



DOOLY COUNTY BOARD OF EDUCATION VIENNA, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019
(Including Independent Auditor's Reports)**



DOOLY COUNTY BOARD OF EDUCATION

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
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
Dooly County Board of Education

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 Dooly County Board of Education (School District), as of and for the year ended June 30, 2019, 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 opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 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, flowing style.

Greg S. Griffin
State Auditor

October 22, 2020

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DOOLY COUNTY BOARD OF EDUCATION

DOOLY COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 2,908,341.02
Investments	163,484.17
Accounts Receivable, Net	
Taxes	834,914.73
State Government	2,091,474.57
Federal Government	341,641.34
Local	19,659.32
Other	427.68
Inventories	63,082.36
Restricted Assets	
Cash with Fiscal Agent or Trustee	1,136.86
Investments with Fiscal Agent or Trustee	1,852,620.78
Capital Assets, Non-Depreciable	309,734.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>23,269,984.98</u>
 Total Assets	 <u>31,856,501.81</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	2,541,695.00
Related to OPEB Plans	<u>1,047,911.00</u>
 Total Deferred Outflows of Resources	 <u>3,589,606.00</u>
 <u>LIABILITIES</u>	
Accounts Payable	158,267.24
Salaries and Benefits Payable	1,151,168.92
Payroll Withholdings Payable	102,919.30
Deposits and Deferred Revenues	6,732.44
Net Pension Liability	11,434,094.00
Net OPEB Liability	12,049,806.00
Long-Term Liabilities	
Due Within One Year	1,088,000.00
Due in More Than One Year	<u>3,774,000.00</u>
 Total Liabilities	 <u>29,764,987.90</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	1,209,618.00
Related to OPEB Plans	<u>2,360,193.00</u>
 Total Deferred Outflows of Resources	 <u>3,569,811.00</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	20,232,246.12
Restricted for	
Continuation of Federal Programs	329,656.65
Debt Service	1,853,757.64
Capital Projects	2,496,551.76
Unrestricted (Deficit)	<u>(22,800,903.26)</u>
 Total Net Position	 \$ <u><u>2,111,308.91</u></u>

DOOLY COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 8,654,933.63	\$ -
Support Services		
Pupil Services	435,682.23	-
Improvement of Instructional Services	583,553.04	-
Educational Media Services	223,838.40	-
General Administration	551,170.02	-
School Administration	934,535.60	-
Business Administration	212,278.71	-
Maintenance and Operation of Plant	1,232,890.22	-
Student Transportation Services	1,136,319.09	-
Central Support Services	158,392.88	-
Other Support Services	38,402.39	-
Operations of Non-Instructional Services		
Enterprise Operations	231,211.51	144,692.80
Food Services	1,155,702.27	17,050.26
Interest on Short-Term and Long-Term Debt	59,282.05	-
	\$ 15,608,192.04	\$ 161,743.06
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING	CAPITAL	REVENUES
GRANTS AND	GRANTS AND	AND CHANGES IN
CONTRIBUTIONS	CONTRIBUTIONS	NET POSITION
\$ 5,884,538.65	\$ 2,212,613.99	\$ (557,780.99)
211,311.76	-	(224,370.47)
448,100.35	-	(135,452.69)
172,949.91	-	(50,888.49)
426,607.33	978.90	(123,583.79)
568,927.89	721.51	(364,886.20)
10,445.49	-	(201,833.22)
425,317.49	32,579.21	(774,993.52)
414,629.45	-	(721,689.64)
5,358.07	-	(153,034.81)
7,253.12	-	(31,149.27)
-	-	(86,518.71)
1,021,173.56	53,233.32	(64,245.13)
-	-	(59,282.05)
<u>\$ 9,596,613.07</u>	<u>\$ 2,300,126.93</u>	<u>(3,549,708.98)</u>

4,987,456.27
48,008.62

1,395,332.24
33,077.62
107,029.62
265,677.83

6,836,582.20

3,286,873.22

(1,175,564.31)

\$ 2,111,308.91

DOOLY COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,210,828.63	\$ 1,697,512.39	\$ -	\$ 2,908,341.02
Investments	163,484.17	-	-	163,484.17
Accounts Receivable, Net				
Taxes	713,529.16	121,385.57	-	834,914.73
State Government	1,413,820.77	677,653.80	-	2,091,474.57
Federal Government	341,641.34	-	-	341,641.34
Local	19,659.32	-	-	19,659.32
Other	427.68	-	-	427.68
Inventories	63,082.36	-	-	63,082.36
Restricted				
Cash with a Fiscal Agent or Trustee	-	-	1,136.86	1,136.86
Investments with a Fiscal Agent or Trustee	-	-	1,852,620.78	1,852,620.78
	<u>\$ 3,926,473.43</u>	<u>\$ 2,496,551.76</u>	<u>\$ 1,853,757.64</u>	<u>\$ 8,276,782.83</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 158,267.24	\$ -	\$ -	\$ 158,267.24
Salaries and Benefits Payable	1,151,168.92	-	-	1,151,168.92
Payroll Withholdings Payable	102,919.30	-	-	102,919.30
Deposits and Unearned Revenue	6,732.44	-	-	6,732.44
	<u>1,419,087.90</u>	<u>-</u>	<u>-</u>	<u>1,419,087.90</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	505,768.02	-	-	505,768.02
Unavailable Revenue - Grants	99,261.89	313,560.60	-	412,822.49
	<u>605,029.91</u>	<u>313,560.60</u>	<u>-</u>	<u>918,590.51</u>
<u>FUND BALANCES</u>				
Nonspendable	63,082.36	-	-	63,082.36
Restricted	266,574.29	2,182,991.16	1,853,757.64	4,303,323.09
Assigned	33,595.30	-	-	33,595.30
Unassigned	1,539,103.67	-	-	1,539,103.67
	<u>1,902,355.62</u>	<u>2,182,991.16</u>	<u>1,853,757.64</u>	<u>5,939,104.42</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,926,473.43</u>	<u>\$ 2,496,551.76</u>	<u>\$ 1,853,757.64</u>	<u>\$ 8,276,782.83</u>

DOOLY COUNTY BOARD OF EDUCATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 5,939,104.42

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

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

Land	\$	309,734.00	
Land improvements		1,599,395.00	
Buildings		30,198,782.31	
Equipment		6,213,632.67	
Accumulated depreciation		<u>(14,741,825.00)</u>	23,579,718.98

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

Net pension liability	\$	(11,434,094.00)	
Net OPEB liability		<u>(12,049,806.00)</u>	(23,483,900.00)

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

Related to pensions	\$	1,332,077.00	
Related to OPEB		<u>(1,312,282.00)</u>	19,795.00

Taxes that are not available to pay for current period expenditures are deferred in the funds. 505,768.02

Grants that are not available to pay current period expenditures are deferred in the funds. 412,822.49

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

Bonds payable	\$	(3,775,000.00)	
Installment sales agreement		<u>(1,087,000.00)</u>	<u>(4,862,000.00)</u>

