



McDUFFIE

COUNTY SCHOOL DISTRICT

Where Tradition Meets Innovation

**Compliance and Performance Audit
Report for Special Purpose Local
Option Sales Tax Program
For the Fiscal Year Ended
June 30, 2025**

McDuffie County Board of Education

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Dr. Mychele Rhodes, Superintendent and Members of the
McDuffie County Board of Education

Ladies and Gentlemen

We have audited the Special Purpose Local Option Sales Tax (SPLOST) records and operations of the McDuffie County Board of Education (School District) for the year ended June 30, 2025. Management of the School District is responsible for the School District's compliance with the specified requirements. Our responsibility is to determine the School District's compliance with the specified requirements based on our audit objectives.

Audit Summary

Our performance audit of the School District's Special Purpose Local Option Sales Tax (SPLOST) for the fiscal year ended June 30, 2025 found the following:

- The School District has appropriately designed internal control procedures over the SPLOST expenditure transaction cycle and those controls have been placed into operation and are being followed.
- The School District has spent the SPLOST funds in accordance with O.C.G.A. §20-2-491 and the SPLOST resolutions passed on May 24, 2016 and March 16, 2021 by the voters of McDuffie County.

Introduction

Georgia Code Section §20-2-491 requires public school systems to obtain continuing performance audits for expenditure of sales tax for capital outlays if the tax generates \$5 million or more annually. The independent performance audit shall:

1. Include a goal of ensuring, to the maximum extent possible, that the tax funds are expended efficiently and economically so as to ensure that the School District receives maximum benefit from the dollars collected.
2. Provide for issuance of periodic public reports, not less than once annually, with respect to the extent to which tax funds are expended efficiently and economically as described in item 1 above.
3. Provide for issuance of periodic public recommendations, not less than annually for improvements in meeting the goal specified in item 1 above.

The Special Purpose Local Option Sales Tax (SPLOST) is a referendum voted and approved by the McDuffie County voters in which one percent is added to the local sales tax for the purpose of funding building and renovation projects that would otherwise require financing through increased property taxes. SPLOST funds are also available for retiring general obligation bond debts incurred with respect only to capital outlay projects and to issue new general obligation bonds for specific capital outlay projects.

The School District works under the direction of the School Board and its superintendent. Projects selected for SPLOST funding are approved by the School Board. During fiscal years 2016 and 2021, the SPLOST VI and SPLOST VII referendums were passed by the voters of McDuffie County. The maximum amount approved to be raised from the SPLOST VI and SPLOST VII referendums are \$19,000,000.00 and \$22,000,000.00, respectively. SPLOST VI funds will be used for the following purposes as outlined in the referendum:

“(i) acquiring, constructing, furnishing, and equipping new classroom additions at Maxwell Elementary School, Dearing Elementary School, and Norris Elementary School, including necessary furnishings, fixtures, and equipment; (ii) renovating, extending, repairing, and equipping Thomson High School, including auditorium renovations and improvements; (iii) renovating, installing, and repairing school buildings, and support, administrative, and program facilities throughout the School District, including HVAC and lighting upgrades, and installing and repairing flooring and roofing, including at Thomson Elementary School; (iv) improvements to the Thomson-McDuffie Middle School baseball/softball field; (v) acquiring and installing system wide network upgrades (including back-up system upgrades), and instructional and administrative technology; (vi) acquiring school buses, maintenance and public safety vehicles, and/or maintenance, public safety, and transportation equipment; (vii) acquiring learning resources and band equipment; (viii) acquiring land for, and constructing and equipping, a soccer field; and (ix) paying expenses incident to accomplishing the foregoing.”

SPLOST VII will be used for the following purposes as outlined in the referendum:

“(i) acquiring, constructing, furnishing, and equipping a new elementary school to consolidate Maxwell Elementary School and Thomson Elementary School, including necessary furnishings, fixtures, and equipment; (ii) renovating, installing, repairing, furnishing, and equipping school buildings, and support, administrative, and program facilities throughout the School District, including HVAC and lighting upgrades, and installing and repairing flooring and roofing; (iii) acquiring and installing system wide network upgrades (including back-up system upgrades), software, and instructional, administrative, and other technology; (iv) acquiring school buses, maintenance and public safety vehicles, and/or maintenance, public safety, and transportation equipment; (v) acquiring learning resources and band equipment; (vi) acquiring land and carrying out any necessary demolition (collectively, the “Projects”); (vii) paying capitalized interest and/or costs of issuing the Bonds; and ... (a) paying a portion of the principal of and interest on the Bonds.”

Audit Objectives

The overall objective of the performance audit was to evaluate whether the tax funds are expended efficiently and economically so that the School District is receiving the maximum benefit from the dollars collected. The specific audit objectives were:

- Determine whether SPLOST funds were spent in accordance with the SPLOST Resolutions passed on May 24, 2016 and March 16, 2021.
- Provide for the issuance of periodic reports at least annually with respect to the extent to which expenditures are meeting the goals described in O.C.G.A. §20-2-491.
- Provide for the issuance of public recommendations at least annually for improvements in meeting the goals described in O.C.G.A. §20-2-491.
- Determine whether there is an effective means of monitoring program performance within a projected timeline, to evaluate the oversight of the program budget and timeline, and to assess the timely completion of each project.
- Determine whether the School District has adequately implemented procedures to ensure that the design and construction of capital projects are compliant with applicable quality control standards and contract specifications.

- Determine whether management of the School District is following Board approved procurement policies and procedures to ensure to the maximum extent possible that tax funds are expended efficiently and economically.
- Determine whether all SPLOST revenue is properly recorded.

