.C.G.A. §47-3-60 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. The Teachers Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at [www.trsga.com/publications](http://www.trsga.com/publications).

*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% of their annual pay during fiscal year 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual School District payroll of which 14.05% of payroll was required from the School District and 0.22% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$2,229,200.46 and \$33,765.73 from the School District and the State, respectively.

##### EMPLOYEES' RETIREMENT SYSTEM

*Plan description:* The Employees' Retirement System of Georgia (ERS) is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at [www.ers.ga.gov/formspubs/formspubs](http://www.ers.ga.gov/formspubs/formspubs).

*Benefits provided:* The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

*Contributions:* Member contributions under the old plan are 4% of annual compensation, up to \$4,200.00, plus 6% of annual compensation in excess of \$4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. 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. Employer contributions to the pension plan were \$36,833.63 for the current fiscal year.

#### PUBLIC SCHOOL 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](http://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.

*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.

DODGE COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2016

EXHIBIT "H"

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. The current fiscal year contribution was \$76,497.00.

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

At June 30, 2016, the School District reported a liability of \$22,439,504.00 for its proportionate share of the net pension liability for TRS (\$22,181,835.00) and ERS (\$257,669.00).

The TRS net pension liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School District were as follows:

School District's proportionate share of the net pension liability	\$ 22,181,835.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>330,665.00</u>
Total	<u>\$ 22,512,500.00</u>

The net pension liability for TRS and ERS was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2015.

At June 30, 2015, the School District's TRS proportion was 0.145703%, which was an increase of 0.001118% from its proportion measured as of June 30, 2014. At June 30, 2015, the School District's ERS proportion was 0.006360%, which was an increase of 0.001118% from its proportion measured as of June 30, 2014.

At June 30, 2016, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$291,284.00.

The PSERS net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2015.

For the year ended June 30, 2016, the School District recognized pension expense of \$1,434,986.00 for TRS, \$37,273.00 for ERS and \$17,371.00 for PSERS and revenue of \$35,624.00 for TRS and \$17,371.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

DODGE COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2016

EXHIBIT "H"

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 195,101.00	\$ -	\$ 2,059.00
Net difference between projected and actual earnings on pension plan investments	-	1,871,061.00	-	18,591.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	153,853.00	281,412.00	33,046.00	-
School District contributions subsequent to the measurement date	<u>2,229,200.46</u>	<u>-</u>	<u>36,833.63</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 2,383,053.46</u></b>	<b><u>\$ 2,347,574.00</u></b>	<b><u>\$ 69,879.63</u></b>	<b><u>\$ 20,650.00</u></b>

The School District contributions subsequent to the measurement date of \$2,229,200.46 for TRS and \$36,833.63 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2017	\$ (961,435.00)	\$ 12,953.00
2018	\$ (961,435.00)	\$ 1,461.00
2019	\$ (961,436.00)	\$ (8,287.00)
2020	\$ 692,549.00	\$ 6,269.00
2021	\$ (1,964.00)	\$ -

*Actuarial assumptions:* The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

**Teachers Retirement System:**

Inflation	3.00%
Salary increases	3.75% – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

DODGE COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2016

EXHIBIT "H"

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

**Employees' Retirement System:**

Inflation	3.00%
Salary increases	5.45% – 9.25%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

**Public School Employees Retirement System:**

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on TRS, ERS and PSERS 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:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	100.00%	

\* Rates shown are net of the 3.00% assumed rate of inflation

DODGE COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2016

EXHIBIT "H"

*Discount rate:* The discount rate used to measure the total TRS, ERS and PSERS 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 nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS, ERS and PSERS 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.

*Sensitivity of the **School District's** proportionate share of the net pension liability to changes in the discount rate:* The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School 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:

<b>Teachers Retirement System:</b>	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 38,117,806.00	\$ 22,181,835.00	\$ 9,046,803.00
<b>Employees' Retirement System:</b>	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 365,255.00	\$ 257,669.00	\$ 165,948.00

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS, ERS and PSERS financial report which is publically available at [www.trsga.com/publications](http://www.trsga.com/publications) and <http://www.ers.ga.gov/formspubs/formspubs.html>.

