



BAKER COUNTY BOARD OF EDUCATION NEWTON, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016
(Including Independent Auditor's Reports)**



BAKER COUNTY BOARD OF EDUCATION

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FINANCIAL

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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

INDEPENDENT AUDITOR'S REPORT

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Baker County Board of Education

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baker County Board of Education (School District), as of and for the year ended June 30, 2016, and the related notes to the 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 an opinion on these financial statements based on conducting the 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The School District was unable to provide documentation to support the reported assets, liabilities, revenues and expenditures. We were unable to determine by other audit procedures whether these balances were materially correct. In addition, changes in management personnel precluded us from making the appropriate inquiries of these matters.

Disclaimer of Opinion

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion” paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

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 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.

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents 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. Because of the significance of the matter disclosed in the “Basis for Disclaimer Opinion” paragraph, it is inappropriate to, and the auditor does not express an opinion on the required supplementary information.

Other Information

We were engaged to audit for the purpose of forming an opinion on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, 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. Because of the significance of the matter disclosed in the “Basis for Disclaimer of Opinion” paragraph, it is inappropriate to, and the auditor does not, express an opinion on the supplementary information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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 style with a horizontal line at the end.

Greg S. Griffin
State Auditor

September 8, 2020

BAKER COUNTY BOARD OF EDUCATION

Baker County Board of Education
Statement of Net Position
June 30, 2016

EXHIBIT "A"

ASSETS	Governmental Activities
Cash and Cash Equivalents	\$ 3,034,299
Taxes	418,464
State Grants	179,162
Federal Grants	76,645
Inventory, at cost	4,929
Land and construction in progress	82,372
Other capital assets, net of depreciation	6,743,894
Total Assets	<u>10,539,765</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	<u>206,013</u>
LIABILITIES	
Accounts payable and accrued expenses	152
Salaries and Benefits Payable	429,413
Long-term liabilities:	
Portion due and payable within one year:	
Capital leases, notes and bonds payable	61,251
Portion due and payable after one year:	
Capital leases, notes and bonds payable	128,001
Current Portion of Revenue Bonds	
Net Pension Liability	<u>2,609,852</u>
Total Liabilities	<u>3,228,669</u>
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	<u>381,776</u>
NET POSITION	
Net investment in capital assets	6,637,014
Restricted for:	
Continuation of Federal Programs	4,929
Debt Service	67
Unrestricted	<u>493,323</u>
Total Net Position	<u><u>\$ 7,135,333</u></u>

**Baker County Board of Education
Statement of Activities
For the Fiscal Year Ended June 30, 2016**

EXHIBIT "B"

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Fees and Charges for Services	Operating Grants and Contributions	
Governmental:				
Instructions	\$ 2,687,489	\$ -	\$ 2,057,689	\$ (629,800)
Support Services:				
Pupil Services	86,604	-	74,199	(12,405)
Improvement of Instructional Services	79,783	-	53,393	(26,390)
Educational Media Services	92,318	-	37,164	(55,154)
General Administration	348,517	-	300,888	(47,629)
School Administration	340,204	-	117,795	(222,409)
Business Administration	118,922	-	-	(118,922)
Maintenance and Operation of Plant	370,276	-	93,274	(277,002)
Student Transportation Service	372,365	-	-	(372,365)
Other Support Services	29,152	-	15,178	(13,974)
Operations of Non-instructional Services				
Food Services Operation	281,363	9,741	223,295	(48,327)
Enterprise Operations	67,133	-	-	(67,133)
Interest on short-term & long-term debt	2,256	-	-	(2,256)
Total governmental activities	\$ 4,876,382	\$ 9,741	\$ 2,972,875	(1,893,766)
General revenues:				
Taxes				
				2,287,664
				193,260
				15,347
				38
				197,361
				<u>2,693,670</u>
				Change in net position 799,904
				<u>6,335,429</u>
				Net position - beginning
				<u>\$ 7,135,333</u>
				Net position - ending

**Baker County Board of Education
Balance Sheet
Governmental Funds
June 30, 2016**

EXHIBIT "C"