Net position of governmental activities (Exhibit "A") \$ 2,111,308.91

DOOLY COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	\$ 5,075,047.82	\$ -	\$ -	\$ 5,075,047.82
Sales Taxes	33,077.62	1,395,332.24	-	1,428,409.86
State Funds	7,771,654.42	1,476,563.40	-	9,248,217.82
Federal Funds	2,222,905.91	-	-	2,222,905.91
Charges for Services	161,743.06	-	-	161,743.06
Investment Earnings	2,356.53	41,120.41	63,552.68	107,029.62
Miscellaneous	265,677.83	-	-	265,677.83
Total Revenues	15,532,463.19	2,913,016.05	63,552.68	18,509,031.92
EXPENDITURES				
Current				
Instruction	8,318,051.94	17,079.72	-	8,335,131.66
Support Services				
Pupil Services	433,641.74	21,255.71	-	454,897.45
Improvement of Instructional Services	609,560.07	-	-	609,560.07
Educational Media Services	242,569.42	-	-	242,569.42
General Administration	572,194.94	-	-	572,194.94
School Administration	996,704.11	-	-	996,704.11
Business Administration	215,790.95	10,994.50	-	226,785.45
Maintenance and Operation of Plant	1,196,783.81	41,410.55	-	1,238,194.36
Student Transportation Services	907,983.26	752,416.00	-	1,660,399.26
Central Support Services	159,763.91	-	-	159,763.91
Other Support Services	38,402.39	-	-	38,402.39
Enterprise Operations	231,211.51	-	-	231,211.51
Food Services Operation	1,131,935.16	-	-	1,131,935.16
Capital Outlay	-	2,415,432.09	-	2,415,432.09
Debt Services				
Principal	-	204,000.00	860,000.00	1,064,000.00
Interest	-	27,661.42	37,944.00	65,605.42
Total Expenditures	15,054,593.21	3,490,249.99	897,944.00	19,442,787.20
Excess of Revenues over Expenditures	477,869.98	(577,233.94)	(834,391.32)	(933,755.28)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	235.67	897,944.00	898,179.67
Transfers Out	(235.67)	(897,944.00)	-	(898,179.67)
Total Other Financing Sources (Uses)	(235.67)	(897,708.33)	897,944.00	-
Net Change in Fund Balances	477,634.31	(1,474,942.27)	63,552.68	(933,755.28)
Fund Balances - Beginning	1,424,721.31	3,657,933.43	1,790,204.96	6,872,859.70
Fund Balances - Ending	\$ 1,902,355.62	\$ 2,182,991.16	\$ 1,853,757.64	\$ 5,939,104.42

DOOLY COUNTY BOARD OF EDUCATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2019

EXHIBIT "F"

Net change in fund balances total - governmental funds (Exhibit "E") \$ (933,755.28)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$	3,507,750.36	
Depreciation expense		<u>(1,134,912.00)</u>	2,372,838.36

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. (35,749.00)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (39,582.93)

Grants reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 412,822.49

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.

Bond principal retirements	\$	860,000.00	
Installment sales agreement payment		<u>204,000.00</u>	1,064,000.00

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/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEBs, is reported in the Statement of Activities.

Pension expense	\$	611,838.21	
OPEB expense		<u>(171,862.00)</u>	439,976.21

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

Accrued interest			<u>6,323.37</u>
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Change in net position of governmental activities (Exhibit "B") \$ 3,286,873.22

DOOLY COUNTY BOARD OF EDUCATION
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2019

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 3,583.67	\$ 18,396.38
Investments	26,232.85	-
Total Assets	\$ 29,816.52	\$ 18,396.38
<u>LIABILITIES</u>		
Funds Held for Others		\$ 18,396.38
 <u>NET POSITION</u>		
Held in Trust for Private Purposes	\$ 29,816.52	

DOOLY COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

EXHIBIT "H"

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Investment Earnings	
Interest	\$ <u>181.85</u>
<u>DEDUCTIONS</u>	
Scholarships	<u>2,250.00</u>
Change in Net Position	(2,068.15)
Net Position - Beginning	<u>31,884.67</u>
 Net Position - Ending	 \$ <u><u>29,816.52</u></u>

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Dooly 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 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.
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 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 types:

- Private purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which principal and income benefit individuals, private organizations or other governments.
- 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, except for principal and interest on general long-term debt, 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 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 assets 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 2019, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The adoption of this statement did not have an impact on the School District's financial statements.

In fiscal year 2019, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The School District included additional information in the long-term liabilities note disclosure.

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.

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.

RESTRICTED ASSETS

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of net position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds.

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 the 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	All	N/A
Construction in Progress	\$ 25,000.00	N/A
Land Improvements	\$ 25,000.00	20 to 80 years
Buildings and Improvements	\$ 25,000.00	10 to 80 years
Equipment	\$ 10,000.00	5 to 20 years
Intangible Assets	\$ 10,000.00 to 100,000.00	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.

LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS

In the School District's government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the straight-line method. To conform to generally accepted accounting principles, bond premiums and discounts should be amortized using the effective interest method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the governmental fund financial statements, the School District recognizes the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs are reported as debt service expenditures.

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.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees Postemployment Benefit Fund (School OPEB Fund) and additions to/deductions from School OPEB Fund fiduciary net position have been determined on the same basis as they are reported by School OPEB Fund. For this purpose, benefit payments 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.

PROPERTY TAXES

The Dooly County Board of Commissioners adopted the property tax levy for the 2018 tax digest year (calendar year) on September 20, 2018 (levy date) based on property values as of January 1, 2018. Taxes were due on December 20, 2018 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2018 tax digest are reported as revenue in the governmental funds for fiscal year 2019. The Dooly 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, 2019, for maintenance and operations amounted to \$4,736,577.30.

The tax millage rate levied for the 2018 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>16.404</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$290,461.90 during fiscal year ended June 30, 2019.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the fiscal year amounted to \$1,395,332.24 and is to be used for capital outlay for educational purposes or debt services. 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, 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 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, CASH EQUIVALENTS AND INVESTMENTS

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.

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, 2019, the School District had deposits with a carrying amount of \$1,872,802.02, and a bank

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balance of \$2,564,570.93. The bank balances insured by Federal depository insurance were \$303,539.03 and the bank balances collateralized with securities held by the pledging financial institution or by the pledging financial institution's trust department or agent in the School District's name were \$2,261,031.90.

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

Cash and cash equivalents		
Statement of Net Position		
Cash and cash equivalents	\$	2,908,341.02
Restricted cash held by trustee		1,136.86
Statement of Fiduciary Net Position		<u>21,980.05</u>
Total cash and cash equivalents		2,931,457.93
Add:		
Deposits with original maturity of three months or more reported as investments		189,717.02
Less:		
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		<u>1,248,372.93</u>
Total carrying value of deposits - June 30, 2019	\$	<u><u>1,872,802.02</u></u>

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of \$1,248,372.93 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 AA+ 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, 2019, was 39 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.

CATEGORIZATION OF INVESTMENTS

At June 30, 2019, the School District had the following investments:

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Debt Securities		
Federal National		
Mortgage Association	\$ <u>1,852,620.78</u>	\$ <u>1,852,620.78</u>

Fair Value of Investments

The School District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2019:

Federal National Mortgage Association (FNMA) notes of \$1,852,620.78 are valued using a matrix pricing model (Level 2 inputs).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

At June 30, 2019, \$1,852,620.78 of the School District's applicable investments were held by the investment's counterparty, not in the School District's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those prescribed O.C.G.A. §36-83-4. The School District does not have a formal policy that would further limit its investment choices or one that addresses credit risk.

The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Ratings AAA
Debt Securities		
U. S. Agencies		
Implicitly Guaranteed	\$ 1,852,620.78	\$ 1,852,620.78

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in FNMA Discount Notes. This investment is 90% of the School District's total investments.

NOTE 5: RESTRICTED ASSETS

The restricted assets represent the cash balance and investment balance, totaling \$1,136.86 and \$1,852,620.78, respectively, for the QZAB Bond Sinking Fund.

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NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2018	Increases	Decreases	Balances June 30, 2019
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 309,734.00	\$ -	\$ -	\$ 309,734.00
Construction in Progress	2,532,038.42	2,415,432.09	4,947,470.51	-
Total Capital Assets Not Being Depreciated	2,841,772.42	2,415,432.09	4,947,470.51	309,734.00
Capital Assets Being Depreciated				
Buildings and Improvements	25,161,414.00	5,037,368.31	-	30,198,782.31
Equipment	5,970,123.20	1,002,420.47	758,911.00	6,213,632.67
Land Improvements	1,599,395.00	-	-	1,599,395.00
Less Accumulated Depreciation for:				
Buildings and Improvements	8,443,069.00	714,778.00	-	9,157,847.00
Equipment	4,618,184.00	363,971.00	723,162.00	4,258,993.00
Land Improvements	1,268,822.00	56,163.00	-	1,324,985.00
Total Capital Assets, Being Depreciated, Net	18,400,857.20	4,904,876.78	35,749.00	23,269,984.98
Governmental Activities Capital Assets - Net	\$ 21,242,629.62	\$ 7,320,308.87	\$ 4,983,219.51	\$ 23,579,718.98

Current year depreciation expense by function is as follows:

Instruction		\$ 881,183.00
Support Services		
General Administration	\$ 483.00	
School Administration	356.00	
Maintenance and Operation of Plant	16,075.00	
Student Transportation Services	210,549.00	227,463.00
Food Services		26,266.00
		\$ 1,134,912.00

NOTE 7: INTERFUND TRANSFERS

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfers From	
Transfers to	General Fund	Capital Projects Fund
Capital Projects Fund	\$ 235.67	\$ -
Debt Service Fund	-	897,944.00
Total	\$ 235.67	\$ 897,944.00

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Transfers are used to move property tax revenues collected by the general fund to the capital projects fund as supplemental funding source for capital construction projects and to move sales tax revenues collected by the capital projects fund to the debt service fund to pay general obligation debt requirements.