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DODGE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHERS RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.145703%	\$ 22,181,835.00	\$ 330,665.00	\$ 22,512,500.00	\$ 15,379,841.83	144.23%	81.44%
2015	0.144585%	\$ 18,266,408.00	\$ 215,910.00	\$ 18,482,318.00	\$ 14,709,191.86	124.18%	84.03%

DODGE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30, 2016

SCHEDULE "2"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.006360%	\$ 257,669.00	-	\$ 257,669.00	\$ 145,421.05	177.19%	76.20%
2015	0.005242%	\$ 196,607.00	-	\$ 196,607.00	\$ 118,041.84	166.56%	77.99%

DODGE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30, 2016

SCHEDULE "3"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.00%	\$ -	\$ 291,284.00	\$ 291,284.00	\$ 866,939.20	N/A	87.00%
2015	0.00%	\$ -	\$ 269,580.00	\$ 269,580.00	\$ 865,232.64	N/A	88.29%

DODGE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 TEACHERS RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "4"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2016	\$ 2,229,200.46	\$ 2,229,200.46	\$ -	\$ 15,862,976.06	14.05%
2015	\$ 2,022,449.20	\$ 2,022,449.20	\$ -	\$ 15,379,841.83	13.15%
2014	\$ 1,806,288.76	\$ 1,806,288.76	\$ -	\$ 14,709,191.86	12.28%
2013	\$ 1,708,365.72	\$ 1,708,365.72	\$ -	\$ 14,972,530.72	11.41%
2012	\$ 1,565,035.14	\$ 1,565,035.14	\$ -	\$ 15,224,097.66	10.28%
2011	\$ 1,540,103.84	\$ 1,540,103.84	\$ -	\$ 14,981,482.75	10.28%
2010	\$ 1,520,585.79	\$ 1,520,585.79	\$ -	\$ 15,611,763.76	9.74%
2009	\$ 1,521,842.78	\$ 1,521,842.78	\$ -	\$ 16,399,140.88	9.28%
2008	\$ 1,457,054.50	\$ 1,457,054.50	\$ -	\$ 15,701,018.32	9.28%
2007	\$ 1,386,229.68	\$ 1,386,229.68	\$ -	\$ 14,937,784.37	9.28%

DODGE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "5"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2016	\$ 36,833.63	\$ 36,833.63	\$ -	\$ 149,003.36	24.72%
2015	\$ 31,934.53	\$ 31,934.53	\$ -	\$ 145,421.05	21.96%
2014	\$ 21,790.58	\$ 21,790.58	\$ -	\$ 118,041.84	18.46%
2013	\$ 17,590.06	\$ 17,590.06	\$ -	\$ 118,054.42	14.90%
2012	\$ 18,978.00	\$ 18,978.00	\$ -	\$ 163,186.05	11.63%
2011	\$ 18,715.63	\$ 18,715.63	\$ -	\$ 179,842.91	10.41%
2010	\$ 27,631.74	\$ 27,631.74	\$ -	\$ 265,434.58	10.41%
2009	\$ 27,301.80	\$ 27,301.80	\$ -	\$ 262,257.76	10.41%
2008	\$ 16,349.42	\$ 16,349.42	\$ -	\$ 157,050.97	10.41%
2007	\$ 11,412.52	\$ 11,412.52	\$ -	\$ 109,631.35	10.41%

**Teachers Retirement System**

**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.

**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

**Employees' Retirement System**

**Changes of assumptions:** There were no changes in assumptions or benefits that affect the measurement of the total pension liability since the prior measurement date.

**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	5.45% - 9.25%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

