

BALDWIN COUNTY BOARD OF EDUCATION
MILLEDGEVILLE, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018
(Including Independent Auditor's Reports)

BALDWIN COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

March 29, 2019

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
Baldwin County Board of Education

INDEPENDENT AUDITOR'S REPORT

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 Baldwin County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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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, 2018, 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.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2018, the Baldwin County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* as amended by GASB Statement No. 85, *Omnibus 2017*. The School District restated beginning net position for the effect of the GASB Statement No. 75.Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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

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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 March 29, 2019 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,



Greg S. Griffin
State Auditor

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BALDWIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

INTRODUCTION

The discussion and analysis of the Baldwin County Board of Education's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2018 and June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal years 2018 and 2017 are as follows:

- General revenues accounts for $25,145,617 in revenue or 40% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $37,812,486 or 60% of total revenues of $62,958,103.

- The School District had $58,603,345 in expenses related to governmental activities; however, $37,812,486 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of $25,145,617 were adequate to provide for these programs.

- Long-term debt decreased by $87,072 for 2018. This decrease was due to the net change in compensated absences, which increased by $52,549, and unamortized bond premiums, which decreased by $139,621. There were no principal payment towards the 2016 general obligation bonds during 2018.

- The general fund (the primary operating fund), presented on a current financial resource basis, ended the fiscal year with a fund balance of $25,587,897. This is an increase of $2,530,368 from the June 30, 2017 fund balance of $23,057,529.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the government-wide and fund financial statements.

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

The fund financial statements focus on individual parts, reporting the School District's operation in more detail. The governmental funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

The fund financial statements reflect the School District's most significant funds. For the years ending June 30, 2018 and 2017, the general fund, the capital projects fund, and the debt service fund represent the most significant funds.

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

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, are one way to measure the School District's overall financial health or position. Over time, increases or decreases in net position are an indication of whether its financial health is improving or deteriorating. Changes may be the result of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has one distinct type of activity:

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, student activity accounts and various others.

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required by State law and some by bond requirements. The School District's major governmental funds are the general fund, the capital projects fund, and the debt service fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled to the financial statements.

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2018 and 2017.

Table 1
Net Position

	Governmental Activities		
	Fiscal Year 2018	Fiscal Year 2017 (1)	Net Change
Assets			
Current and Other Assets	$ 46,043,134	$ 41,443,997	$ 4,599,137
Capital Assets, Net	89,657,044	90,407,404	(750,360)
Total Assets	135,700,178	131,851,401	3,848,777
Deferred Outflows of Resources			
Related to Defined Benefit Pension Plans	6,999,816	12,043,191	(5,043,375)
Related to OPEB Plan	1,630,829	-	1,630,829
Total Deferred Outflows of Resources	8,630,645	12,043,191	(3,412,546)
Liabilities			
Current and Other Liabilities	6,705,390	6,721,433	(16,043)
Long-Term Liabilities	9,786,814	9,873,886	(87,072)
Net Pension Liability	42,819,046	48,985,782	(6,166,736)
Net OPEB Liability	42,601,726	-	42,601,726
Total Liabilities	101,912,976	65,581,101	36,331,875
Deferred Inflows of Resources			
Related to Defined Benefit Pension Plans	4,240,850	4,137,200	103,650
Related to OPEB Plan	4,587,171	-	4,587,171
Total Deferred Inflows of Resources	8,828,021	4,137,200	4,690,821
Net Position			
Net Investment in Capital Assets	88,174,780	87,968,444	206,336
Restricted	6,521,622	5,890,658	630,964
Unrestricted	(61,106,576)	(19,682,811)	(41,423,765)
Total Net Position	$ 33,589,826	$ 74,176,291	$ (40,586,465)

(1) Fiscal year 2017 balances do not reflect the effects of the Restatement of Net Position. See Note 13 in the Notes to the Basic Financial Statements for additional information.

Total assets and deferred outflows of resources increased by $436,231. This net increase is primarily due to an increase in cash and cash equivalents, a decrease in capital assets from depreciation, asset retirement and sales, and a decrease in deferred outflows related to defined benefit pension plans.

Total liabilities and deferred inflows of resources increased by $41,022,696, which was primarily due to implementation of GASB Statement No. 75 related to accounting for postemployment benefits. The combination of the increase in total assets and deferred outflows of resources and the increase in total liabilities and deferred inflows of resources yielded a decrease in net position of $40,586,465.

Table 2 shows the changes in net position for fiscal years ending June 30, 2018 and June 30, 2017.

Table 2
Change in Net Position

	Governmental Activities		
	Fiscal Year 2018	Fiscal Year 2017	Net Change
Revenues			
Program Revenues:			
Charges for Services	$ 477,935	$ 928,578	$ (450,643)
Operating Grants and Contributions	37,102,792	38,258,758	(1,155,966)
Capital Grants and Contributions	231,760	77,216	154,544
Total Program Revenues	37,812,487	39,264,552	(1,452,065)
General Revenues:			
Taxes			
Property Taxes	17,345,733	16,784,534	561,199
Sales Taxes	6,913,572	6,687,544	226,028
Investment Earnings	342,746	73,225	269,521
Miscellaneous	885,987	909,521	(23,534)
Special Item			
Loss on the Disposition of Property	(342,422)		(342,422)
Total General Revenues and Special Item	25,145,616	24,454,824	690,792
Total Revenues	62,958,103	63,719,376	(761,273)
Program Expenses:			
Instruction	34,233,817	34,572,349	(338,532)
Support Services			
Pupil Services	2,827,015	2,106,035	720,980
Improvement of Instructional Services	2,409,575	2,655,579	(246,004)
Educational Media Services	982,184	1,314,675	(332,491)
General Administration	1,101,030	1,306,922	(205,892)
School Administration	2,999,941	3,035,957	(36,016)
Business Administration	1,056,349	1,021,294	35,055
Maintenance and Operation of Plant	3,817,937	3,908,338	(90,401)
Student Transportation Services	3,489,149	3,185,314	303,835
Central Support Services	259,195	240,133	19,062
Other Support Services	320,182	293,368	26,814
Operations of Non-Instructional Services			
Enterprise Operations	196,191	515,982	(319,791)
Community Services	84,659	66,854	17,805
Food Services	4,679,042	4,484,958	194,084
Interest on Short-Term and Long-Term Debt	147,079	303,408	(156,329)
Total Expenses	58,603,345	59,011,166	(407,821)
Increase/(Decrease) in Net Position	$ 4,354,758	$ 4,708,210	$ (353,452)

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions decreased $1,452,065 for governmental activities. This net decrease is due the change in funding from the state and from federal grants. The most significant driving factor behind the decrease in program revenues is Striving Readers, a federal grant, which ended early in fiscal year 2018. The School District received $1,746,792 less funds from this grant in 2018.