NOTE 8: SHORT-TERM DEBT

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75% of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	\$ -	\$ 675,000.00	\$ 675,000.00	\$ -

NOTE 9: LONG-TERM LIABILITIES

The changes in long-term liabilities during the fiscal year for governmental activities were as follows:

	Governmental Activities				
	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
	General Obligation Bonds	\$ 2,635,000.00	\$ -	\$ 860,000.00	\$ 1,775,000.00
Qualified Zone Academy Bonds	2,000,000.00	-	-	2,000,000.00	-
Installment Sales Agreement	1,291,000.00	-	204,000.00	1,087,000.00	208,000.00
	\$ 5,926,000.00	\$ -	\$ 1,064,000.00	\$ 4,862,000.00	\$ 1,088,000.00

GENERAL OBLIGATION DEBT OUTSTANDING

The School District's bonded debt consists of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The School District repays general obligation bonds from voter-approved sales taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

The School District had no unused line of credit or outstanding notes from direct borrowings and direct placements related to governmental activities as of June 30, 2019. In the event the entity is unable to make the principal and interest payments using proceeds of the Education Special Purpose Local Option Sales Tax (ESPLOST), the debt will be satisfied from the general fund or from a direct annual ad valorem tax levied upon all taxable property within the School District. Additional security is provided by the State of Georgia Intercept Program which allows for state appropriations entitled to the School District to be transferred to the Debt Service Account Custodian for the payment of debt.

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2015	1.44%	9/10/2015	5/1/2021	\$ 4,300,000.00	\$ 1,775,000.00

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The following schedule details debt service requirements to maturity for the School District's total general obligation bonds payable:

Fiscal Year Ended June 30:	General Obligation Debt	
	Principal	Interest
2020	\$ 880,000.00	\$ 25,560.00
2021	895,000.00	12,888.00
Total Principal and Interest	\$ 1,775,000.00	\$ 38,448.00

QUALIFIED ZONE ACADEMY BONDS (QZAB)

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts in connection with the establishment of special academic programs, in partnership with the business community.

This agreement establishes a method of repayment for qualified interest-free debt instrument. The agreement requires the School District to deposit funds annually into a sinking fund account on or before May 1, 2011. The amount on deposit at June 30, 2019 was \$1,853,757.64.

In the event the amount of funds lawfully available is not sufficient to pay the QZAB payments when due in any year, the School District shall levy an ad valorem tax on all taxable property located within the boundaries of the School District subject to taxation for such purposes, at such rate or rates (subject to the 20 Mills Limitation) as may be necessary to produce in each calendar year revenues which shall be sufficient to fulfill the School District's obligations.

Debt currently outstanding under Qualified Zone Academy Bonds is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QZAB Series 2005C	0.00%	10/20/2005	10/20/2021	\$ 2,000,000.00	\$ 2,000,000.00

The following schedule reports the annual Qualified Zone Academy Bond payments:

Fiscal Year Ended June 30:	Principal	Interest
2022	\$ 2,000,000.00	-

INSTALLMENT SALES AGREEMENT

The School District entered into an agreement dated October 1, 2015 with the Georgia Municipal Association, Inc. (GMA) in order to refinance a capital lease dated July 1, 2006 with the Georgia School Board Association (GSBA). Under the terms of the installment sales agreement, the GMA purchased the real property consisting of six classrooms, an administrative suite addition, and a corridor attaching the school building to the gymnasium from the GSBA. The School District will make annual payments through May 1, 2024 to purchase the property from the GMA. The debt currently outstanding, associated with this agreement is as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital Outlay Improvements for six classrooms, administrative suite and a corridor to connect the high school to the gymnasium	2.15%	10/1/2015	5/1/2024	\$ 1,895,000.00	\$ 1,087,000.00

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The following is a schedule of total installment sales agreement payments:

<u>Fiscal Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 208,000.00	\$ 23,370.00
2021	213,000.00	18,898.00
2022	217,000.00	14,320.00
2023	222,000.00	9,654.00
2024	227,000.00	4,880.00
Total Principal and Interest	\$ <u>1,087,000.00</u>	\$ <u>71,122.00</u>

NOTE 10: 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; natural disasters and unemployment compensation. Settled claims resulting from these insured risks have not exceed commercial insurance coverage in any of the past three fiscal years.

Georgia School Boards Association Risk and Insurance Management System

The School District participates in the Georgia School Boards Association Risk and Insurance Management System (the System), a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the System for its general insurance coverage. Additional coverage is provided through agreements by the System with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the System varies by line of coverage.

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:

		Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
2018	\$	-	1,998.00	1,998.00	-
2019	\$	-	-	-	-

SURETY BOND

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

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

NOTE 11: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2019:

Nonspendable		
Inventories	\$	63,082.36
Restricted		
Continuation of Federal Programs	\$	266,574.29
Capital Projects		2,182,991.16
Debt Service		1,853,757.64
		<u>4,303,323.09</u>
Assigned		
School Activity Accounts		33,595.30
Unassigned		<u>1,539,103.67</u>
Fund Balance, June 30, 2019	\$	<u>5,939,104.42</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 12: 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.

LITIGATION

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 have a material adverse effect on the financial condition of the School District.

NOTE 13: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description: Certified teachers and non-certified public school employees of the School District as defined in §20-2-875 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

Benefits Provided: The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Contributions: As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were \$435,468.00 for the year ended June 30, 2019. Active employees are not required to contribute to the School OPEB Fund.

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

At June 30, 2019, the School District reported a liability of \$12,049,806.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2018. At June 30, 2018, the School District's proportion was 0.094808%, which was an increase of 0.004657% from its proportion measured as of June 30, 2017.

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For the year ended June 30, 2019, the School District recognized OPEB expense of \$607,330.00. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 274,086.00
Changes of assumptions	-	2,041,295.00
Net difference between projected and actual earnings on OPEB plan investments	16,304.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	596,139.00	44,812.00
School District contributions subsequent to the measurement date	435,468.00	-
Total	\$ 1,047,911.00	\$ 2,360,193.00

School District contributions subsequent to the measurement date of \$435,468.00 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB
2020	\$ (348,403.00)
2021	\$ (348,403.00)
2022	\$ (348,403.00)
2023	\$ (349,377.00)
2024	\$ (268,125.00)
2025	\$ (85,039.00)

Actuarial assumptions: The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

OPEB:

Inflation	2.75%
Salary increases	3.25% - 9.00%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation

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Healthcare cost trend rate	
Pre-Medicare Eligible	7.50%
Medicare Eligible	5.50%
Ultimate trend rate	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2028
Medicare Eligible	2022

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.
- For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 5 years for both males and females) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

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

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adding expected inflation. During fiscal year 2018, the School OPEB fund updated their investment strategy to a more long-term approach. The target 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%	(0.50)%
Domestic Stocks – Large Cap	37.20%	9.00%
Domestic Stocks – Mid Cap	3.40%	12.00%
Domestic Stocks – Small Cap	1.40%	13.50%
Int'l Stocks - Developed Mkt	17.80%	8.00%
Int'l Stocks - Emerging Mkt	5.20%	12.00%
Alternatives	5.00%	10.50%
Total	100.00%	

*Net of Inflation

Discount Rate: The discount rate has changed since the prior measurement date from 3.58% to 3.87%. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.87% was used as the discount rate. This is comprised mainly of the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.87% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2018. Therefore, the calculated discount rate of 3.87% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 3.87%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1 percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
School District's proportionate share of the net OPEB liability	\$ 14,070,395.00	\$ 12,049,806.00	\$ 10,420,412.00

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 10,130,369.00	\$ 12,049,806.00	\$ 14,502,776.00

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the Comprehensive Annual Financial Report (CAFR) which is publicly available at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

NOTE 14: 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 report that can be obtained at 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 6.00% of their annual pay during fiscal year 2019. The School District's contractually required contribution rate for the year ended June 30, 2019 was 20.90% of annual School District payroll, of which 20.67% of payroll was required from the School District and 0.23% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$1,376,492.00 and \$14,265.22 from the School District and the State, respectively.