**Public School Employees Retirement System**

**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.

**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of living adjustments	1.50% semi-annually

DODGE COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016

SCHEDULE "7"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
<u>REVENUES</u>				
Property Taxes	\$ -	\$ 5,235,237.00	\$ 5,280,991.94	\$ 45,754.94
Sales Taxes	-	-	62,039.52	62,039.52
State Funds	60,000.00	19,225,712.14	19,987,460.15	761,748.01
Federal Funds	1,623,000.00	4,666,110.00	5,130,036.84	463,926.84
Charges for Services	362,500.00	362,500.00	626,541.97	264,041.97
Investment Earnings	3,200.00	3,200.00	2,650.49	(549.51)
Miscellaneous	150.00	30,150.00	309,255.77	279,105.77
	<u>2,048,850.00</u>	<u>29,522,909.14</u>	<u>31,398,976.68</u>	<u>1,876,067.54</u>
Total Revenues				
<u>EXPENDITURES</u>				
Current				
Instruction	18,689,058.96	19,521,287.00	19,746,711.88	(225,424.88)
Support Services				
Pupil Services	1,671,459.43	1,859,698.49	1,842,924.43	16,774.06
Improvement of Instructional Services	715,773.76	1,188,743.45	1,024,910.51	163,832.94
Educational Media Services	492,206.83	492,206.83	519,571.37	(27,364.54)
General Administration	622,582.30	627,627.30	603,007.74	24,619.56
School Administration	1,333,936.35	1,321,220.07	1,398,246.35	(77,026.28)
Business Administration		8,076.00	484.67	7,591.33
Maintenance and Operation of Plant	1,789,109.63	1,789,109.63	1,702,671.20	86,438.43
Student Transportation Services	1,512,701.56	1,757,266.56	1,653,489.32	103,777.24
Other Support Services	46,158.61	100,115.00	97,371.78	2,743.22
Food Services Operation	2,194,053.82	2,194,053.82	2,450,913.88	(256,860.06)
	<u>29,067,041.25</u>	<u>30,859,404.15</u>	<u>31,040,303.13</u>	<u>(180,898.98)</u>
Total Expenditures				
Net Change in Fund Balances	(27,018,191.25)	(1,336,495.01)	358,673.55	1,695,168.56
Fund Balances - Beginning	3,360,304.82	3,360,304.82	3,405,773.37	45,468.55
Adjustments	63,357.31	2,845.33	-	(2,845.33)
Fund Balances - Ending	<u>\$ (23,594,529.12)</u>	<u>\$ 2,026,655.14</u>	<u>\$ 3,764,446.92</u>	<u>\$ 1,737,791.78</u>

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are \$557,230.21 and \$550,062.30, respectively.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

DODGE COUNTY BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2016

SCHEDULE "8"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	16165GA324N1099	\$ 692,225.12
National School Lunch Program	10.555	16165GA324N1099	1,672,483.94
Total U.S. Department of Agriculture			2,364,709.06
Education, U.S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	622,737.29
Preschool Grants	84.173	H173A150081	19,753.00
Total Special Education Cluster			642,490.29
Other Programs			
Direct			
Safe and Drug-Free Schools and Communities - National Programs	84.184		45,464.09
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048150010	33,253.76
English Language Acquisition Grants	84.365	S365A150010	796.84
Improving Teacher Quality State Grants	84.367	S367A150001	174,457.25
Migrant Education - State Grant Program	84.011	S011A150011	19,063.50
Rural Education	84.358	S358B150010	67,739.51
Title I Grants to Local Educational Agencies	84.010	S010A150010	1,266,535.23
Twenty-First Century Community Learning Centers	84.287	S287C150010	519,889.42
Total Other Programs			2,127,199.60
Total U. S. Department of Education			2,769,689.89
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program	12. UNKNOWN		65,269.41
Total Expenditures of Federal Awards			\$ 5,199,668.36

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Dodge County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net assets of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

DODGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2016

SCHEDULE "9"