General revenues increased by $690,792 during fiscal year 2018. This is primarily due to an increase of property tax receipts, sales tax revenue, and investment earnings. The School District shifted the bulk of its cash reserves to Georgia Fund 1, a local government investment pool, late in fiscal year 2017. As a result, investment earnings increased by $269,521 during fiscal year 2018.

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
Instruction	$ 34,233,817	$ 34,572,349	$ 7,924,271	$ 8,860,177
Support Services:				
Pupil Services	2,827,015	2,106,035	1,787,000	1,215,041
Improvement of Instructional Services	2,409,575	2,655,579	1,501,053	1,029,467
Educational Media Services	982,184	1,314,675	313,120	184,834
General Administration	1,101,030	1,306,922	235,811	290,289
School Administration	2,999,941	3,035,957	1,817,177	1,851,969
Business Administration	1,056,349	1,021,294	1,052,396	1,018,435
Maintenance and Operation of Plant	3,817,937	3,908,338	2,329,002	2,323,832
Student Transportation Services	3,489,149	3,185,314	2,099,822	2,043,762
Central Support Services	259,195	240,133	255,521	240,133
Other Support Services	320,182	293,368	280,201	252,434
Operations of Non-Instructional Services:				
Enterprise Operations	196,191	515,982	196,191	72,933
Community Services	84,659	66,854	(75,897)	(69,823)
Food Services	4,679,042	4,484,958	928,112	129,724
Interest on Short-Term and Long-Term Debt	147,079	303,408	147,079	303,408
Total Expenses	$ 58,603,345	$ 59,011,166	$ 20,790,859	$ 19,746,615

Although program revenues make up a majority of the funding, the School District is still dependent upon tax revenues for governmental activities. For 2018, 37% of instruction and support activities were supplemented by taxes and other general revenues compared to 36% in 2017.

Expenses decreased $407,821 from the prior year and the net cost of providing services increased $1,044,244. Compared to fiscal year 2017, the combined pension expense for TRS and ERS decreased $749,923. In addition, there was an increase in the amount of uncapitalized, SPLOST V funded expenses in 2018. Uncapitalized, SPLOST V expenditures appear in the Total Cost

of Services and are funded by tax revenues; this results in an increase to the Net Cost of Services. Finally, GASB No. 75 required the School District to record Other Post-Employment Benefits (OPEB) for the first time in fiscal year 2018. The net increase due to OPEB expense was $616,845.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of $63,573,619 and expenditures and other financing uses of $59,022,946. The capital projects fund balance had an overall increase of $2,020,305 due to fewer SPLOST V expenses and better than projected SPLOST V receipts during fiscal year 2018. The general fund balance had an overall increase of $2,530,368. The increase in the general fund for the year is due mostly to unexpended funds budgeted for instruction.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the general fund, funded primarily through state revenue and local property tax revenue. During the course of fiscal years 2018 and 2017, the School District amended its general fund budget as needed.

For the general fund, the final budgeted revenues and other financing sources of $56,589,844 increased from the original budgeted amount of $48,277,163 by $8,312,681. This difference was mainly due to federally funded programs; federal revenues are added to the budget after the consolidated applications are approved. The actual revenue was less than the budgeted amount by $21,857. Additionally, the School District did not include revenues in the final budget for school activity accounts (included in miscellaneous and charges for services).

The final budgeted expenditures and other financial uses of $53,434,614 was more than the original budgeted amount of $50,920,454 by $2,514,160. This difference was mainly due to federally funded programs; federal expenses other than salary and benefits are added to the budget after the consolidated applications are approved. The actual expenditures and other financing uses of $54,299,820 was $865,206 more than budgeted. School activity account expenditures, totaling $669,674 are not budgeted for nor reflected in the original or final budget. In addition, the Board approves critical needs expenditures throughout the year, which are primarily maintenance and fine arts related, to be funded using existing fund balance and are not part of the original or final budget. During fiscal year 2018, the School District's Board approved $297,225 fine arts related expenditures and $418,565 maintenance and facilities expenditures to be funded using fund balance.

CAPITAL ASSETS

At the fiscal years ended June 30, 2018 and June 30, 2017, the School District had $89,657,044 and $90,407,404, respectively, invested in capital assets, net of accumulated depreciation. These assets are made up of a broad range of capital assets, including land; buildings; transportation, food service and maintenance equipment. Table 4 reflects a summary of these balances, by class, net of accumulated depreciation.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017
Land	$ 1,340,480	$ 1,350,480
Construction In Progress	388,687	1,482,247
Building and Improvements	81,627,483	81,562,846
Equipment	2,399,532	1,614,485
Land Improvements	3,900,862	4,397,346
Total	$ 89,657,044	$ 90,407,404

The depreciation and deletions exceeded the additions to capital assets in fiscal year 2018 by $750,360. The net decrease in book value of capital assets is due to many factors. Construction in progress decreased, and building and improvements increased primarily due to the completion of the Lakeview Primary Roof and HVAC project. The net increase to building and improvements also takes into consideration the sale and disposition of Davis Elementary School. The School District added nine buses in 2018 which led to a net increase in the value of equipment. The net decrease to land improvements is attributable to depreciation.