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 \$15.00, 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.

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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. The current fiscal year contribution was \$49,730.00.

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

At June 30, 2019, the School District reported a liability of \$11,434,094.00 for its proportionate share of the net pension liability for TRS.

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	\$	11,434,094.00
State of Georgia's proportionate share of the net pension liability associated with the School District		108,589.00
Total	\$	11,542,683.00

The net pension liability for TRS was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 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, 2018.

At June 30, 2018, the School District's TRS proportion was 0.061599%, which was a decrease of 0.003464% from its proportion measured as of June 30, 2017.

At June 30, 2019, 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 \$235,098.00.

The PSERS net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 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, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$752,865.00 for TRS and \$54,434.00 for PSERS and revenue of \$22,355.00 for TRS and \$54,434.00 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.

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At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 756,953.00	\$ 23,566.00
Changes of assumptions	172,536.00	-
Net difference between projected and actual earnings on pension plan investments	-	312,630.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	235,714.00	873,422.00
School District contributions subsequent to the measurement date	1,376,492.00	-
Total	\$ 2,541,695.00	\$ 1,209,618.00

The School District contributions subsequent to the measurement date of \$1,376,492.00 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, 2020. 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
2020	\$ 259,489.00
2021	\$ 172,982.00
2022	\$ (358,228.00)
2023	\$ (117,451.00)
2024	\$ (1,207.00)

Actuarial assumptions: The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	2.75%
Salary increases	3.25% – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries'

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projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Public School Employees Retirement System:

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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:

Asset class	TRS Target allocation	PSERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	-	5.00%	10.50%
Total	<u>100.00%</u>	<u>100.00%</u>	

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

Discount Rate: The discount rate used to measure the total TRS pension liability was 7.50%. The discount rate used to measure the total PSERS pension liability was 7.30%. 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 and PSERS pension plan's fiduciary net position

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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:

Teachers Retirement System:	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
School District's proportionate share of the net pension liability	\$ 19,086,777.00	\$ 11,434,094.00	\$ 5,127,894.00

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 publicly available at www.trsga.com/publications and <http://www.ers.ga.gov/formspubs/formspubs.html>.

NOTE 15: SUBSEQUENT EVENTS

In December 2019, a strain of coronavirus (COVID-19) began to spread worldwide, resulting in a severe impact to the United States economy in March 2020. The spread of COVID-19 has had a negative impact on virtually all businesses and individuals which comprise the tax base of all levels of government. The extent of this impact is uncertain but is expected to have negative results on financial operations, however the impact cannot be reasonably estimated at this time.

In September 2019, a \$1,200,000.00 line of credit was established with South Georgia Banking. No draws have been made on this line of credit.

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DOOLY 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 payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.061599%	\$ 11,434,094.00	\$ 108,589.00	\$ 11,542,683.00	\$ 7,414,566.37	154.21%	80.27%
2018	0.065063%	\$ 12,092,159.00	\$ 100,175.00	\$ 12,192,334.00	\$ 7,630,230.41	158.48%	79.33%
2017	0.062819%	\$ 12,960,260.00	\$ 154,733.00	\$ 13,114,993.00	\$ 7,074,419.20	183.20%	76.06%
2016	0.064350%	\$ 9,795,887.00	\$ 135,037.00	\$ 9,930,924.00	\$ 6,800,258.94	144.05%	81.44%
2015	0.069296%	\$ 8,754,636.00	\$ 30,826.00	\$ 8,785,462.00	\$ 7,069,568.40	123.84%	84.03%

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

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 payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.00%	\$ -	\$ 235,089.00	\$ 235,089.00	\$ 604,723.51	N/A	85.26%
2018	0.00%	\$ -	\$ 245,057.00	\$ 245,057.00	\$ 702,300.05	N/A	85.69%
2017	0.00%	\$ -	\$ 346,042.00	\$ 346,042.00	\$ 710,915.26	N/A	81.00%
2016	0.00%	\$ -	\$ 221,931.00	\$ 221,931.00	\$ 547,942.61	N/A	87.00%
2015	0.00%	\$ -	\$ 164,743.00	\$ 164,743.00	\$ 523,971.52	N/A	88.29%

DOOLY COUNTY BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 SCHOOL OPEB FUND
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "3"

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.094808%	\$ 12,049,806.00	\$ -	\$ 12,049,806.00	\$ 7,122,303.56	169.18%	2.93%
2018	0.090151%	\$ 12,666,179.00	\$ -	\$ 12,666,179.00	\$ 7,939,924.15	159.53%	1.61%

DOOLY 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 payroll	Contributions as a percentage of covered payroll
2019	\$ 1,376,492.00	\$ 1,376,492.00	\$ -	\$ 6,659,401.24	20.67%
2018	\$ 1,267,469.79	\$ 1,267,469.79	\$ -	\$ 7,414,566.37	17.09%
2017	\$ 1,079,921.18	\$ 1,079,921.18	\$ -	\$ 7,630,230.41	14.15%
2016	\$ 997,140.18	\$ 997,140.18	\$ -	\$ 7,074,419.20	14.10%
2015	\$ 894,234.05	\$ 894,234.05	\$ -	\$ 6,800,258.94	13.15%
2014	\$ 868,143.00	\$ 868,143.00	\$ -	\$ 7,069,568.40	12.28%

DOOLY COUNTY BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 SCHOOL OPED FUND
 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	Contributions as a percentage of covered- employee payroll
2019	\$ 435,468.00	\$ 435,468.00	\$ -	\$ 6,140,660.08	7.09%
2018	\$ 491,385.00	\$ 491,385.00	\$ -	\$ 7,122,303.56	6.90%

Teachers Retirement System

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

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.

Public School Employees Retirement System

Changes of assumptions: On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date.

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

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.

School OPEB Fund

Changes of benefit terms: There have been no changes in benefit terms.

Changes of assumptions: June 30, 2017 valuation: the June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are now assigned to the State OPEB fund based on their last employer payroll location: irrespective of retirement affiliation.

The discount rate was updated from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

DOOLY COUNTY BOARD OF EDUCATION
 GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2019

SCHEDULE "7"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
REVENUES				
Property Taxes	\$ 5,064,070.00	\$ 5,064,070.00	\$ 5,075,047.82	\$ 10,977.82
Sales Taxes	43,460.00	43,460.00	33,077.62	(10,382.38)
State Funds	7,390,363.00	7,390,363.00	7,771,654.42	381,291.42
Federal Funds	2,752,072.00	2,752,072.00	2,222,905.91	(529,166.09)
Charges for Services	22,500.00	22,500.00	161,743.06	139,243.06
Investment Earnings	1,293.00	1,293.00	2,356.53	1,063.53
Miscellaneous	138,548.00	138,548.00	265,677.83	127,129.83
Total Revenues	15,412,306.00	15,412,306.00	15,532,463.19	120,157.19
EXPENDITURES				
Current				
Instruction	8,356,111.00	9,477,076.00	8,318,051.94	1,159,024.06
Support Services				
Pupil Services	357,395.00	455,566.00	433,641.74	21,924.26
Improvement of Instructional Services	1,035,144.00	1,010,887.00	609,560.07	401,326.93
Educational Media Services	269,237.00	269,237.00	242,569.42	26,667.58
General Administration	665,337.00	667,037.00	572,194.94	94,842.06
School Administration	1,083,093.00	1,073,093.00	996,704.11	76,388.89
Business Administration	221,115.00	221,115.00	215,790.95	5,324.05
Maintenance and Operation of Plant	1,139,236.00	1,130,236.00	1,196,783.81	(66,547.81)
Student Transportation Services	809,555.00	876,480.00	907,983.26	(31,503.26)
Central Support Services	150,101.00	152,654.00	159,763.91	(7,109.91)
Other Support Services	13,750.00	54,250.00	38,402.39	15,847.61
Enterprise Operations	-	-	231,211.51	(231,211.51)
Food Services Operation	1,298,900.00	-	-	-
Debt Service	-	1,302,100.00	1,131,935.16	170,164.84
Total Expenditures	15,398,974.00	16,689,731.00	15,054,593.21	1,635,137.79
Excess of Revenues over (under) Expenditures	13,332.00	(1,277,425.00)	477,869.98	1,755,294.98
OTHER FINANCING SOURCES (USES)				
Operating Transfers from Other Funds	400.00	400.00	-	(400.00)
Operating Transfers to Other Funds	-	-	(235.67)	(235.67)
Total Other Financing Sources (Uses)	400.00	400.00	(235.67)	(635.67)
Net Change in Fund Balances	13,732.00	(1,277,025.00)	477,634.31	1,754,659.31
Fund Balances - Beginning	1,432,782.31	1,432,782.31	1,424,721.31	(8,061.00)
Adjustments	77,546.62	(140,264.73)	-	140,264.73
Fund Balances - Ending	\$ 1,524,060.93	\$ 15,492.58	\$ 1,902,355.62	\$ 1,886,863.04