	<u>General Fund</u>	<u>District- Wide Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,963,833	\$ 70,396	\$ 67	\$ 3,034,296
Taxes receivable, net	389,606	-	-	389,606
Accounts Receivable - State	179,162	28,859	-	208,021
Accounts Receivable - Federal	76,645	-	-	76,645
Inventories	4,929	-	-	4,929
Total assets	<u>\$ 3,614,175</u>	<u>\$ 99,255</u>	<u>\$ 67</u>	<u>\$ 3,713,497</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 152	\$ -	\$ -	\$ 152
Deferred revenue	367,612	-	-	367,612
Salary and Benefits Payable	429,413	-	-	429,413
Total liabilities	<u>797,177</u>	<u>-</u>	<u>-</u>	<u>797,177</u>
Fund balances:				
Nonspendable:				
Inventories	4,929	-	-	4,929
Other Purposes	-	-	67	67
Unassigned	2,812,069	99,255	-	2,911,324
Total fund balances (deficit)	<u>2,816,998</u>	<u>99,255</u>	<u>67</u>	<u>2,916,320</u>
Total liabilities and fund balances	<u>\$ 3,614,175</u>	<u>\$ 99,255</u>	<u>\$ 67</u>	<u>\$ 3,713,497</u>

**Baker County Board of Education
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2016**

EXHIBIT "D"

Total fund balance, governmental funds	\$ 2,916,320
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	6,826,266
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	(2,609,852)
Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	(175,763)
Some of the School Districts property tax revenues will be collected after year end but are not available soon enough to pay for the current periods expenditures	367,614
Some liabilities, (such as Notes Payable, Capital Lease Contracts Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(189,252)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 7,135,333</u></u>

Baker County Board of Education
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2016

EXHIBIT "E"

	General Fund	District Wide Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 1,938,304	\$ -	\$ -	\$ 1,938,304
Sales taxes	15,347	193,260	-	208,607
State Funds	2,163,637	-	-	2,163,637
Federal Funds	809,238	-	-	809,238
Charges for services	9,741	-	-	9,741
Investment earnings	17	21	-	38
Miscellaneous	208,201	-	-	208,201
Total Revenues	<u>5,144,485</u>	<u>193,281</u>	<u>-</u>	<u>5,337,766</u>
EXPENDITURES				
Current:				
Instruction	2,542,522	-	-	2,542,522
Support Services				
Pupil Services	87,593	-	-	87,593
Improvement of Instructional Services	85,625	-	-	85,625
Educational Media Services	95,042	-	-	95,042
General Administration	352,522	6,684	-	359,206
School Administration	355,116	-	-	355,116
Business Administration	120,608	-	-	120,608
Maintenance and Operation of Plant	370,276	-	-	370,276
Student Transportation Service	314,099	-	-	314,099
Other Support Services	29,152	-	-	29,152
Food Services Operation	279,682	-	-	279,682
Enterprise Operations	67,133	-	-	67,133
Capital Outlay				
General Government	159,729	274,354	-	434,083
Debt Service:				
Principal	-	64,602	-	64,602
Interest and other charges	-	2,256	-	2,256
Total Expenditures	<u>4,859,099</u>	<u>347,896</u>	<u>-</u>	<u>5,206,995</u>
Excess (deficiency) of revenues over expenditures	<u>285,386</u>	<u>(154,615)</u>	<u>-</u>	<u>130,771</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	253,854	-	253,854
Total other financing sources (uses)	<u>-</u>	<u>253,854</u>	<u>-</u>	<u>253,854</u>
Net change in fund balances	285,386	99,239	-	384,625
Fund balances (deficit) - beginning	<u>2,531,612</u>	<u>16</u>	<u>67</u>	<u>2,531,695</u>
Fund balances (deficit) - ending	<u>\$ 2,816,998</u>	<u>\$ 99,255</u>	<u>\$ 67</u>	<u>\$ 2,916,320</u>

**Baker County Board of Education
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Net Activities
 For the Fiscal Year Ended June 30, 2016**

EXHIBIT "F"

Net change in fund balances - total governmental funds:	\$	384,625
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as an expense. The outlay is allocated over the assets useful life. This is the amount by which capital outlays of \$434,082 exceeded depreciation of \$274,628 the current period.</p>		159,454
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.</p>		349,361
<p>Governmental funds report capital lease proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of capital lease principal as an expenditure. In contrast, the Statement of Activities reports this as a reduction of liabilities on the Statement of Net Position.</p>		(189,252)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.</p>		
<p>Pension Expenses</p>		<u>95,716</u>
Change in net position of governmental activities	\$	<u><u>799,904</u></u>