DEBT ADMINISTRATION

At June 30, 2018, the School District had $9,786,814 in total debt outstanding with $139,621 due within one year. Table 5 summarizes bond debt outstanding at June 30, 2018 and 2017.

Table 5
Outstanding Debt and Compensated Absences at June 30

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017
Compensated Absences	$ 333,140	$ 280,591
Unamortized Premium on Bonds	488,674	628,295
General Obligation Bonds	8,965,000	8,965,000
Total	$ 9,786,814	$ 9,873,886

CURRENT ISSUES

Year after year a significant challenge facing the School District is the relative uncertainty regarding how School Districts will be funded moving forward. The General Assembly is in the process of exploring new funding formulas that would likely cement in the austerity reductions received annually and change the way personnel salaries are calculated. It is uncertain at this point what type of financial impact these changes might have on the School District's finances.

Another challenge facing the School District is the rising cost of the Teachers Retirement System (TRS). The employer's contribution for TRS is increasing from 16.81% in fiscal year 2018 to 20.9% in fiscal year 2019. The overall cost to the School District is expected to exceed $4.7 million dollars in fiscal year 2019.

Heading into fiscal year 2019, the School District is prepared to face these challenges head on. The School District is financially stable and has a beginning Unassigned, general fund, fund balance of more than $24.2 million. This reserve will help shield the School District from financial strain caused by increases in TRS obligations, State Health obligations, changes to the State's funding formula, and other unforeseen circumstances.

The School District's strong financial health and an increase in the Baldwin County's net taxable digest enabled the School District to decrease the millage rate from 17.06 in fiscal year 2017 to 15.65 in fiscal year 2018. The net digest for fiscal year 2018 was $1.084 billion, which produced approximately $1,084,000 per mill. Property tax and sales tax are responsible for covering 41% of the School District's costs. It is anticipated that this pressure to provide local monies to meet mandated educational requirements and operational costs will continue.

Fiscal year 2018 saw the completion of the Lakeview Primary Roof and HVAC project. This project provided over 100 new HVAC units district wide. The School District also added nine buses during 2018. In addition to Lakeview Primary Roof and HVAC project, the School District began the High School Athletic Complex Renovations. This project is scheduled to be substantially complete by spring 2019.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Dr. Noris Price, Superintendent
Baldwin County Board of Education,
110 ABC Street N, Milledgeville, Georgia 31061
478-363-2543
noris.price@baldwin.k12.ga.us

BALDWIN COUNTY BOARD OF EDUCATION

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BALDWIN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 39,157,663.56
Investments	24,898.74
Receivables, Net	
Taxes	1,496,186.11
State Government	3,799,671.32
Federal Government	1,221,750.50
Local	18,103.07
Other	80,506.51
Inventories	206,701.03
Prepaid Items	37,652.76
Capital Assets, Non-Depreciable	1,729,166.60
Capital Assets, Depreciable (Net of Accumulated Depreciation)	87,927,877.33
Total Assets	135,700,177.53
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	6,999,815.87
Related to OPEB Plan	1,630,829.00
Total Deferred Outflows of Resources	8,630,644.87
LIABILITIES	
Accounts Payable	237,311.63
Salaries and Benefits Payable	6,205,265.46
Payroll Withholdings Payable	7,976.67
Contracts Payable	219,267.36
Retainages Payable	23,819.17
Deposits and Unearned Revenues	11,749.49
Net Pension Liability	42,819,046.00
Net OPEB Liability	42,601,726.00
Long-Term Liabilities	
Due Within One Year	139,621.15
Due in More Than One Year	9,647,192.70
Total Liabilities	101,912,975.63
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	4,240,850.00
Related to OPEB Plan	4,587,171.00
Total Deferred Inflows of Resources	8,828,021.00
NET POSITION	
Net Investment in Capital Assets	88,174,779.86
Restricted for	
Continuation of Federal Programs	768,318.70
Capital Projects	5,753,303.12
Unrestricted (Deficit)	(61,106,575.91)
Total Net Position	$ 33,589,825.77

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

BALDWIN COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 34,233,816.89	$ 193,625.72
Support Services		
Pupil Services	2,827,014.79	-
Improvement of Instructional Services	2,409,574.61	-
Educational Media Services	982,184.11	-
General Administration	1,101,030.53	-
School Administration	2,999,940.53	-
Business Administration	1,056,348.96	-
Maintenance and Operation of Plant	3,817,936.53	-
Student Transportation Services	3,489,149.44	-
Central Support Services	259,194.84	-
Other Support Services	320,182.44	-
Operations of Non-Instructional Services		
Enterprise Operations	196,191.00	-
Community Services	84,659.46	160,556.00
Food Services	4,679,041.99	123,753.56
Interest on Short-Term and Long-Term Debt	147,078.84	-
Total Governmental Activities	$ 58,603,344.96	$ 477,935.28
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Special Item		
Loss on Sale of Property		
Total General Revenues and Special Item		
Change in Net Position		
Net Position - Beginning of Year - Restated		
Net Position - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
$ 26,115,920.17	$ -	$ (7,924,271.00)
1,040,014.38	-	(1,787,000.41)
908,521.23	-	(1,501,053.38)
669,064.61	-	(313,119.50)
865,219.16	-	(235,811.37)
1,182,763.86	-	(1,817,176.67)
3,952.80	-	(1,052,396.16)
1,488,935.11	-	(2,329,001.42)
1,157,567.91	231,759.58	(2,099,821.95)
3,673.55	-	(255,521.29)
39,981.91	-	(280,200.53)
-	-	(196,191.00)
-	-	75,896.54
3,627,176.91	-	(928,111.52)
-	-	(147,078.84)
$ 37,102,791.60	$ 231,759.58	(20,790,858.50)
		17,317,573.75
		28,159.54
		286,700.00
		6,348,566.78
		278,305.35
		342,746.39
		885,986.84
		(342,422.00)
		25,145,616.65
		4,354,758.15
		29,235,067.62
		$ 33,589,825.77