Audit Scope and Methodology

We were engaged to conduct a performance audit of the SPLOST program. The audit focused on the School District's compliance with state and local laws and mandates and the receipts and expenditure of sales tax proceeds for allowable SPLOST purposes. This audit covers the year of the SPLOST program from July 1, 2024 to June 30, 2025. From a listing of disbursements made during the specified time frame, we tested 24 individually significant items totaling \$23,693,579.56. In addition of the remaining population, we sampled 9 out of 81 items totaling \$137,227.40. In total, we tested \$23,830,806.96 or 96% of the total SPLOST disbursements for the audit period.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Planning

Prior to conducting the audit, we determined mutual expectations in performing the engagement and meeting timelines. We discussed policies and procedures, methodologies, and other relevant aspects of the School District's SPLOST program with relevant staff. We requested various schedules from the School District's staff and discussed with them the date the fieldwork was expected to begin.

Preliminary Analytical Review

The preliminary analytical review (PAR) provided direction to our audit approach. In this analysis, we developed expectations related to projects, program documentation, key personnel, program organization, and account balances and relationships among those account balances. During the audit, tests were designed to confirm the expectations developed during our PAR. We also performed a PAR to analyze the laws governing SPLOST funds and to identify in advance the critical audit risk areas.

Risk Assessment

Our audit approach is risk-based, whereby we assess risk for each identified objective. Depending on the risk assessment, we performed substantive or analytical procedures, or a combination of both, to test the related objectives. These assessments were made during the planning process and throughout the engagement.

Understanding the Control Environment and Test Key Controls

We examined the School District's internal controls related to the SPLOST program, focusing on formulating comments and suggestions for improving operations. We used a discussion memorandum format to document the relevant accounting cycles and processes from start to finish. Utilizing our understanding of the control environment, we walked through certain internal controls to provide further support for the audit.

Preparation of a Tailored Audit Program

Based upon preliminary analytical review, control documentation and walk-through procedures, audit programs were designed in order for conclusions to be reached for each audit objective.

Audit Results

Based on the results of our audit, we conclude that the McDuffie County School District's SPLOST program is operating in compliance with all applicable laws and regulations and the referendums approved by the County's citizens. The following are the specific results of our audit:

Objective #1: Determine whether SPLOST funds were spent in accordance with the SPLOST Resolutions passed on May 24, 2016 and March 16, 2021.

Procedures: We obtained a copy of the SPLOST Resolutions as approved by the Board of Education of the School District and the voters of the county. Using a listing of disbursements for the test period, we tested 24 individually significant items and a nonstatistical random sample of 9 of the remaining 81 expenditures in order to ensure that spending of SPLOST funding was compliant with the approved activity in the resolution. We tested each transaction to supporting documentation such as vendor invoices.

Results: We found no exceptions as a result of these procedures.

Objective #2: Provide for the issuance of periodic reports at least annually with respect to the extent to which expenditures are meeting the goals described in O.C.G.A. §20-2-491.

Procedures: The School District did not obtain a SPLOST performance audit in the previous year as it was not required due to receipts not exceeding \$5,000,000 during the year. For the current year, this objective is being met by the publication of this report.

Results: We found no exceptions as a result of these procedures.

Objective #3: Provide for the issuance of public recommendations at least annually for improvements in meeting the goals described in O.C.G.A. §20-2-491.

Procedures: The School District did not obtain a SPLOST performance audit in the previous year as it was not required due to receipts not exceeding \$5,000,000 during the year. For the current year, this objective is being met by the publication of this report.

Results: We found no exceptions as a result of these procedures.

Objective #4: Determine whether there is an effective means of monitoring program performance within a projected timeline, to evaluate the oversight of the program budget and timeline, and to assess the timely completion of each project.

Procedures: We obtained an understanding of the monitoring and budget procedures and how the School District ensures projects are completed within project specifications, timelines, and approved budgets. We reviewed Board minutes, monthly status reports and other presentations to the Board to ensure there was adequate communication between the senior management and the board concerning the financial status of SPLOST funds and the status of ongoing SPLOST projects.

Results: We found no exceptions as a result of these procedures.

Objective #5: Determine whether the School District has adequately implemented procedures to ensure that the design and construction of capital projects are compliant with applicable quality control standards and contract specifications.

Procedures: We obtained an understanding of the Board's procedures to ensure that quality control standards are being met. We tested 24 individually significant items and a nonstatistical random sample of 9 of the remaining 81 expenditures to ensure that construction invoices were signed by the architect to ensure work progressed as indicated and that the quality of work performed is compliant with contract standards.

Results: We found no exceptions as a result of these procedures.

Objective #6: Determine whether management of the School District is following Board approved procurement policies and procedures to ensure to the maximum extent possible that tax funds are expended efficiently and economically.

Procedures: We obtained a copy of the School District's procurement and bid policies, including construction contracts. We tested 24 individually significant items and a nonstatistical random sample of 9 of the remaining 81 expenditures to ensure all policies set in place by the Board are being followed. We also reviewed board minutes for any new construction contracts and obtained bid documentation for any SPLOST-related construction activity to ensure Board policy is being followed.

Results: We found no exceptions as a result of these procedures.

Objective #7: Determine whether all SPLOST revenue is properly recorded.

Procedures: We confirmed with the Georgia Department of Revenue the amounts collected for and remitted to the School District.

Results: We found no exceptions as a result of these procedures.

School District Response: McDuffie County Board of Education agrees with the report.

Communication of Audit Findings and Recommendations

No matters were reported.

Closing

This report is intended solely for the information and use of the Board and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

April 15, 2026