**Baker County Board of Education
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2016**

EXHIBIT "G"

ASSETS

Cash	<u>\$ 13,253</u>
Total Assets	<u><u>\$ 13,253</u></u>

LIABILITIES

Due to others	<u>\$ 13,253</u>
Total Liabilities	<u><u>\$ 13,253</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

District-wide Statements:

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

separate column.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST) that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

- Agency funds account for assets held by the School District as an agent for various funds or individuals.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental 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, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. Property taxes, sales taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as

expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The adoption of this statement has a significant impact on the School District's financial statements. As noted above the School District restated beginning Net Position for the cumulative effect of this accounting change.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The School District did not have any activities of this type during the fiscal year and the adoption of this statement does not have a significant impact on the School District's financial statements. In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions. The adoption of this statement has a significant impact on the School District's financial statements. As noted above the School District restated beginning Net Position for the cumulative effect of this accounting change.

CASH AND CASH EQUIVALENTS

Composition of Deposits

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated Section 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.

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.

PROPERTY TAXES

The Baker County Board of Commissioners fixed the property tax levy for the 2015 tax digest year (calendar year) on September 18, 2015 (levy date). Taxes were due on December 20, 2015 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2014 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The Baker County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations amounted to \$2,556,558.

Tax millage rate levied for the 2016 tax year (calendar year) for the Baker County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>14.834</u> mills
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SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$164,401 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Buildings and Improvements	\$ 5,000	15 to 80 years
Equipment	\$ 5,000	3 to 50 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets which are amortized.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or the balance sheet 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. Under the full accrual method of accounting, the School District has reported deferred outflows of resources related to a defined benefit pension plan, as discussed in Note 12 – Retirement Plans.

In addition to liabilities, the statement of net position and/or the balance sheet 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. Under the full accrual method of accounting, the School District has reported deferred inflows of resources related to a defined benefit pension plan, as discussed in Note 12 – Retirement Plans. This item is reported only in the District-wide Statement of Net Position. Additionally, the School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

COMPENSATED ABSENCES

Members of the Teachers Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual school districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School District's financial statements.

Vacation leave of 15 days is awarded on a fiscal year basis to certain full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 60 days.

Year	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2012	\$ 8,848	\$ 5,439	\$ 4,393	\$ 9,894
2013	\$ 9,894	\$ 16,430	\$ 13,584	\$ 12,740
2014	\$ 12,740	\$ -	\$ 12,740	\$ -
2015	\$ -	\$ -	\$ -	\$ -
2016	\$ -	\$ -	\$ -	\$ -

PENSIONS

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS) and the Public School Employees Retirement System (PSERS) and additions to/ deductions from TRS/PSERS's fiduciary net position have been determined on the same basis as they are reported by TRS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 12 – Retirement Plans.

NET POSITION

The School District's net position in the District-wide Statements is classified as follows:

Net investment in capital assets - This represents the School District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position - These represent resources for which the School District is legally or contractually obligated to spend resources for bus replacement, continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

Unrestricted net position - Unrestricted net position represents resources derived from property taxes, sales taxes, grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School District, and may be used at the discretion of the Board to meet current expenses for those purposes.

FUND BALANCES

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

Nonspendable – Amounts 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 – Constraints are placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The Board of Education 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 – Amounts that are 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 of Education or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned – The residual classification for the General Fund. This classification represents fund balances that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Balances of the General Fund at June 30, 2016, are as follows:

FUND BALANCES

Nonspendable		
Inventories	\$	4,929
Unassigned		<u>2,812,069</u>
Fund Balance, June 30, 2016	\$	<u><u>2,816,998</u></u>

It is the goal of the School District to achieve and maintain a committed, assigned, and

unassigned fund balance in the general fund at fiscal year-end of not less than 11.5% of total annual revenues, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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.

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.

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, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund 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 Official Code of Georgia Annotated section 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.