<u>AGENCY/FUNDING</u>	GOVERNMENTAL FUND TYPES		<u>TOTAL</u>
	GENERAL FUND	CAPITAL PROJECTS FUND	
<b>GRANTS</b>			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 500,269.18	\$ -	\$ 500,269.18
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	933,631.00	-	933,631.00
Kindergarten Program - Early Intervention Program	419,074.00	-	419,074.00
Primary Grades (1-3) Program	1,860,004.00	-	1,860,004.00
Primary Grades - Early Intervention (1-3) Program	1,244,956.00	-	1,244,956.00
Upper Elementary Grades (4-5) Program	880,161.00	-	880,161.00
Upper Elementary Grades - Early Intervention (4-5) Program	571,495.00	-	571,495.00
Middle School (6-8) Program	1,991,677.00	-	1,991,677.00
High School General Education (9-12) Program	1,649,298.00	-	1,649,298.00
Vocational Laboratory (9-12) Program	551,892.00	-	551,892.00
Students with Disabilities	3,350,572.00	-	3,350,572.00
Gifted Student - Category VI	695,426.00	-	695,426.00
Remedial Education Program	90,353.00	-	90,353.00
Alternative Education Program	135,668.00	-	135,668.00
English For Speakers Of Other Languages (Esol) Program	62,646.00	-	62,646.00
Media Center Program	362,677.00	-	362,677.00
20 Days Additional Instruction	106,792.00	-	106,792.00
Staff and Professional Development	66,514.00	-	66,514.00
Principal Staff and Professional Development	1,085.00	-	1,085.00
Indirect Cost			
Central Administration	532,778.00	-	532,778.00
School Administration	764,641.00	-	764,641.00
Facility Maintenance and Operations	833,849.00	-	833,849.00
Mid-term Adjustment Hold-Harmless			
Amended Formula Adjustment	(903,968.00)	-	(903,968.00)
Categorical Grants			
Pupil Transportation	545,052.00	-	545,052.00
Nursing Services	59,560.00	-	59,560.00
Education Equalization Funding Grant	2,028,751.00	-	2,028,751.00
Other State Programs			
Food Services	53,854.00	-	53,854.00
Math and Science Supplements	15,463.67	-	15,463.67
Preschool Handicapped Program	32,315.08	-	32,315.08
Pupil Transportation - State Bonds	154,440.00	-	154,440.00
Teachers Retirement	33,765.73	-	33,765.73
Vocational Education	59,413.00	-	59,413.00
Georgia State Financing and Investment Commission	-		
Reimbursement on Construction Projects		633,707.00	633,707.00
Education, Georgia Department of			
Pass-Through From Communities in Schools of Georgia, Inc.			
Communities in Schools Grant	92,341.35	-	92,341.35
Governor's Office for Children and Families			
Youth Development Mini-Grants for Existing Program	88,517.14	-	88,517.14
Office of the State Treasurer			
Public School Employees Retirement	76,497.00	-	76,497.00
Human Services, Georgia Department of			
Family Connection	46,000.00	-	46,000.00
	<u>\$ 19,987,460.15</u>	<u>\$ 633,707.00</u>	<u>\$ 20,621,167.15</u>

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DODGE COUNTY BOARD OF EDUCATION  
 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
 YEAR ENDED JUNE 30, 2016

SCHEDULE "10"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST 3							
(1) Adding to, renovating, repairing, improving, furnishing, and equipping existing school buildings and other buildings and facilities useful and desirable in connection therewith, including, but not limited to, bathrooms, additional classrooms, physical education/athletic facilities, HVAC and flooring, lighting and paving;	\$ 5,000,000.00	\$ 8,000,000.00	\$ 3,344,936.33	\$ 1,540,093.73	\$ -	\$ -	June 30, 2017
(2) Acquiring technology improvements, including safety and security improvements, computer technology, software, and instructional technology;	4,390,000.00	1,390,000.00	288,475.58	239,625.04	-	-	June 30, 2017
(3) Purchasing new school buses;	600,000.00	600,000.00	150,485.00	58,423.00	-	-	June 30, 2017
(4) Acquiring new school equipment, including, but not limited to, photocopiers, textbooks and band instruments;	1,000,000.00	1,000,000.00	159,096.32	335,192.93	-	-	June 30, 2017
(5) Acquiring, constructing and equipping new school buildings and facilities useful and desirable in connection therewith, including, but not limited to, athletic/physical education facilities and auditorium and storage facilities;	3,000,000.00	3,000,000.00	293,159.35	-	-	-	June 30, 2017
(6) Acquiring any necessary or desirable property, both real and personal	10,000.00	10,000.00	-	-	-	-	June 30, 2017
	<u>\$ 14,000,000.00</u>	<u>\$ 14,000,000.00</u>	<u>\$ 4,236,152.58</u>	<u>\$ 2,173,334.70</u>	<u>\$ -</u>	<u>\$ -</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 projects. Includes all cost from project inception to completion.
- (3) The voters of Dodge County approved the imposition of a 1% sales tax to fund the above projects. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



# DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
Atlanta, Georgia 30334-8400

**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

March 1, 2018

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Dodge County Board of Education

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITOR'S REPORT**

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dodge County Board of Education (School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 1, 2018.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item FS 2016-003 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2016-001, FS 2016-002, and FS 2016-004 to be significant deficiencies.

### **Compliance and Other Matters**

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

### **School District's Response to Findings**

The School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive, flowing style.