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 \$237,077.54 and \$253,707.65, 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.

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

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	195GA324N1099	\$ 323,251.28
National School Lunch Program	10.555	195GA324N1100	764,915.72
Total Child Nutrition Cluster			1,088,167.00
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
School Food Authority Commercial Warehouse Storage and Delivery	10.560	16165GA350N8103	749.43
Total U. S. Department of Agriculture			1,088,916.43
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A180073	281,074.53
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A180010	21,222.91
Education for Homeless Children and Youth	84.196	S196A18011	2,777.73
English Language Acquisition State Grants	84.365	S365A180010	2,689.50
Migrant Education - State Grant Program	84.011	S011A180011	14,462.59
Rural Education	84.358	S365B180010	6,407.16
Striving Readers	84.371	S371C170002	269,724.09
Student Support and Academic Enrichment Program	84.424A	S424A180011	23,507.61
Supporting Effective Instruction State Grants	84.367	S367A180001	46,843.13
Title I Grants to Local Educational Agencies	84.010	S010A180010	733,818.40
Total Other Programs			1,121,453.12
Total U. S. Department of Education			1,402,527.65
Health and Human Services, U. S. Department of			
Child Care and Development Fund Cluster			
Pass-Through From Bright From the Start			
Georgia Department of Early Care and Learning			
Child Care and Development Block Grant	93.575		24,300.00
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		70,309.54
Total Expenditures of Federal Awards			\$ 2,586,053.62

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 Dooly County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2019. 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 position 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

See notes to the basic financial statements.

DOOLY COUNTY BOARD OF EDUCATION
 SCHEDULE OF STATE REVENUE
 YEAR ENDED JUNE 30, 2019

SCHEDULE "9"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 393,094.05	\$ -	\$ 393,094.05
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	345,671.00	-	345,671.00
Kindergarten Program - Early Intervention Program	64,253.00	-	64,253.00
Primary Grades (1-3) Program	1,018,878.00	-	1,018,878.00
Primary Grades - Early Intervention (1-3) Program	131,640.00	-	131,640.00
Upper Elementary Grades (4-5) Program	531,264.00	-	531,264.00
Upper Elementary Grades - Early Intervention (4-5) Program	129,130.00	-	129,130.00
Middle School (6-8) Program	857,368.00	-	857,368.00
High School General Education (9-12) Program	690,504.00	-	690,504.00
Vocational Laboratory (9-12) Program	280,632.00	-	280,632.00
Students with Disabilities	511,374.00	-	511,374.00
Gifted Student - Category VI	29,204.00	-	29,204.00
Remedial Education Program	95,141.00	-	95,141.00
Alternative Education Program	61,742.00	-	61,742.00
English Speakers of Other Languages (ESOL)	105,450.00	-	105,450.00
Media Center Program	141,002.00	-	141,002.00
20 Days Additional Instruction	46,383.00	-	46,383.00
Staff and Professional Development	20,157.00	-	20,157.00
Principal Staff and Professional Development	1,001.00	-	1,001.00
Indirect Cost			
Central Administration	331,872.00	-	331,872.00
School Administration	454,201.00	-	454,201.00
Facility Maintenance and Operations	287,952.00	-	287,952.00
Mid-term Adjustment Hold-Harmless	46,345.00	-	46,345.00
Amended Formula Adjustment	(74,655.00)	-	(74,655.00)
Categorical Grants			
Pupil Transportation			
Regular	334,203.00	-	334,203.00
Nursing Services	45,000.00	-	45,000.00
Sparsity	66,286.00	-	66,286.00
Other State Programs			
Agriculture Construction Related Equipment - State Bonds	196,588.00	-	196,588.00
CTO - Summer Plan Development	3,252.94	-	3,252.94
Food Services	24,772.00	-	24,772.00
Math and Science Supplements	18,191.64	-	18,191.64
School Safety Grant	33,087.00	-	33,087.00
Teachers Retirement	14,265.22	-	14,265.22
Vocational Construction Related Equipment - State Bonds	313,414.93	-	313,414.93
Vocational Education	130,866.97	-	130,866.97
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects	-	1,476,563.40	1,476,563.40
Governor's Office of Student Achievement			
GRASP Counselor Grant	42,393.67	-	42,393.67
Office of the State Treasurer			
Public School Employees Retirement	49,730.00	-	49,730.00
	\$ 7,771,654.42	\$ 1,476,563.40	\$ 9,248,217.82

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DOOLY COUNTY BOARD OF EDUCATION
 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
 YEAR ENDED JUNE 30, 2019

SCHEDULE "10"

PROJECTS	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 IV (2014)							
PROJECTS							
1 To provide funds to pay or to be applied toward the cost of making certain lease-purchase payments in connection with the construction and renovation of certain improvements at Dooly County High School;	\$ 2,100,000.00	\$ 1,100,000.00	\$ 231,661.42	\$ 521,114.25	-	-	6/30/2020
2 To provide funds to pay or to be applied toward the cost of constructing additional classrooms at existing educational facilities;	1,400,000.00	-	-	-	-	-	6/30/2020
3 To provide funds to pay or to be applied toward the cost of improving existing educational facilities, including making energy management upgrades, purchasing equipment and upgrading athletic facilities;	550,000.00	195,000.00	-	192,521.74	-	-	6/30/2020
4 To provide funds to pay or to be applied toward the cost of acquiring and upgrading system-wide instructional and administrative technology, including reimbursements for purchased instructional and administrative technology;	550,000.00	140,000.00	8,897.00	128,899.30	-	-	6/30/2020
5 To provide funds to pay or to be applied toward the cost of purchasing safety and security equipment;	125,000.00	164,801.75	21,275.75	143,526.00	-	-	6/30/2020
6 To provide funds to pay or to be applied toward the cost of purchasing textbooks and furnishing;	600,000.00	200,000.00	17,079.72	163,337.83	-	-	6/30/2020
7 To provide funds to pay or to be applied toward the cost of purchasing vocational, fine arts, physical education and athletic equipment;	200,000.00	8,000.00	7,342.15	-	-	-	6/30/2020
8 To provide funds to pay or to be applied toward the cost of purchasing school buses, maintenance vehicles and equipment, including but not limited to, purchasing maintenance equipment for athletic fields;	1,250,000.00	800,000.00	772,550.80	3,500.00	-	-	6/30/2020
9 To provide funds to pay or to be applied toward the cost of purchasing band and athletic uniforms and equipment;	50,000.00	50,000.00	13,913.56	15,669.53	-	-	6/30/2020
10 To provide funds to pay or to be applied toward the cost of repairing HVAC and roofing of existing facilities;	175,000.00	5,017,971.71	2,415,432.09	2,602,539.62	-	-	6/30/2020
11 To provide funds to pay or to be applied toward the cost of and acquiring any property necessary or desirable therefor, both real and personal.	500,000.00	1,690.00	-	1,690.00	-	-	6/30/2020
12 To pay capitalized interest and the cost of issuing debt.	-	250,000.00	21,069.50	197,157.05	-	-	6/30/2020
	<u>\$ 7,500,000.00</u>	<u>\$ 7,927,463.46</u>	<u>\$ 3,509,221.99</u>	<u>\$ 3,969,955.32</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 project. Includes all cost from project inception to completion.
- (3) The voters of Dooly 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.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
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
Dooly County Board of Education

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dooly County Board of Education (School District), as of and for the year ended June 30, 2019, 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 October 22, 2020.