The Superintendent is authorized by the Board to approve adjustments of no more than 25 percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 25 percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Any position or expenditure not previously approved in the annual budget that exceeds \$50,000 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting.

Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See Schedule 1 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

Note 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (O.C.G.A.) Section 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 percent 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. Section 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 percent of the daily pool balance.

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, the bank balances were \$3,212,123. The amounts exposed to custodial credit risk are classified into three categories as follows:

- Category 1 - Uncollateralized,
- Category 2 - Cash collateralized with securities held by the pledging financial institution, or
- Category 3 - Cash collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

The School District's deposits by custodial credit risk category at June 30, 2016, are as follows:

Custodial Credit Risk Category	Bank Balance
1	\$ -
2	-
3	3,212,123
Total	\$ <u>3,212,123</u>

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their federally assigned value. **See Note 2 - Inventories**

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Baker County Board of Education
Notes to the Basic Financial Statements
June 30, 2016

EXHIBIT "H"

Note 6: CAPITAL ASSETS

The following is a summary of changes in the Capital Assets during the fiscal year:

	Balances June 30, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 82,372	\$ -	\$ -	\$ 82,372
Capital Assets Being Depreciated:				
Buildings and Improvements	8,927,386	159,729	-	9,087,115
Equipment	978,611	274,353	(139,758)	1,113,206
Less: Accumulated Depreciation:				
Buildings and Improvements	(2,549,406)	(213,798)	-	(2,763,204)
Equipment	(772,151)	(60,830)	139,758	(693,223)
Total Capital Assets, Being Depreciated, Net	<u>6,584,440</u>	<u>159,454</u>	<u>-</u>	<u>6,743,894</u>
Governmental Activity Capital Assets - Net	<u>\$ 6,666,812</u>	<u>\$ 159,454</u>	<u>\$ -</u>	<u>\$ 6,826,266</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 213,967
Support Services:	
Maintenance and Operation of Plant	714
Student Transportation Services	58,266
Food Services	<u>1,681</u>
	<u>\$ 274,628</u>

Note 7: RISK MANAGEMENT

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

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

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and

Baker County Board of Education
Notes to the Basic Financial Statements
June 30, 2016

EXHIBIT "H"

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 three fiscal years are as follows:

Year	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2012	\$ -	\$ 22,757	\$ 22,757	\$ -
2013	\$ -	\$ -	\$ -	\$ -
2014	\$ -	\$ -	\$ -	\$ -

The School District participates in the Georgia Education Workers' Compensation 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 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2 million. The Trust covers the first \$1 million of each Employers Liability claim with Safety National providing additional Employers Liability limits up to a \$2 million per occurrence maximum. Safety National Casualty Company also provides aggregate cover to the Trust with a loss fund percentage of 100%, based on the Fund's annual normal premium, up to a maximum limit of indemnity of aggregate limit of \$2 million.

The School District has purchased surety bonds to provide additional insurance coverage as follows:

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 25,000.00
Principal	\$ 10,000.00

Note 8: LONG-TERM DEBT

CAPITAL LEASES

The Baker County Board of Education entered into a lease agreement with DeLage Landen Public Finance LLC for the purchase of 3 new buses. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of

Baker County Board of Education
Notes to the Basic Financial Statements
June 30, 2016

EXHIBIT "H"

the future minimum lease payments as of the date of their inception. As of June 30, 2016, the balance was \$189,252.

Long-term debt activity for the fiscal year is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
DeLage Landen	\$ -	\$ 253,854	\$ 64,602	\$ 189,252

Note 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$152,400 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
 Paid to the Georgia Department of Community Health
 For Health Insurance of Certified Personnel
 In the amount of \$149,712

Office of State Treasurer
 Paid to the Public School Employees Retirement System
 For Public School Employees Retirement (PSERS) Employer's Cost
 In the amount of \$2,688

Note 10: SIGNIFICANT CONTINGENT LIABILITIES

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

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

Note 11: 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). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

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

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

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:

<u>Period</u>	<u>Contribution Rate</u>
July 2015 – June 2016	\$945 per member per month

For non-certificated school personnel:

<u>Period</u>	<u>Contribution Rate</u>
July 2015 - 2016	\$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2012 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:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$379,860
2013	100%	\$360,199
2012	100%	\$342,676

Note 12: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description. The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS. The Teachers Retirement System of Georgia issues a separate stand-alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member 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. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2015, were 6% of annual salary. Employer contributions required for fiscal year 2013 were 12.28% of annual salary as required by the June 30, 2011, actuarial valuation.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$232,962
2013	100%	\$206,183
2012	100%	\$207,375

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.