Greg S. Griffin  
State Auditor



# DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
Atlanta, Georgia 30334-8400

**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

March 1, 2018

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Dodge County Board of Education

## REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

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

We have audited Dodge County Board of Education's (School 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 its major federal programs for the year ended June 30, 2016. The School 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 School 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 School 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 School District's compliance.

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

In our opinion, the School 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, 2016.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item FA 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The School District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Schedule of Management's Corrective Action. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the School 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 School 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 School 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 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin  
State Auditor

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

DODGE COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

<b>FS 2015-001</b>	<b><u>Inadequate Internal Control Procedures</u></b>
<b>Control Categories:</b>	Accounting Controls (Overall) Cash and Cash Equivalents Expenditures/Liabilities/Disbursements Employee Compensation Capital Assets
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	None
<b>Finding Status:</b>	Unresolved

A new Chief Financial Officer was hired in January 2017 and new policies and procedures are being put into place going forward.

SECTION IV

FINDINGS AND QUESTIONED COSTS

DODGE COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2016

**I SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issue: Governmental Activities; General Fund; Capital Projects Fund; Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
▪ Material weakness identified?	Yes
▪ Significant deficiency identified?	Yes
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs: All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000.00
Auditee qualified as low-risk auditee?	No

DODGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

FS 2016-001	<u>Internal Control Procedures</u>
Control Categories:	Accounting Controls (OVERALL) Cash and Cash Equivalents Expenditures/Liabilities/Disbursements General Ledger Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-001

**Description:**

The accounting procedures of the School District did not provide adequate internal controls over numerous control categories.

**Criteria:**

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures.

**Condition:**

Accounting Controls (OVERALL)

- The School District does not have adequate logical access controls in place to ensure only appropriate users have access to the School District's significant financial application, school food service point of sale system, and student information system. For the financial application, we noted several users with access rights that exceeded their need to complete their assigned job functions. Further, the access granted did not adequately separate the functions of initiating, authorizing, and recording transactions, reconciliations, and maintaining the custody of assets.
- The School District does not have a formal policy for managing user access to the financial applications, school food service point of sale system or student information system and supporting infrastructure.
- The School District does not have adequate password policies for the financial applications, school food service point of sale system and student information system.
- The School District did not test backups for the financial applications and did not perform backups on the school food service point of sale system.
- The School District did not complete a risk assessment related to Information Technology Risks for the year under audit.

Cash and Cash Equivalents

- Timely bank reconciliations were either not performed or not documented for 20 out of 36 reconciliations reviewed.
- Of the 36 bank reconciliations reviewed, 19 did not reflect evidence of supervisory review or approval.
- The general operating bank reconciliation did not include a deposit in transit in the amount of \$8,032.67.
- There were eleven bank accounts opened under the School District's FEI number that are not owned by the School District.
- Five checks, totaling \$4,663.69, were written to replace outstanding checks in the payroll and general operating accounts before the outstanding checks were voided.

DODGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- The Pre-K bank account with a balance of \$2,984.36 was not recorded on the School District's general ledger.

### Expenditures/Liabilities/Disbursements

- The School District did not have adequate internal controls in place to ensure the function of entering claims was separate from the cutting of checks and reporting function.
- Our examination of ninety-one expenditures revealed the following deficiencies:
  - Ten expenditures did not show proper evidence of approval prior to purchase.
  - One expenditure did not have evidence of receipt.
  - One expenditure for \$2,500.00 should have been included as construction work in progress but was not.
- Our review of thirty subsequent period expenditures noted one item for \$18,201.42 should have been expensed during the current fiscal year and recorded as construction work in progress.

### General Ledger

- Our examination of thirty-two journal entries revealed the following deficiencies:
  - Ten journal entries did not include documentation of preparer.
  - Four journal entries did not have proper approval.

### Capital Assets

- A detailed listing of construction in progress could not be provided by the School District. The School District capitalized one expenditure in the amount of \$36,750.00 which should have been classified as a repair.
- Two capital asset additions were added in fiscal year 2016 that should have been added in fiscal year 2015.
- The School District has not performed a physical inventory of capital assets since 2010.

### Cause:

In discussing this deficiency with the School District, they stated that these issues were a result of a lack of separation of duties and internal control procedures within the finance department.

### Effect or Potential Effect:

Without satisfactory accounting controls and procedures in place, the School District could place itself in a position where potential misappropriation of assets could occur. In addition, the lack of controls impacted its reporting of financial position and results of operations.