BALDWIN COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 26,246,550.13	$ 12,911,113.43	$ -	$ 39,157,663.56
Investments	24,898.74	-	-	24,898.74
Receivables, Net				
Taxes	924,853.97	571,332.14	-	1,496,186.11
State Government	3,799,671.32	-	-	3,799,671.32
Federal Government	1,221,750.50	-	-	1,221,750.50
Local	18,103.07	-	-	18,103.07
Other	80,506.51	-	-	80,506.51
Inventories	206,701.03	-	-	206,701.03
Prepaid Items	37,652.76	-	-	37,652.76
Total Assets	$ 32,560,688.03	$ 13,482,445.57	$ -	$ 46,043,133.60
LIABILITIES				
Accounts Payable	$ 233,311.63	$ 4,000.00	$ -	$ 237,311.63
Salaries and Benefits Payable	6,205,265.46	-	-	6,205,265.46
Payroll Withholdings Payable	7,976.67	-	-	7,976.67
Contracts Payable	-	219,267.36	-	219,267.36
Retainages Payable	-	23,819.17	-	23,819.17
Deposits and Unearned Revenue	11,749.49	-	-	11,749.49
Total Liabilities	6,458,303.25	247,086.53	-	6,705,389.78
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	514,487.93	-	-	514,487.93
FUND BALANCES				
Nonspendable	244,353.79	-	-	244,353.79
Restricted	685,700.30	13,235,359.04	-	13,921,059.34
Assigned	419,580.19	-	-	419,580.19
Unassigned	24,238,262.57	-	-	24,238,262.57
Total Fund Balances	25,587,896.85	13,235,359.04	-	38,823,255.89
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 32,560,688.03	$ 13,482,445.57	$ -	$ 46,043,133.60

BALDWIN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")		$ 38,823,255.89
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	$ 1,340,480.00	
Construction in progress	388,686.60	
Buildings and improvements	118,631,936.96	
Equipment	7,760,482.04	
Land improvements	12,416,313.95	
Accumulated depreciation	(50,880,855.62)	89,657,043.93
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	$ (42,819,046.00)	
Net OPEB liability	(42,601,726.00)	(85,420,772.00)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Related to pensions	$ 2,758,965.87	
Related to OPEB	(2,956,342.00)	(197,376.13)
Taxes that are not available to pay for current period expenditures are deferred in the funds.		514,487.93
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	$ (8,965,000.00)	
Compensated absences payable	(333,139.83)	
Unamortized bond premiums	(488,674.02)	(9,786,813.85)
Net position of governmental activities (Exhibit "A")		$ 33,589,825.77

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

BALDWIN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2018

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 17,281,226.06	$ -	$ -	$ 17,281,226.06
Sales Taxes	278,305.35	6,348,566.78	286,700.00	6,913,572.13
State Funds	27,276,659.72	-	-	27,276,659.72
Federal Funds	10,057,198.38	-	-	10,057,198.38
Charges for Services	477,935.28	-	-	477,935.28
Investment Earnings	234,582.00	108,164.39	-	342,746.39
Miscellaneous	962,080.57	-	-	962,080.57
Total Revenues	56,567,987.36	6,456,731.17	286,700.00	63,311,418.53
EXPENDITURES				
Current				
Instruction	31,666,386.48	1,148,074.90	-	32,814,461.38
Support Services				
Pupil Services	2,851,218.74	13,407.57	-	2,864,626.31
Improvement of Instructional Services	2,407,499.00	14,646.07	-	2,422,145.07
Educational Media Services	777,827.92	148,340.23	-	926,168.15
General Administration	1,069,104.01	10,102.53	-	1,079,206.54
School Administration	2,877,305.65	34,528.09	-	2,911,833.74
Business Administration	989,550.51	1,220.51	-	990,771.02
Maintenance and Operation of Plant	3,366,056.57	53,661.61	-	3,419,718.18
Student Transportation Services	3,193,032.50	631,740.01	-	3,824,772.51
Central Support Services	260,895.76	1,220.51	-	262,116.27
Other Support Services	144,045.47	-	-	144,045.47
Enterprise Operations	200,550.11	-	-	200,550.11
Community Services	84,659.46	-	-	84,659.46
Food Services Operation	4,383,312.61	2,441.01	-	4,385,753.62
Capital Outlay	28,375.00	2,377,042.97	-	2,405,417.97
Debt Services				
Dues and Fees	-	-	5,250.00	5,250.00
Interest	-	-	281,450.00	281,450.00
Total Expenditures	54,299,819.79	4,436,426.01	286,700.00	59,022,945.80
Revenues over (under) Expenditures	2,268,167.57	2,020,305.16	-	4,288,472.73
OTHER FINANCING SOURCES				
Sale of Capital Assets	262,200.00	-	-	262,200.00
Net Change in Fund Balances	2,530,367.57	2,020,305.16	-	4,550,672.73
Fund Balances - Beginning	23,057,529.28	11,215,053.88	-	34,272,583.16
Fund Balances - Ending	$ 25,587,896.85	$ 13,235,359.04	$ -	$ 38,823,255.89

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

BALDWIN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2018

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")		$ 4,550,672.73
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	$ 3,328,791.10	
Depreciation expense	(3,398,435.79)	(69,644.69)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position.		(680,715.73)
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		64,507.23
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.		
Costs related to the amortization of the general obligation bond premium		139,621.16
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/OPEB, is reported in the Statement of Activities.		
Pension expense	$ 1,019,711.06	
OPEB expense	(616,845.00)	402,866.06
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.		
Compensated absences		(52,548.61)
Change in net position of governmental activities (Exhibit "B")		$ 4,354,758.15

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

BALDWIN COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 21,080.50
Receivables, Net	
State	15,281.99
Total Assets	$ 36,362.49
LIABILITIES	
Funds Held for Others	$ 36,362.49

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

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Baldwin 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 positon 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 Bond Proceeds 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 type:

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

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities 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 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The adoption of this statement has a significant impact on the School District's financial statements. As noted in the Restatement of Net Position note disclosure, the School District restated beginning net position for the cumulative effect of this accounting change.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of this statement does not have a significant impact on the School District's financial statements.