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.

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

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

At June 30, 2016, the School District reported a liability of \$2,609,852 for its proportionate share of the Net Pension Liability for TRS.

The 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 School District's proportion of the Net Pension Liability was based on contributions to TRS during the fiscal year ended June 30, 2015.

At June 30, 2015, the School District's TRS proportion was 0.017143%, which was an increase of 0.000635% from its proportion measured as of June 30, 2014.

The PSERS Net Pension Liability was measure 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 \$150,092.00 for TRS and \$2,688.00 for PSERS and revenue of \$2,688.00 for PSERS was recognized. The revenue is support provided by the State of Georgia.

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

	TRS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 22,955
Net difference between projected and actual earnings on pension plan investments	-	220,144
Changes in proportion and differences between School District contributions and proportionate share of contributions	87,386	138,677
School District contributions subsequent to the measurement date	<u>118,627</u>	<u>-</u>
	<u>\$ 206,013</u>	<u>\$ 381,776</u>

Baker County Board of Education contributions subsequent to the measurement date of June 30, 2015 for TRS 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:	<u>TRS</u>
2017	(127,672)
2018	(127,672)
2019	(127,673)
2020	85,559
2021	3,068
Thereafter	-

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.

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, 2005 – June 30, 2010.

Public School Employees Retirement System:

Inflation	3.00%
Salary Increases	N/A
Investment rate of return	7.5%, net of pension plan investment expenses, 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, 2005 – June 30, 2010.

The long-term expected rate of return on TRS 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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
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	<u>100.00%</u>	

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

Discount rate: The discount rate used to measure the total TRS 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 non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS 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 Baker County Board of Education'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:

Teachers' Retirement System:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50)</u>	<u>1% Increase (8.50%)</u>
School District's proportionate share of the Net Pension Liability	\$ 4,484,833	\$ 2,609,852	\$ 1,064,421

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

Bus drivers, lunchroom personnel, and maintenance and custodial personnel are members of

the Public School Employees' Retirement System of Georgia. The System is funded by contributions by the employees and by the State of Georgia. The School District makes no contribution to this plan.

Note 13: NEW ACCOUNTING PRONOUNCEMENT

In fiscal year 2015, the School District adopted Governmental Account Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement will require the School District to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it is a member. The School District's Net Pension Liability as of June 30, 2016, is \$2,609,852.

REQUIRED SUPPLEMENTARY INFORMATION

**Baker 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, 2016**

SCHEDULE "1"

	<u>2016</u>
School District's proportion of the Net Pension Liability	0.017143%
School District's proportionate share of the Net Pension Liability	\$ 2,609,852
School District's covered-employee payroll	\$ 2,145,595
School District's proportionate share of the Net Pension Liability as a percentage of its covered employee payroll	121.64%
Plan fiduciary net position as a percentage of the total pension liability	81.4400%

**Baker County Board of Education
 Required Supplementary Information
 Schedule of Contributions
 Teachers' Retirement System of Georgia
 For the Year Ended June 30, 2016**

SCHEDULE "2"

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	118,627	110,774	105,987	96,913
Contributions in relation to the contractually required contribution	<u>118,627</u>	<u>110,774</u>	<u>105,987</u>	<u>96,913</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District's covered-employee payroll	<u>2,145,595</u>	<u>1,825,338</u>	<u>1,806,775</u>	<u>1,806,772</u>
Contributions as a percentage of covered-employee payroll	<u>5.53%</u>	<u>6.07%</u>	<u>5.87%</u>	<u>5.36%</u>

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, open
Remaining amortization period	30 years
Asset valuation method	Seven-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

Baker County Board of Education
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016

SCHEDULE "4"