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 have not been 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 a significant deficiency.

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 2019-001, 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 deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item FS 2019-002, to be a significant deficiency.

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.

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,



Greg S. Griffin
State Auditor

October 22, 2020



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

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

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

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
Dooly County Board of Education

Report on Compliance for Each Major Federal Program

We have audited the Dooly County Board of Education (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, 2019. 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.

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies (CFDA 84.010) and Child Nutrition Cluster (CFDA 10.553 and CFDA 10.555)

As described in the accompanying *Schedule of Findings and Questioned Costs*, the School District did not comply with requirements regarding Title I Grants to Local Educational Agencies (CFDA 84.010) as described in items FA 2019-003, FA 2019-004 and FA 2019-005 for Equipment and Real Property Management, Procurement and Suspension and Debarment, and Special Tests and Provisions, and Child Nutrition Cluster (CFDA 10.553 and CFDA 10.555) as described in items FA 2019-003 and FA 2019-004 for Equipment and Real Property Management and Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to those programs.

Qualified Opinion on Title I Grants to Local Educational Agencies (CFDA 84.010) and Child Nutrition Cluster (CFDA 10.553 and CFDA 10.555)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies (CFDA 84.010) and the Child Nutrition Cluster (CFDA 10.553 and CFDA 10.555) for the year ended June 30, 2019.

Other Matters

The School District's response to the noncompliance 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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.

We consider the deficiencies) in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as items FA 2019-003, FA 2019-004 and FA 2019-005, to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as items FA 2019-001 and FA 2019-002, to be significant deficiencies.

The School District's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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

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

October 22, 2020

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

DOOLY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Procedures are being implemented to ensure all expenditures and journal entries reflect evidence of review and contain supporting documentation in fiscal year 2020.

FA 2018-002	<u>Improve Controls over Equipment</u>
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Numbers and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Numbers:	18185GA324N1099, 18185GA324N1100
Questioned Costs:	None Identified
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A170010
Questioned Costs:	None Identified

Finding Status: Unresolved

Procedures are being implemented to strengthen controls over equipment to ensure that the records are complete and accurate in fiscal year 2020.

FA 2018-003	<u>Improve Controls over Procurement and Suspension and Debarment</u>
Compliance Requirement:	Procurement and Suspension and Debarment
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Numbers and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Numbers:	18185GA324N1099, 18185GA324N1100
Questioned Costs:	\$17,464.15
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A170010
Questioned Costs:	\$68,947.77

Finding Status: Unresolved

Procedures are being implemented to ensure all expenditures follow procurement policy and retain supporting documentation in fiscal year 2020.

DOOLY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2018-004	<u>Strengthen Controls over Consultation with Private School Officials</u>
Compliance Requirement:	Special Tests and Provisions
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:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A170010
Questioned Costs:	None Identified
Finding Status:	Unresolved

Procedures are being implemented to ensure management will document consultation with private school officials in fiscal year 2020.

SECTION IV

FINDINGS AND QUESTIONED COSTS

DOOLY COUNTY BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2019

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:
 Governmental Activities; General Fund; Capital Projects Fund; Debt
 Service 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 weaknesses identified? Yes
- Significant deficiencies identified? Yes

Type of auditor's report issued on compliance for major programs:
 All major programs. Qualified

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 84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? No

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

General Ledger

- Our review of fourteen journal entries revealed the following deficiencies:
 - Fourteen journal entries did not have evidence of the preparer.
 - One journal entry lacked evidence of reviewer.
 - Two journal entries lacked supporting documentation.

Capital Assets

- The School District did not properly remove servers from the capital asset listing. The cost of these servers was \$605,410.00 and the related accumulated depreciation totaled \$605,410.00.
- The School District incorrectly capitalized \$27,900.00 of equipment that was not received until fiscal year 2020.
- The School District did not properly remove one vehicle from the capital asset listing. The cost of the vehicle was \$24,534.00 and the related accumulate depreciation totaled \$20,851.00.

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 due to lack of experience and training.

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 functions. Management should ensure that proper separation of duties exists. In the case when management determines that separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring that transactions are properly processed and reported.

Views of Responsible Officials:

We concur with this finding.

FS 2019-002

Control Categories:

[Internal Control Procedures over School Activity Accounts](#)

Revenues/Receivables/Receipts

Funds Held for Others

General Ledger

Internal Control Impact:

Significant Deficiency

Compliance Impact:

None

Repeat of Prior Year Finding:

FS 2018-002, FS 2017-002, FS 2016-002, FS 2015-002

Description:

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

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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:

Revenues/Receivables/Receipts

- The key accounting functions of receipt preparation, record keeping and bank reconciliation were not adequately separated.
- Our examination of ten receipts revealed the following:
 - Five receipts did not include adequate documentation to support amounts for concession stand usage, items sold or a tally of the ending currency balance.
 - Two receipts were not deposited within five business days.

Funds Held for Others

- One school activity account was misclassified as governmental funds rather than agency funds, and one school activity account was misclassified as agency funds rather than governmental funds.

General Ledger

- The School District did not properly record the financial activity related to the school activity accounts in fiscal year 2016 and fiscal year 2017. As a result, the School District overstated the revenue and receipt amounts in the governmental funds and agency funds in fiscal year 2018 to correct the account balances. However, the School District failed to correct the balances in the prior year and undocumented correcting adjustments in the amounts of \$507.87 and \$2,067.76 were made to the school activity governmental funds and school activity agency funds, respectively.

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.

Recommendation:

The School District should establish control procedures to ensure that the key accounting functions of receipt preparation, bank reconciliation and record keeping are separated. In the case when management determines separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring transactions are properly processed and reported. In addition, the School District should implement procedures to ensure that receipts are adequately documented and recorded in the financial statements. The School District should also establish a monitoring process to provide reasonable assurance that transactions are processed according to established procedures.

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials:
We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2019-001	<u>Improve Controls over Expenditures and Journal Entries</u>
Compliance Requirements:	Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Performance
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A180010
Questioned Costs:	\$6,805.00
Repeat of Prior Year Findings:	FA 2018-001, FA 2017-001, FA 2016-002

Description:

A review of expenditures and journal entries related to the Title I Grants to Local Educational Agencies program revealed that the School District's internal control procedures were not operating appropriately to ensure that expenditures and journal entries were reviewed, approved and documented.

Criteria:

2 CFR 200.403 prescribes the factors affecting allowability of costs and states in part that "costs must meet the following general criteria in order to be allowable under Federal awards: (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles... (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity... (g) Be adequately documented..."

In addition, 2 CFR 200.303(a) states in part that the "non-Federal must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award... (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards."

Condition:

A sample of 65 Title I Grants to Local Educational Agencies program expenditures was selected for testing using a non-statistical sampling approach. These expenditures were reviewed to determine if appropriate internal controls were implemented and applicable compliance requirements were met. The following deficiencies were noted:

- For two expenditures, purchase orders and documentation supporting the receipt of items purchased were not reflected within the voucher package.
- Three expenditures were unallowable based upon a review of the Consolidated Application.
- For two expenditures, evidence of review and approval was not reflected within the voucher package.

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

In addition, a sample of four Title I Grants to Local Educational Agencies program journal entries was randomly selected for testing using a non-statistical sampling approach to determine if the activity was related to the appropriate period of performance. None of the journal entries had appropriate evidence of who prepared the entry to ensure proper separation of duties between preparation and approval.

Questioned Costs:

Questioned costs of \$6,805.00 were identified for individually significant expenditures and deemed to be unallowable.