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.

Supply Inventories

Inventories of consumable supplies and materials are reported on the basic financial statements at cost (weighted average). The School District uses the consumption method to account for inventories of consumable supplies whereby an asset is recorded when supplies are purchased and expenditures are recorded at the time the supplies are consumed.

PREPAID ITEMS

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items, in both the government-wide and governmental fund financial statements.

CAPITAL ASSETS

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at 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		Any Amount	N/A
Land Improvements	$	10,000.00	20 Years
Buildings and Improvements	$	25,000.00	50 to 80 Years
Equipment	$	5,000.00	5 to 15 Years
Intangible Assets	$	550,000.00	3 to 20 Years
Construction in Progress	$	10,000.00	N/A

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.

COMPENSATED ABSENCES

Compensated absences payable consists of vacation leave employees earned based on services already rendered.

Vacation leave of 12 to 18 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 30 days. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal-year end.

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

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 Baldwin County Board of Commissioners adopted the property tax levy for the 2017 tax digest year (calendar year) on August 31, 2017 (levy date) based on property values as of January 1, 2017. Taxes were due on November 15, 2017 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. The Baldwin County Board of Commissioners bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2018, for maintenance and operations amounted to $15,920,996.51.

The tax millage rate levied for the 2017 tax year (calendar year) for the School District was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	15.65 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $1,332,070.01 during fiscal year ended June 30, 2018.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $6,635,266.78 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

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

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of 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.

Any position or expenditure not previously approved in the annual budget that exceeds $25,000.00 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

NOTE 4: DEPOSITS AND CASH EQUIVALENTS

COLLATERALIZATION OF DEPOSITS

O.C.G.A. § 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. § 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance.

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, 2018, the School District had deposits with a carrying amount of $8,200,400.18, and a bank balance of $9,431,513.60. The bank balances insured by Federal depository insurance were $917,309.97 and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District’s name were $881,078.17.

At June 30, 2018, $7,633,125.46 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$	-
Uninsured with collateral held by the pledging financial institution		-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name		7,633,125.45
Total	$	7,633,125.45

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

Cash and cash equivalents		
Statement of Net Position	$	39,157,663.56
Statement of Fiduciary Net Position		21,080.50
Total cash and cash equivalents		39,178,744.06
Add:		
Deposits with original maturity of three months or more reported as investments		24,898.74
Less:		
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		31,003,242.62
Total carrying value of deposits - June 30, 2018	$	8,200,400.18

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of $31,003,242.62 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 AAAf 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, 2018, was 10 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.

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2017	Increases	Decreases	Balances June 30, 2018
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 1,350,480.00	$ -	$ 10,000.00	$ 1,340,480.00
Construction in Progress	1,482,246.94	2,079,645.50	3,173,205.84	388,686.60
Total Capital Assets Not Being Depreciated	2,832,726.94	2,079,645.50	3,183,205.84	1,729,166.60
Capital Assets Being Depreciated				
Buildings and Improvements	117,196,581.83	3,143,075.85	1,707,720.72	118,631,936.96
Equipment	7,367,189.72	1,212,921.08	819,628.76	7,760,482.04
Land Improvements	12,434,601.51	66,354.51	84,642.07	12,416,313.95
Less Accumulated Depreciation for:				
Buildings and Improvements	35,633,736.06	2,439,629.80	1,068,911.69	37,004,454.17
Equipment	5,752,704.41	395,967.71	787,722.05	5,360,950.07
Land Improvements	8,037,255.18	562,838.28	84,642.08	8,515,451.38
Total Capital Assets, Being Depreciated, Net	87,574,677.41	1,023,915.65	670,715.73	87,927,877.33
Governmental Activity Capital Assets - Net	$ 90,407,404.35	$ 3,103,561.15	$ 3,853,921.57	$ 89,657,043.93

Current year depreciation expense by function is as follows:

Instruction		$ 1,848,137.00
Support Services		
Pupil Services	$ 889.50	
Improvements of Instructional Services	22,468.87	
Educational Media Services	55,179.24	
General Administration	21,450.20	
School Administration	120,071.56	
Business Administration	42,950.19	
Maintenance and Operation of Plant	596,267.38	
Student Transportation Services	329,821.83	
Other Support Services	139,138.85	1,328,237.62
Food Services		222,061.17
		$ 3,398,435.79

NOTE 6: LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
General Obligation (G.O.) Bonds	$ 8,965,000.00	$ -	$ -	$ 8,965,000.00	$ -
Unamortized Bond Premiums	628,295.18	-	139,621.16	488,674.02	139,621.15
Compensated Absences(1)	280,591.22	254,585.10	202,036.49	333,139.83	-
	$ 9,873,886.40	$ 254,585.10	$ 341,657.65	$ 9,786,813.85	$ 139,621.15

(1) The portion of compensated absences due within one year has been determined to be immaterial to the basic financial statements.

GENERAL OBLIGATION DEBT OUTSTANDING

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

Of the total amount originally authorized, $9,405,000.00 remains unissued. General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2016	2% - 4%	May 2016	January 2022	$ 8,965,000.00	$ 8,965,000.00

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

	General Obligation Debt		Unamortized Bond
Fiscal Year Ended June 30:	Principal	Interest	Premium
2019	$ -	$ 140,725.00	$ 139,621.15
2020	2,250,000.00	281,450.00	139,621.15
2021	3,215,000.00	236,450.00	139,621.15
2022	3,500,000.00	140,000.00	69,810.57
Total Principal and Interest	$ 8,965,000.00	$ 798,625.00	$ 488,674.02

COMPENSATED ABSENCES

Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the general fund is the fund used to liquidate this long-term debt. The School District uses the vesting method to compute compensated absences.

NOTE 7: RISK MANAGEMENT

INSURANCE

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

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.