	Nonappropriated Budgets			Variance Over/Under
	Original (1)	Final (1)	Actual Amounts	
REVENUES				
Property taxes	\$ 1,940,000	\$ 1,940,000	\$ 1,938,304	\$ (1,696)
Sales taxes	7,000	7,000	15,347	8,347
State funds	1,908,151	1,908,151	2,163,637	255,486
Federal funds	802,227	805,627	809,238	3,611
Charges for services	-	11,700	9,741	(1,959)
Investment earnings	-	-	17	17
Miscellaneous	18,000	18,000	208,201	190,201
TOTAL REVENUES	4,675,378	4,690,478	5,144,485	454,007
EXPENDITURES				
Current				
Instruction	2,265,885	2,330,250	2,542,522	(212,272)
Support Services				
Pupil Services	855,444	81,203	87,593	(6,390)
Improvement of Instructional Services	133,487	82,376	85,625	(3,249)
Educational Media Services	49,096	44,596	95,042	(50,446)
General Administration	269,962	264,421	352,522	(88,101)
School Administration	349,938	349,938	355,116	(5,178)
Business Administration	114,191	114,191	120,608	(6,417)
Maintenance and Operation of Plant	399,893	399,893	370,276	29,617
Student Transportation Service	386,562	386,562	314,099	72,463
Other Support Services	37,500	31,550	29,152	2,398
Food Services Operation	294,021	294,021	279,682	14,339
Enterprise Operations	-	-	67,133	(67,133)
Capital Outlay				
General Government	-	-	159,729	(159,729)
Total Expenditures	5,155,979	4,379,001	4,859,099	(480,098)
Excess of Revenues over (under) Expenditures	(480,601)	311,477	285,386	(26,091)
OTHER FINANCING SOURCES (USES)				
Operating Transfers From Other Funds	-	40,000	-	(40,000)
Operating Transfers To Other funds	(40,000)	(40,000)	-	40,000
Total Other Financing Sources (Uses)	(40,000)	-	-	-
Net Change in Fund Balances	(520,601)	311,477	285,386	(26,091)
Fund Balances - Beginning	1,187,437	1,083,978	2,531,612	1,447,634
Fund Balances - Ending	\$ 666,836	\$ 1,395,455	\$ 2,816,998	\$ 1,421,543

Baker County Board of Education
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SCHEDULE "5"

Funding Agency			
Program/Grant	CFDA Number	Pass- Through Entity ID Number	Expenditures in Period
Education, U.S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	n/a	\$ 106,511
Preschool Grants	84.173	n/a	<u>27,232</u>
Total Special Education Cluster			<u>133,743</u>
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Educational Agencies	84.010	n/a	<u>371,104</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	n/a	11,048
Education Jobs Fund	84.410	n/a	-
Improving Teacher Quality State Grants	84.367	n/a	43,126
Migrant Education - State Grand Program	84.011	n/a	<u>7,950</u>
Total Other Programs			<u>62,124</u>
Total U.S. Department of Education			<u>566,971</u>
Total Expenditures of Federal Awards			<u><u>\$ 566,971</u></u>

**Baker County Board of Education
Schedule of State Revenue
Year Ended June 30, 2016**

SCHEDULE "6"

Agency/Funding	<u>General Fund</u>
Grants	
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	\$ 51,666
Kindergarten Program - Early Intervention Program	21,536
Primary Grades (1-3) Program	160,527
Primary Grades - Early Intervention (1-3) Program	84,152
Upper Elementary Grades (4-5) Program	70,311
Upper Elementary Grades - Early Intervention (4-5) Program	71,194
Middle Grades (6-8) Program	103,823
High School General Education (9-12) Program	106,466
Career Technical and Agricultural Education Program (9-12)	46,511
Students with Disabilities	249,983
Gifted Students- Category VI	7,206
Remedial Education Program	37,797
Alternative Education Program	8,925
Media Center Program	26,277
20 Days Additional Instruction	7,751
Staff and Professional Development	5,517
Principal Staff & Professional Development	221
Indirect Cost	
Central Administration	221,734
School Administration	87,102
Facility Maintenance and Operations	68,625
Mid-term Adjustment Hold-Harmless	3,839
Amended Formula Adjustment	(95,006)
Categorical Grants	
Pupil Transportation	108,777
Sparsity	347,313
Food Services	7,144
Nursing Services	45,000
Other State Programs	
Preschool Handicapped Program	662
Vocational Supervisors	6,792
Total Grants from Georgia Department of Education	<u>1,861,845</u>
Grants From Pre-K Lottery	
Georgia Prekindergarten Program	79,655
Total	<u>79,655</u>
Other Grants From Georgia Department Of Education	
Math And Science Supplement	1,691
Total	<u>1,691</u>
Grand Total	<u>\$ 1,943,191</u>