Cause:

In discussing this deficiency with the School District, they stated these issues were a result of a turnover within the Central Office.

Effect or Potential Effect:

Failure to ensure that expenditures and journal entries are reviewed, approved and documented exposes the School District to unnecessary risk of error and misuse of Federal Funds. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:

The School District should review current internal control procedures related to Title I Grants to Local Educational Agencies expenditures and journal entries. Where vulnerable, the School District should develop and/or modify its policies and procedures to ensure that all expenditures and journal entries reflect evidence of review for associated compliance requirements and contain appropriate supporting documentation. Furthermore, management should develop and implement a monitoring process to ensure that controls are operating appropriately.

Views of Responsible Officials:

We concur with this finding.

FA 2019-002	<u>Strengthen Controls over Employee Compensation</u>
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Numbers:	195GA324N1099, 195GA324N1100
Questioned Costs:	\$24,433.92
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A180010
Questioned Costs:	\$10,712.65

Description:

The policies and procedures of the School District were insufficient to provide adequate internal controls over the employee compensation process as it relates to the Child Nutrition Cluster and Title I Grants to Local Educational Agencies program.

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Criteria:

2 CFR section 200.430(i) states in part that “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity...”

In addition, 2 CFR 200.303(a) states in part that the “non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award... (c) Evaluate and monitor the non-Federal entity’s compliance with statutes, regulations and the terms and conditions of Federal awards.”

Condition:

Random samples of seven Child Nutrition Cluster employees and six Title I Grants to Local Educational Agencies employees were selected for testing using a non-statistical sampling approach. These employees were reviewed to determine if internal controls were properly functioning and applicable compliance requirements were met. The following deficiencies were noted:

Child Nutrition Cluster:

- One employee did not have a personnel activity report on file for July 2018 and August 2018.
- One employee’s personnel activity report was missing detail of activities.
- One employee did not have a semi-annual certification on file for the period of January 2019 through May 2019.

Title I Grants to Local Educational Agencies

- One split funded employee did not have a personnel activity report on file for fiscal year 2019.
- One split funded employee did not have a portion of their personnel activity report completed for the month of June 2019.
- One employee’s semi-annual certification for June 1, 2018 through December 31, 2018 was not properly approved by a supervisor.

Questioned Cost:

Questioned costs of \$24,433.92 for Child Nutrition Cluster and \$10,712.65 for Title I Grants to Local Educational Agencies were identified for individually significant employees and deemed to be unsupported salary payments.

Cause:

In discussing the deficiency with the School District, they stated that this issue was a result of the turnover in the federal programs and the School District’s failure to maintain time and attendance records.

Effect or Potential Effect:

Failure to pay employees of the Child Nutrition Cluster and Title I Grants to Local Educational Agencies program the appropriate amount and/or maintain documentation supporting these payments could result in the expenditure of funds for unallowable purposes. This may also expose the School District to unnecessary financial strains and shortages within the Child Nutrition Cluster and Title I Grants to Local Educational Agencies program funds. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

The School District should evaluate their internal control processes regarding the retention of documentation to support employee compensation payments to ensure that Child Nutrition Cluster and Title I Grants to Local Educational Agencies program employees are paid appropriately. Furthermore, management should develop and implement a monitoring process to ensure that these procedures are operating appropriately.

Views of Responsible Officials:

We concur with this finding.

FA 2019-003	<u>Improve Controls over Equipment</u>
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Numbers and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Numbers:	195GA324N1099, 195GA324N1100
Questioned Costs:	None Identified
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A180010
Questioned Costs:	None Identified
Repeat of Prior Year Findings:	FA 2018-002, FA 2017-004

Description:

The policies and procedures of the School District were insufficient to provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster and the Title I Grants to Local Educational Agencies program.

Criteria:

2 CFR 200.313(d)(1) states, "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property." In addition, 2 CFR 200.313(d)(2) states, "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

Condition:

The following deficiencies were noted when reviewing the Child Nutrition Cluster and the Title I Grants to Local Educational Agencies program equipment listings and physically locating equipment items:

- Property records did not include the following required components for Child Nutrition Cluster equipment items: (1) Percentage of Federal participation in the project costs for the Federal award under which the property was acquired, (2) the source of funding for the property (including the FAIN), (3) who holds title, and (4) condition of property.

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- There was no evidence that a physical inventory had been performed in either the current year or the previous year.
- The School District could not provide a current year Title I equipment listing.

Cause:

In discussing this deficiency with the School District, they stated these issues were a result of turnover within the Central Office.

Effect or Potential Effect:

Failure to maintain a complete and accurate equipment listing and reconcile results of the physical inventory performed to the property records exposes the School District to unnecessary risk of error and misuse of equipment and/or Federal funds. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:

The School District should develop and maintain equipment listings that reflect all required information, including a description, an identifying number, the source of funding, the title holder, the acquisition date, the cost, the percentage of Federal participation in the project costs, the location, the use and condition, and any ultimate disposal data for each piece of equipment. In addition, management should implement controls to ensure that a complete physical inventory of equipment is performed for every Federal program, and the results are reconciled back to the equipment listings at least once every two years.

Views of Responsible Officials:

We concur with this finding.

FA 2019-004	<u>Improve Controls over Procurement and Suspension and Debarment</u>
Compliance Requirement:	Procurement and Suspension and Debarment
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Numbers and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Numbers:	195GA324N1099, 195GA324N1100
Questioned Costs:	\$31,692.83
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A180010
Questioned Costs:	\$65,055.09
Repeat of Prior Year Findings:	FA 2018-003, FA 2017-001

Description:

The policies and procedures of the School District did not provide adequate internal controls over procurement and suspension and debarment as it relates to the Child Nutrition Cluster and Title I Grants to Local Educational Agencies program.

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Criteria:

2 CFR 200.318(a) states in part that the non-Federal entity must “use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law.” 2 CFR 200.318(b) states in part that the Non-Federal entity “must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts.” In addition, provisions included in 2 CFR 200.320(b) provide guidance for procurement through small purchase procedures and state, “If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.”

2 CFR 180.300 states in part that the non-Federal entity must “verify that the entity with whom you intend to do business is not excluded or disqualified. You can do this by: (a) Checking System for Awards Management (SAM) exclusions; or (b) Collecting a certification from the entity; or (c) Adding a clause or condition to the covered transaction with the entity.”

Condition:

Samples of 74 Child Nutrition Cluster and 47 Title I program procurement transactions were randomly selected for testing using a non-statistical sampling approach. These transactions were reviewed to determine if appropriate internal controls were implemented and applicable procurement compliance requirements were met. The following deficiencies were noted:

- The School District could not provide evidence that an adequate number of rate or price quotations were obtained from qualified sources for 16 Child Nutrition Cluster and 17 Title I procurements that qualified as small purchases according to the Uniform Guidance.
- Five Child Nutrition Cluster and three Title I program procurements did not provide fair and open competition.

In addition, samples of 74 Child Nutrition Cluster and 47 Title I program covered transactions were randomly selected for testing using a non-statistical sampling approach. These transactions were reviewed to determine if appropriate internal controls were implemented and if suspension and debarment compliance requirements were met. The following exceptions were noted:

- Two Title I expenditures did not reflect evidence of preparation and supervisory review for suspension and debarment requirements.
- For one Child Nutrition Cluster vendor, documentation could not be provided to support the School District’s verification that the vendor was not suspended or debarred or otherwise excluded from participating in transactions.

Furthermore, the Child Nutrition Cluster and Title I procurement policies did not address conflict of interest.

Questioned Costs:

Questioned costs of \$31,692.83, with likely questioned costs of \$128,775.94, were identified for Child Nutrition Cluster procurements and \$65,055.09, with likely questioned costs of \$117,273.51 were identified for Title I program procurements that did not follow the School District’s procurement procedures.

Cause:

In discussing this deficiency with the School District, they stated these issues were a result of turnover within the Central Office.

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:

Failure to appropriately implement procedures to address procurement and suspension and debarment compliance requirements exposes the School District to unnecessary risk of error and misuse of Federal funds and could result in the expenditure of Federal funds with unqualified vendors. In addition, this deficiency could lead to the return of grant funds associated with these unallowable expenditures. Furthermore, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:

The School District should evaluate and improve internal control procedures to ensure that required procurement and suspension and debarment documentation is properly identified, safeguarded, and retained. In addition, management should develop a monitoring process to ensure that these procedures are operating appropriately.