### Recommendation:

The School District should review accounting procedures in place and design and implement procedures relative to the above control categories to strengthen the internal controls over the accounting function.

### Views of Responsible Officials:

We concur with this finding.

DODGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

FS 2016-002	<u>Internal Control Procedures over School Activity Accounts</u>
Control Categories:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Funds Held for Others
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

**Description:**

The accounting procedures of the School District were insufficient to provide for adequate internal controls over the school activity accounts.

**Criteria:**

The School District's management is responsible for designing and maintaining internal controls that provide proper separation of duties and reasonable assurance that transactions are processed according to established procedures.

**Condition:**

The following deficiencies were noted with the School District's school activity accounts:

**Cash and Cash Equivalents**

- Outstanding checks in the amount of \$8,032.67 for Dodge County High School were not accurately recorded during the bank reconciliation process.

**Revenues/Receivables/Receipts**

- Our examination of twenty receipts revealed the following deficiencies:
  - Fourteen receipts did not explain the intent of the funds that were received.
  - Two receipts did not have proper approval.

**Expenditures/Liabilities/Disbursements**

- The key accounting functions of check preparation and record keeping were not adequately separated.
- Our examination of twenty expenditures revealed nine expenditures did not have documentation of prior approval.

**Funds Held for Others**

- The School District was unable to provide evidence that the school activity accounts were being reviewed on a regular basis.

**Cause:**

In discussing this deficiency with the School District, they stated that the errors were made due to the schools not having a school activity account policy manual. In addition, the schools do not have adequate personnel in order to be able to separate the duties.

**Effect or Potential Effect:**

Failure to maintain adequate internal controls over school activity accounts increases the risk that misstatements could occur in the financial statements due to errors or fraud and not be detected in a timely manner.

DODGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Recommendation:

The School District should establish control procedures to ensure that the key accounting functions of check preparation and record keeping are separated. In the case when management determines separation of duties is not cost beneficial, management should implement compensating controls that reduce vulnerabilities in ineffectively separated functions and the risk of errors and fraud. In addition, the School District should implement procedures to ensure that receipts and disbursements are adequately documented, recorded, and approved. The School District should also establish a monitoring process to provide reasonable assurance that transactions are processed according to established procedures.

### Views of Responsible Officials:

We concur with this finding.

FS 2016-003

Internal Controls over Employee Compensation

Control Categories:

Employee Compensation

Internal Control Impact:

Material Weakness

Compliance Impact:

None

### Description:

The accounting procedures of the School District did not provide adequate internal controls over employee compensation.

### Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance employees are paid according to approved contracts and/or salary schedules and timesheets are complete and approved.

### Condition:

- The key accounting functions of payroll check preparation and employee compensation record keeping were not adequately separated.
- Our review of thirty-four employees' salaries revealed the following deficiencies:
  - Three employees were paid overtime in the amount of \$514.57 for additional hours worked for Saturday school when they were not eligible.
  - The School District was unable to document the rate of pay for two employees' salaries in the amount of \$52,177.70.
  - Administrative positions for three employees do not follow a salary scale nor was documentation maintained to show these individuals' agreed-upon salary. Salaries for these non-certified employees were set by the Superintendent when the employees began their employment.
  - Stipend overpayments in the amount of \$1,300.00 were noted for two employees due to no documentation being maintained and no approvals.
  - An overpayment in the amount of \$12,921.81 was made to one employee due to missing timesheets, overlapping hours, duplicated timesheets and hours being paid for time worked during her regular school work day.
  - Missing timesheets resulted in an overpayment to one employee in the amount of \$75.00. In addition, one employee's timesheet was not approved for extra work performed during the summer.

DODGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

- The salary amounts for three employees did not appear to be properly calculated and could not be reconciled.
- E-verify procedures were not performed for newly hired employees.

**Cause:**

In discussing these deficiencies with the School District, they indicated that the items noted occurred due to a combination of formal policies not having been implemented and human error from manual processes.

**Effect or Potential Effect:**

The failure to maintain adequate internal controls over employee compensation resulted in payroll disbursements not approved by the Board of Education and could lead to errors occurring and not being detected in a timely manner.

**Recommendation:**

The School District should implement policies and procedures to ensure normal business procedures are followed for all salaries, which includes ensuring salaries are calculated correctly, paid according to approved salary schedules, and adequate documentation is maintained to support the salary payments.