Changes in the workers' 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
2017	$ -	$ 49,661.69	$ 49,661.69	$ -
2018	$ -	$ -	$ -	$ -

UNEMPLOYMENT COMPENSATION

The School District is self-insured with regard to unemployment compensation claims. A premium is charged when needed by the general fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims 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
2017	$ -	$ 1,000.00	$ 1,000.00	$ -
2018	$ -	$ -	$ -	$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 250,000.00

NOTE 8: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2018:

Nonspendable		
Inventories	$ 206,701.03	
Prepaid Assets	37,652.76	$ 244,353.79
Restricted		
Continuation of Federal Programs	$ 685,700.30	
Capital Projects	13,235,359.04	13,921,059.34
Assigned		
School Activity Accounts		419,580.19
Unassigned		24,238,262.57
Fund Balance, June 30, 2018		$ 38,823,255.89

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 9: SIGNIFICANT COMMITMENTS

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2018:

Project	Unearned Executed Contracts (1)	Payments through June 30, 2018 (2)
High School Athletic Complex	$ 4,315,530.40	$ 384,686.60

(1) The amounts described are not reflected in the basic financial statements.
(2) Payments include contracts and retainages payable at year end.

OPERATING LEASES

The School District leases copiers under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases(s) totaled $19,644.00 for governmental activities for the year ended June 30, 2018. The following future minimum lease payments were required under operating leases at June 30, 2018:

Year Ending	Governmental Funds
2019	$ 78,576.00
2020	78,576.00
2021	58,932.00
Total	$ 216,084.00

NOTE 10: 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 11: 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 $1,618,369.00 for the year ended June 30, 2018. 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, 2018, the School District reported a liability of $42,601,726 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 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, 2017. At June 30, 2017, the School District's proportion was 0.303216%, which was a decrease of 0.010693% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of $2,235,214. At June 30, 2018, 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
Changes of assumptions	$ -	$ 3,244,013.00
Net difference between projected and actual earnings on OPEB plan investments	12,460.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,343,158.00
School District contributions subsequent to the measurement date	1,618,369.00	-
Total	$ 1,630,829.00	$ 4,587,171.00

School District contributions subsequent to the measurement date of $1,618,369.00 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, 2019. 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
2019	$ (821,917.00)
2020	$ (821,917.00)
2021	$ (821,917.00)
2022	$ (821,917.00)
2023	$ (825,031.00)
2024	$ (462,012.00)

Actuarial assumptions: The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 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, 2017:

OPEB:

Inflation	2.75%
Salary increases	
ERS	3.25% - 7.00%, including inflation
JRS	4.50%, including inflation
LRS	None
TRS	3.25 — 9.00%, including inflation
PSERS	N/A
Long-term expected rate of return	3.88%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.75%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	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 ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years or both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement.
- 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, 2016 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.

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.

Additionally, there was a change that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the School OPEB Fund is based on their current or last employer payroll location. Current and former employees of public school districts, libraries, regional educational service agencies and community colleges are allocated to the School OPEB Fund irrespective of retirement system affiliation. In addition, the discount rate increased from 3.07% to 3.58%.

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 adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Local Government Investment Pool	100.00%	1.13%

* Rate shown is net of the 2.75% assumed rate of inflation.

Discount rate: In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% 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 (3.56% 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 2115. 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 2029. Therefore, the calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the 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 3.58%, as well as what the 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 (2.58%) or 1 percentage-point higher (4.58%) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	$ 50,581,918.00	$ 42,601,726.00	$ 36,303,738.00

Sensitivity of the 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 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
Net OPEB Liability	$ 35,311,977.00	$ 42,601,726.00	$ 52,092,967.00

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 12: 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% of their annual pay during fiscal year 2018. The School District's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual School District payroll, of which 16.68% of payroll was required from the School District and 0.13% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $4,294,783.66 and $31,717.92 from the School District and the State, respectively.

EMPLOYEES' RETIREMENT SYSTEM

Plan description: The Employees' Retirement System of Georgia (ERS) is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the

O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

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

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

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to $4,200.00, plus 6% of annual compensation in excess of $4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's required contribution rate for the year ended June 30, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were $95,188.21 for the current fiscal year.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

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

Upon retirement, the member will receive a monthly benefit of $14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon

termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

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

Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was $97,616.00.

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

At June 30, 2018, the School District reported a liability of $42,819,046.00 for its proportionate share of the net pension liability for TRS ($42,207,978.00) and ERS ($611,068.00).

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

School District's proportionate share of the net pension liability	$	42,207,978.00
State of Georgia's proportionate share of the net pension liability associated with the School District		307,959.00
Total	$	42,515,937.00

The net pension liability for TRS and ERS was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2017.

At June 30, 2017, the School District's TRS proportion was 0.227104%, which was a decrease of 0.007628% from its proportion measured as of June 30, 2016. At June 30, 2017, the School District's ERS proportion was 0.015046%, which was an increase of 0.003251% from its proportion measured as of June 30, 2016.

At June 30, 2018, 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 $461,524.00.

The PSERS net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 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, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of $3,240,013.63 for TRS, $167,259.18 for ERS and $93,015.00 for PSERS and revenue of $37,012.00 for TRS and $93,015.00 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.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,578,838.00	$ 159,288.00	$ 6,696.00	$ 5.00
Changes of assumptions	925,251.00	-	1,391.00	-
Net difference between projected and actual earnings on pension plan investments	-	290,461.00	-	1,522.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	3,789,574.00	97,668.00	-
School District contributions subsequent to the measurement date	4,294,783.66	-	95,188.21	-
Total	$ 6,798,872.66	$ 4,239,323.00	$ 200,943.21	$ 1,527.00

The School District contributions subsequent to the measurement date of $4,294,783.66 for TRS and $95,188.21 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2019	$ (1,693,581.00)	$ 58,833.00
2020	$ 1,071,883.00	$ 55,862.00
2021	$ 326,999.00	$ 6,860.00
2022	$ (1,440,223.00)	$ (17,327.00)
2023	$ (312.00)	$ -

Actuarial assumptions: The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, 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'

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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Employees' Retirement System:

Inflation	2.75%
Salary increases	3.25% - 7.00%, 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 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP- 2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for 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 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. 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, 2016 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	7.50%, 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, 2016 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, ERS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected

rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS Target allocation	ERS/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	100.00%	100.00%	

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

Discount rate: The discount rate used to measure the total TRS, ERS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS, ERS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 69,268,244.00	$ 42,207,978.00	$ 19,916,401.00

Employees' Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 862,493.00	$ 611,068.00	$ 396,596.00

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

NOTE 13: RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2018, the School District made prior period adjustments due to the adoption of GASB Statement No. 75, as described in "New Accounting Pronouncements", which require the restatement of the June 30, 2017, net position in Governmental Activities. The result is a decrease in net position at July 1, 2017 of $44,941,223.00. This change is in accordance with generally accepted accounting procedures.