**Baker County Board of Education
Schedule of Special Purpose
Local Option Sales Tax
For the Fiscal Year Ended June 30, 2016**

SCHEDULE "7"

Project	Original Estimated Cost (1)	Current Estimated Cost (2)	Expenditure		Total Completed Cost	Estimated Proceeds Not Expended	Estimated Completion Date
			Current Year (3)	Prior Year			
Adding to, renovating, improving and equipping existing facilities	\$ 1,176,000	\$ 1,176,000	\$ 27,184	\$ -	\$ 27,184	\$ -	
Upgrading Instructional and Administrative Technology	42,000	42,000	-	-	-	-	
Purchasing school buses and transportation equipment	70,000	70,000	253,854	-	253,854	-	
Purchasing textbooks and vocational, fine arts, instructional and athletic equipment	-	-	-	-	-	-	
Purchasing safety and security equipment	-	-	-	-	-	-	
Acquiring any property necessary or desirable therefor, both real and personal	-	-	-	-	-	-	
Debt principal and interest payments	112,000	112,000	66,858	-	66,858	-	
Total	\$ 1,400,000	\$ 1,400,000	\$ 347,896	\$ -	\$ 347,896	\$ -	

(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 Baker County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

Baker County Board of Education
General Fund - Quality Based Education Program (QBE)
Allotments and Expenditures by Program
For the Fiscal Year Ended June 30, 2016

SCHEDULE "8"

<u>Description</u>	Eligible QBE Program Cost			
	Allotment from Georgia Department of Education (1) (2)	Salary	Operations	Totals
Direct Instructional Programs				
Kindergarten Programs	\$ 86,430	\$ 63,470	\$ 1,304	\$ 64,774
Kindergarten Program - Early Intervention Program	35,008	11,793	-	11,793
Primary Grades (1-3) Program	257,498	325,105	1,939	327,044
Primary Grades Early Intervention (1-3) Program	123,149	69,967	-	69,967
Upper Elementary Grades (4-5) Program	106,763	126,289	1,921	128,210
Upper Elementary Grades-Early Intervention (4-5) Program	109,922	39,381	38	39,419
Middle School (6-8) Program	169,501	260,892	1,502	262,394
Middle Grades (6-8) Program	-	62	3,608	3,670
High School General Education (9-12) Program	165,790	199,461	10,983	210,444
Vocational Laboratory (9-12) Program	72,831	70,322	5,560	75,882
Students With Disabilities	390,787	-	-	-
CATEGORY I	-	-	5,569	5,569
CATEGORY III	-	247,053	20,297	267,350
CATEGORY IV	-	28,667	-	28,667
Gifted Student -CATEGORY VI	11,319	-	-	-
Remedial Education Program	58,710	51,400	-	51,400
Alternative Education Program	14,025	-	-	-
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 1,601,733	\$ 1,493,862	\$ 52,721	\$ 1,546,583
Media Center Program	40,744	70,008	9,839	79,847
Staff and Professional Development	7,498	-	-	7,153
TOTAL QBE FORMULA FUNDS	\$ 1,649,975	\$ 1,563,870	\$ 62,560	\$ 1,633,583

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

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

The Honorable Brian P Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Baker County Board of Education

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baker 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 September 8, 2020. The report on the financial statements was disclaimed because we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the School District, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. If documentation provided by management had been sufficient to enable us to express an opinion on the basic financial statements, material weaknesses or significant deficiencies may have been identified and reported herein.

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.

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.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the School District, we were engaged to perform 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. If the documentation provided by management had been sufficient to enable us to express an opinion on the basic financial statements, instances of noncompliance or other matters may have been identified and reported herein.

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 engagement to perform 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 that reads "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin
State Auditor

September 8, 2020