**Views of Responsible Officials:**

We concur with this finding.

FS 2016-004

Control Categories:

Internal Control Impact:

Compliance Impact:

Internal Controls Over Financial Reporting

Financial Reporting

Significant Deficiency

None

**Description:**

The School District did not have adequate internal controls in place over the financial statement reporting process.

**Criteria:**

Management is responsible for having adequate controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The School District's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis- for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental fund balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

DODGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Chapter 22A *Annual Financial Reporting of the Financial Management for Georgia Local Units of Administration* provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

### Condition:

The following errors and omissions were noted in the School District's financial statements, note disclosures and supplementary information presented for audit:

- GSFIC revenue was not booked correctly on the government wide statements. A misclassification in the amount of \$633,707.00 was noted between operating grants and contributions and capital grants and contributions. An adjustment to the financial statements was proposed by the auditors and accepted by the School District.
- One certificate of deposit with an original maturity of ninety days was misclassified as investments. An adjustment to the financial statements for \$213,328.28 was proposed by the auditors and accepted by the School District.
- The School District accrued federal revenues in the general fund totaling \$147,295.53, which were in excess of their sixty day revenue recognition policy for intergovernmental revenues.
- A review of property tax revenues found that general fund accounts receivable and unavailable revenues were both overstated by \$17,381.71 due to an error with the calculation of unavailable revenues. Also, general fund property tax revenues did not reconcile with the property tax confirmation resulting in an overstatement of \$13,799.15.
- August Title Ad Valorem Tax (TAVT) receipts were accrued in error, resulting in a TAVT revenue overstatement of \$34,086.34.
- The fund balance classification note required corrections due to the unassigned fund balance being overstated by \$1,000,000.00.
- The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual and the Schedule of State Revenue were not completed and presented for audit. The School District provided the Georgia Department of Education prepared schedules, which required numerous adjustments.
- Other immaterial audit adjustments and reclassifications were proposed and accepted by the client to properly present the School District's financial statements, note disclosures and supplemental information.

### Cause:

In discussing this deficiency with the School District, they stated that these issues were a result of a lack of separation of duties and internal control procedures within the finance department.

### Effect or Potential Effect:

Significant misstatements and misclassifications were included in the financial statements presented for audit. The lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations.

### Recommendation:

The School District should strengthen their internal controls and preparation and review procedures over financial reporting to ensure the financial statements, including disclosures, presented for audit are complete and accurate. These procedures should be performed by properly trained personnel possessing a thorough understanding of GAAP, GASB pronouncements and knowledge of the School District's operations.

### Views of Responsible Officials:

We concur with this finding.

DODGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

FA 2016-001	<u>Internal Controls over Employee Compensation</u>
Control Categories:	Allowable Costs/Costs Principles
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I, Part A (CFDA 84.010) Special Education Cluster (CFDA 84.027 and 84.173) 21st Century Community Learning Centers (CFDA 84.287)
Federal Award Numbers:	S010A150010, H027A150081, H173A150081, S287C150010
Questioned Costs:	\$26,458.25 Special Education Cluster (CFDA 84.027 and 84.173) \$2,263.24 Title I, Part A (CFDA 84.010) \$2,850.00 21st Century Community Learning Centers (CFDA 84.287)

**Description:**

A review of employee compensation charged to various Federal programs revealed that internal control procedures were not in place to ensure employee compensation is properly documented and approved.

**Criteria:**

2 CFR section 200.430(i) states that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

**Condition:**

Our examination revealed the following deficiencies:

- Timesheets were not available for four 21st Century summer program workers, resulting in questioned cost of \$2,850.00.
- Timesheets were not available for one Title I program employee resulting in questioned costs of \$2,263.24.
- No documentation was maintained to support the salary paid to one Special Education program employee, resulting in questioned costs of \$26,458.25.
- The 21st Century program administrator self-approved all of her 21st Century summer program timesheets. The timesheets contained no supervisory review or approval.

**Cause:**

In discussing this deficiency with the School District, they stated that these issues were a result of a lack of separation of duties and internal control procedures within the finance department.

**Effect or Potential Effect:**

Failure to ensure that employee compensation is adequately documented and approved resulted in noncompliance with the requirements of the Federal grants.