Net Position, July 1, 2017 as previously reported	$	74,176,290.62
Prior Period Adjustment - Implementation of GASB No. 75: Net OPEB Liability (measurement date)		(46,522,211.00)
Deferred Outflows - School District's Contributions made during fiscal year 2017		1,580,988.00
Net Position, July 1, 2017, as restated	$	29,235,067.62

NOTE 14: TAX ABATEMENTS

Baldwin County enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to Baldwin County.

For the fiscal year ended June 30, 2018, Baldwin County abated property taxes due to the School District that were levied on August 31, 2017 and due on November 15, 2017 totaling $79,601.14. Included in that amount abated, the following are individual tax abatement agreements that each exceeded 10.00% percent of the total amount abated:

- A 30 percent property tax abatement to The Kroger Company. The abatement amounted to $31,972.26
- A 30 percent property tax abatement to a Triumph Aerostructures, LLC. The abatement amounted to $47,628.88.

NOTE 15: SPECIAL ITEMS

On July 31, 2017 the Baldwin County Board of Education sold Davis Elementary School (1241 Orchard Hill Road, Milledgeville, GA 31061). The sale provided current year resources of $262,200.00, which is reflected as a revenue on the Fund Financial Statements. The property had a book value at the time of the sale of $604,622.00. The net effect is represented as a loss of $342,422.00 on the government-wide statements.

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BALDWIN 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
2018	0.227104%	$ 42,207,978.00	$ 307,959.00	$ 42,515,937.00	$ 26,263,053.72	160.71%	79.33%
2017	0.234732%	$ 48,427,829.00	$ 304,103.00	$ 48,731,932.00	$ 25,911,152.90	186.90%	76.06%
2016	0.250869%	$ 38,192,314.00	$ 214,050.00	$ 38,406,364.00	$ 26,630,188.00	143.42%	81.44%
2015	0.257240%	$ 32,498,881.00	$ 196,327.00	$ 32,695,208.00	$ 26,407,485.92	123.07%	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SCHEDULE "2"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total net pension liability
2018	0.015046%	$ 611,068.00	$ 369,390.57	165.43%	76.33%
2017	0.011795%	$ 557,953.00	$ 274,254.92	203.44%	72.34%
2016	0.009476%	$ 383,910.00	$ 218,959.52	175.33%	76.20%
2015	0.008490%	$ 318,427.00	$ 197,966.51	160.85%	77.99%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

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 proprotionate share of the net pension liaibility 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
2018	0.00%	$ -	$ 461,524.00	$ 461,524.00	$ 1,327,639.19	N/A	85.69%
2017	0.00%	$ -	$ 659,642.00	$ 659,642.00	$ 1,371,756.35	N/A	81.00%
2016	0.00%	$ -	$ 433,458.00	$ 433,458.00	$ 1,353,156.05	N/A	87.00%
2015	0.00%	$ -	$ 401,374.00	$ 401,374.00	$ 1,351,108.34	N/A	88.29%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BALDWIN 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 "4"

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability (asset)	State of Georgia's proprotionate share of the net OPEB liaibility 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
2018	0.303216%	$ 42,601,726.00	$ -	$ 42,601,726.00	$ 22,750,825.87	187.25%	1.61%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2018	$ 4,294,783.66	$ 4,294,783.66	$ -	$ 25,743,082.60	16.68%
2017	$ 3,720,583.63	$ 3,720,583.63	$ -	$ 26,263,053.72	14.17%
2016	$ 3,674,191.16	$ 3,674,191.16	$ -	$ 25,911,152.90	14.18%
2015 (1)	$ 3,501,869.72	$ 3,501,869.72	$ -	$ 26,630,188.00	13.15%
2014 (1)	$ 3,242,839.28	$ 3,242,839.28	$ -	$ 26,407,485.92	12.28%
2013 (1)	$ 3,131,585.66	$ 3,131,585.66	$ -	$ 27,445,961.18	11.41%
2012 (1)	$ 2,914,712.27	$ 2,914,712.27	$ -	$ 28,353,232.87	10.28%
2011 (1)	$ 2,952,554.94	$ 2,952,554.94	$ -	$ 28,721,346.43	10.28%
2010 (1)	$ 2,968,801.77	$ 2,968,801.77	$ -	$ 30,480,507.34	9.74%

(1) The School District has included On Behalf payments within the contributions for years 2015 and prior

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BALDWIN COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2018	$ 95,188.21	$ 95,188.21	$ -	$ 383,628.63	24.81%
2017	$ 91,646.18	$ 91,646.18	$ -	$ 369,390.57	24.81%
2016	$ 67,795.85	$ 67,795.85	$ -	$ 274,254.92	24.72%
2015	$ 48,083.51	$ 48,083.51	$ -	$ 218,959.52	21.96%
2014	$ 36,544.67	$ 36,544.67	$ -	$ 197,966.51	18.46%
2013	$ 29,335.48	$ 29,335.48	$ -	$ 196,882.96	14.90%
2012	$ 26,076.84	$ 26,076.84	$ -	$ 224,220.60	11.63%
2011	$ 23,780.01	$ 23,780.01	$ -	$ 228,434.76	10.41%
2010	$ 18,866.28	$ 18,866.28	$ -	$ 181,232.34	10.41%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BALDWIN COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
SCHOOL OPEB FUND
FOR THE YEAR ENDED JUNE 30

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2018	$ 1,618,369.00	$ 1,618,369.00	$ -	$ 23,178,062.00	6.98%
2017	$ 1,580,988.00	$ 1,580,988.00	$ -	$ 22,750,825.87	6.95%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Teachers Retirement System

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

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).