Views of Responsible Officials:

We concur with this finding.

FA 2019-005	<u>Strengthen Controls over Consultation with Private School Officials</u>
Compliance Requirement:	Special Tests and Provisions
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:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A180010
Questioned Costs:	None Identified
Repeat of Prior Year Findings:	FA 2018-004, FA 2017-007

Description:

The policies and procedures of the School District were insufficient to provide adequate internal controls over consulting private school officials regarding the participation of private school children in the Title I Grants to Local Educational Agencies program.

Criteria:

34 CFR 200.55(a) states in part that “After timely and meaningful consultation with appropriate officials of private schools, an LEA must (1) ... provide special educational services or other benefits... on an equitable basis and in a timely manner, to eligible children who are enrolled in private elementary and secondary schools.”

In addition, 34 CFR 200.56(a) states in part that “in order to have timely and meaningful consultation, an LEA must consult with the appropriate officials of private schools during the design and development of the LEA’s program for eligible private school children.” More specifically, 34 CFR 200.56(c)(1) states in part that “consultation by the LEA must (i) include meetings of the LEA and appropriate officials of the private schools; and (ii) occur before the LEA makes any decision that affects the opportunity of eligible private school children to participate in Title I programs.”

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:

The School District did not conduct timely and meaningful consultation with private school officials regarding private school children's participation in the Title I Grants to Local Educational Agencies program. The School District was unable to locate any evidence that private school officials were contacted about involvement in the Title I program for the fiscal year under review. Therefore, Title I program services were not offered to eligible private school children appropriately.

Cause:

In discussing this deficiency with the School District, they stated that these issues were a result the Federal Program Director's lack of experience and training.

Effect or Potential Effect:

Failure to conduct appropriate consultations with private school officials regarding participation in the Title I program could lead to the School District's failure to set aside appropriate Title I funding to provide services to eligible private school children. Additionally, the School District is not in compliance with U.S. Department of Education and Georgia Department of Education guidance.

Recommendation:

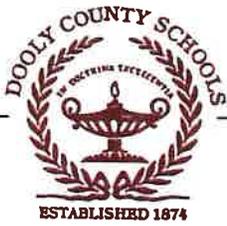
The School District should review current internal control procedures related to consultation with private school officials. Where vulnerable, the School District should develop and/or modify its policies and procedures to ensure that timely and meaningful consultation occurs with private school officials and that services are provided to eligible private school children, as necessary. Furthermore, management should develop and implement a monitoring process to ensure that controls are operating appropriately.

Views of Responsible Officials:

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION



202 Cotton Street
Vienna, Georgia 31092-1598
Phone: (229) 268-4761
Fax: (229) 268-6148

DOOLY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2019

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2019-001
Control Categories: Internal Controls at the Central Office
Cash and Cash Equivalents
Expenditures/Liabilities/Disbursements
Employee Compensation
General Ledger
Capital Assets
Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: FA 2018-001, FS 2017-001, FS 2016-001, FS 2015-001

Description:

The accounting procedures of the School District were insufficient to provide adequate internal controls at the Central Office.

Corrective Action Plans:

We concur. Management will review, design and implement procedures to strengthen the internal controls over the accounting functions and implement compensating controls to ensure transactions are properly processed and reported

Estimated Completion Date: 12/31/2020

Contact Person: Chris Godfrey
Telephone: (229)268-4761
Email: chris.godfrey@dooly.k12.ga.us

FS 2019-002
Control Categories: Internal Control Procedures over School Activity Accounts
Revenues/Receivables/Receipts
Funds Held for Others
General Ledger
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Finding: FS 2018-002, FS 2017-002, FS 2016-002, FS 2015-002

DR. CRAIG LOCKHART
Superintendent

MEMBERS OF THE BOARD
Katrice Taylor, Chairwoman
Cory Jones, Vice Chairman
Michael Bowens
Wanda Parker-Jackson
Thomas Mason, Jr.

DOOLY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2019

Description:

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

Corrective Action Plans:

We concur. Management will design and implement procedures and compensating controls to ensure transactions are properly processed and reported. We will begin this process immediately.

Estimated Completion Date: 12/31/2020

Contact Person: Chris Godfrey

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Email: chris.godfrey@dooly.k12.ga.us

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

FA 2019-001	<u>Improve Controls over Expenditures and Journal Entries</u>
Compliance Requirements:	Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Performance
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A180010
Questioned Costs:	\$6,805.00
Repeat of Prior Year Findings:	FA 2018-001, FA 2017-001, FA 2016-001

Description:

A review of expenditures and journal entries related to the Title I Grants to Local Educational Agencies program revealed that the School District's internal control procedures were not operating appropriately to ensure that expenditures and journal entries were reviewed, approved, and documented.

Corrective Action Plans:

We concur with this finding. Management will design and implement procedures to ensure all expenditures and journal entries reflect evidence of review and contain supporting documentation.

Estimated Completion Date: 12/31/2020

Contact Person: Chris Godfrey

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Email: chris.godfrey@dooly.k12.ga.us

FA 2019-002	<u>Strengthen Controls over Employee Compensation</u>
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance

DOOLY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2019

Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Numbers:	195GA324N1099, 195GA324N1100
Questioned Costs:	\$24,433.92
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A180010
Questioned Costs:	\$10,712.65

Description:

The policies and procedures of the School District were insufficient to provide adequate internal controls over the employee compensation process as it relates to the Child Nutrition Cluster and Title I Grants to Local Educational Agencies program.

Corrective Action Plans:

We concur with this finding. Management will design and implement procedures to ensure there are adequate internal controls over the employee compensation process.

Estimated Completion Date: 12/31/2020

Contact Person: Chris Godfrey
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FA 2019-003	<u>Improve Controls over Equipment</u>
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Numbers and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Numbers:	18185GA324N1099, 18185GA324N1100
Questioned Costs:	None Identified
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A170010
Questioned Costs:	None Identified
Repeat of Prior Year Findings:	FA 2018-002, FA 2017-004

Description:

The policies and procedures of the School District were insufficient to provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster and the Title I Grants to Local Educational Agencies program.

Corrective Action Plans:

We concur with this finding. Management will strengthen controls over equipment to ensure that the records are complete and accurate.

DOOLY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2019

Estimated Completion Date: 12/31/2020

Contact Person: Chris Godfrey
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FA 2019-004	<u>Improve Controls over Procurement and Suspension and Debarment</u>
Compliance Requirement:	Procurement and Suspension and Debarment
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Numbers and Title:	10.553 and 10.55 Child Nutrition Cluster
Federal Award Numbers:	195GA324N1099, 195GA324N1100
Questioned Costs:	\$31,692.83
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A180010
Questioned Costs:	\$65,055.09
Repeat of Prior Year Findings:	FA 2018-003, FA 2017-001

Description:

The policies and procedures of the School District did not provide adequate internal controls over procurement and suspension and debarment as it relates to the Child Nutrition Cluster and Title I Grants to Local Educational Agencies program.

Corrective Action Plans:

We concur with this finding. Management will design and implement procedures to ensure compliance with Federal grant requirements.

Estimated Completion Date: 12/31/2020

Contact Person: Chris Godfrey
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FA 2019-005	<u>Strengthen Controls over Consultation with Private School Officials</u>
Compliance Requirement:	Special Tests and Provisions
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:	84.010 Title I Grants to Local Educational Agencies
Federal Award Number:	S010A180010
Questioned Costs:	None Identified
Repeat of Prior Year Findings:	FA 2018-004, FA 2017-007

DOOLY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2019

Description:

The policies and procedures of the School District were insufficient to provide adequate internal controls over consulting private school officials regarding the participation of private school children in the Title I Grants to Local Educational Agencies program.

Corrective Action Plans:

We concur with this finding. Management will monitor the process related to the consultation with private schools officials.

Estimated Completion Date: 12/31/2020

Contact Person: Chris Godfrey

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Sincerely,



Dr. Craig Lockhart

Superintendent

Dooly County School District