**Recommendation:**

The School District should establish and implement appropriate procedures to strengthen internal controls over processing employee compensation to ensure charges to Federal programs are adequately documented and approved.

DODGE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Views of Responsible Officials:

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

DODGE COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION  
YEAR ENDED JUNE 30, 2016

**CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS**

FS 2016-001	<u>Internal Control Procedures</u>
Control Categories:	Accounting Controls (Overall) Cash and Cash Equivalents Expenditures/Liabilities/Disbursements General Ledger Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

The accounting procedures of the School District did not provide adequate internal controls over numerous control categories.

**Corrective Action Plans:** Management concurs with this finding. The Board is reviewing the overall accounting controls and designing and strengthening the controls as applicable.

Estimated Completion Date: June 30, 2018

Contract Person: Georgette Evans, Chief Financial Officer  
Telephone: (478) 374-6480  
E-mail: [gevans@dodge.k12.ga.us](mailto:gevans@dodge.k12.ga.us)

FS 2016-002	<u>Internal Control Procedures over School Activity Accounts</u>
Control Categories:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Funds Held for Others
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

The accounting procedures of the School District were insufficient to provide for adequate internal controls over the school activity accounts.

**Corrective Action Plans:** Management concurs with this finding. The Board is reviewing the procedures in place and implementing greater oversight of the school accounts. Procedures have been developed to ensure greater internal controls over expenditures and reporting requirements.

Estimated Completion Date: June 30, 2018

Contract Person: Georgette Evans, Chief Financial Officer  
Telephone: (478) 374-6480  
E-mail: [gevans@dodge.k12.ga.us](mailto:gevans@dodge.k12.ga.us)

DODGE COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION  
YEAR ENDED JUNE 30, 2016

**CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS**

FS 2016-003	<u>Internal Control over Employee Compensation</u>
Control Categories:	Employee Compensation
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Questioned Costs:	\$66,989.08

The accounting procedures of the School District did not provide adequate internal controls over employee compensation.

**Corrective Action Plans:** Management concurs with this finding. The Board will develop and implement internal controls over financial statement reporting and ensure that activity is properly recorded in the general ledger.

Estimated Completion Date: June 30, 2018

Contract Person: Georgette Evans, Chief Financial Officer  
Telephone: (478) 374-6480  
E-mail: [gevans@dodge.k12.ga.us](mailto:gevans@dodge.k12.ga.us)

FS 2016-004	Internal Controls over Financial Reporting
Control Categories:	Financial Reporting
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

The School District did not have adequate internal controls over the financial statement reporting process.

**Corrective Action Plans:** Management concurs with this finding. The Board is currently reviewing the procedures in place and implementing new procedures to obtain prior approval of salaries as well as salary schedules. Documentation will be maintained to support all payments.

Estimated Completion Date: June 30, 2018

Contract Person: Georgette Evans, Chief Financial Officer  
Telephone: (478) 374-6480  
E-mail: [gevans@dodge.k12.ga.us](mailto:gevans@dodge.k12.ga.us)

DODGE COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION  
YEAR ENDED JUNE 30, 2016

**CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS**

FA 2016-001	<u>Internal Control over Employee Compensation</u>
Control Categories:	Allowable Costs/Costs Principles
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I, Part A (CFDA 84.010) Special Education Cluster (CFDA 84.027 and 84.173) 21 <sup>st</sup> Century Community Learning Centers (CFDA 84.287)
Federal Award Numbers:	S010A150010, H027A150081, H173A150081, S287C150010
Questioned Costs:	\$26,458.25 Special Education Cluster (CFDA 84.027 and 84.173) \$2,263.24 Title I, Part A (CFDA 84.010) \$2,850.00 21 <sup>st</sup> Century Community Learning Centers (CFDA 84.287)

A review of employee compensation charged to various Federal programs revealed that internal control procedures were not in place to ensure employee compensation is properly documented and approved.

**Corrective Action Plans:** Management concurs with this finding. The Board School District will ensure that all salaries charged to Federal Programs are adequately documented and approved by the Board.

**Estimated Completion Date:** June 30, 2018

Contract Person: Georgette Evans, Chief Financial Officer  
Telephone: (478) 374-6480  
E-mail: [gevans@dodge.k12.ga.us](mailto:gevans@dodge.k12.ga.us)