Employees' Retirement System

Changes of assumptions: 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, disability, withdrawal and salary increases.

Public School Employees Retirement System

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

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).

School OPEB Fund

Changes of benefit terms: In June 30, 2010 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in a Medicare Advantage plan to receive the State subsidy.

Changes in assumptions: In the revised June 30, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location. Additionally, there were changes to the discount rate and an increase in the investment rate of return due to a longer term investment strategy.

In the June 30, 2015 actuarial valuation, decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.

In the June 30, 2012 actuarial valuation, a data audit was performed and data collection procedures and assumptions were changed.

BALDWIN COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
JUNE 30, 2018

SCHEDULE "9"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 16,324,000.00	$ 16,324,000.00	$ 17,281,226.06	$ 957,226.06
Sales Taxes	200,000.00	200,000.00	278,305.35	78,305.35
State Funds	25,580,341.00	26,893,776.35	27,276,659.72	382,883.37
Federal Funds	4,155,639.00	10,980,035.10	10,057,198.38	(922,836.72)
Charges for Services	12,000.00	183,350.00	477,935.28	294,585.28
Investment Earnings	15,000.00	18,500.00	234,582.00	216,082.00
Miscellaneous	1,990,183.00	1,990,183.00	962,080.57	(1,028,102.43)
Total Revenues	48,277,163.00	56,589,844.45	56,567,987.36	(21,857.09)
EXPENDITURES				
Current				
Instruction	32,458,505.01	31,896,391.52	31,666,386.48	230,005.04
Support Services				
Pupil Services	2,116,002.12	2,415,535.28	2,851,218.74	(435,683.46)
Improvement of Instructional Services	2,081,420.00	2,336,541.81	2,407,499.00	(70,957.19)
Educational Media Services	767,052.62	785,914.43	777,827.92	8,086.51
General Administration	1,199,743.60	1,241,238.24	1,069,104.01	172,134.23
School Administration	3,070,319.29	3,035,715.79	2,877,305.65	158,410.14
Business Administration	1,010,815.60	1,010,815.60	989,550.51	21,265.09
Maintenance and Operation of Plant	3,191,454.00	3,204,597.42	3,366,056.57	(161,459.15)
Student Transportation Services	2,932,339.76	3,116,960.45	3,193,032.50	(76,072.05)
Central Support Services	256,302.00	259,302.00	260,895.76	(1,593.76)
Other Support Services	124,579.00	161,974.00	144,045.47	17,928.53
Enterprise Operations	-	-	200,550.11	(200,550.11)
Community Services	90,368.00	90,368.00	84,659.46	5,708.54
Food Services Operation	1,621,553.00	4,371,655.00	4,383,312.61	(11,657.61)
Capital Outlay	-	28,732.00	28,375.00	357.00
Total Expenditures	50,920,454.00	53,955,741.54	54,299,819.79	(344,078.25)
Excess of Revenues over (under) Expenditures	(2,643,291.00)	2,634,102.91	2,268,167.57	(365,935.34)
OTHER FINANCING SOURCES				
Sale of Capital Assets	-	-	262,200.00	262,200.00
Net Change in Fund Balances	(2,643,291.00)	2,634,102.91	2,530,367.57	(103,735.34)
Fund Balances - Beginning	22,987,181.43	23,063,724.01	23,057,529.28	(6,194.73)
Adjustments	2,376,789.00	-	-	-
Fund Balances - Ending	$ 22,720,679.43	$ 25,697,826.92	$ 25,587,896.85	$ (109,930.07)

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 $721,060.42 and $669,674.41, 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.

BALDWIN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

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	18185GA324N1099	$ 1,076,223.06
National School Lunch Program	10.555	18185GA324N1100	3,141,621.78
Total Child Nutrition Cluster			4,217,844.84
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	126,898.00
Grants to States	84.027	H027A170073	1,338,637.12
Preschool Grants	84.173	H173A160081	253.00
Preschool Grants	84.173	H173A170081	39,415.68
Total Special Education Cluster			1,505,203.80
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A170010	74,199.03
Rural Education	84.358	S358B160010	9,125.00
Rural Education	84.358	S358B170010	86,947.84
Striving Readers	84.371	S371C110049	77,400.33
Student Support and Academic Enrichment Program	84.424A	S424A170011	45,185.78
Supporting Effective Instruction State Grant	84.367	S367A160001	9,095.00
Supporting Effective Instruction State Grants	84.367	S367A170001	243,191.50
Title I Grants to Local Educational Agencies	84.010	S010A160010	164,820.00
Title I Grants to Local Educational Agencies	84.010	S010A170010	2,487,688.64
Twenty-First Century Community Learning Centers	84.287	S287C170010	274,442.87
Total Other Programs			3,472,095.99
Total U. S. Department of Education			4,977,299.79
Health and Human Services, U. S. Department of			
Other Programs			
Direct			
Head Start	93.600		1,513,741.00
Defense, U. S. Department of			
Direct			
Department of the Navy			
R.O.T.C. Program	12.UNKNOWN		89,679.36
Total Expenditures of Federal Awards			$ 10,798,564.99

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 Baldwin County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2018. 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. The Board has elected [not] to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

BALDWIN COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
GOVERNMENTAL FUNDS
JUNE 30, 2018

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 1,074,959.69
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	1,459,324.00
Kindergarten Program - Early Intervention Program	374,874.00
Primary Grades (1-3) Program	3,212,902.00
Primary Grades - Early Intervention (1-3) Program	1,128,339.00
Upper Elementary Grades (4-5) Program	1,877,013.00
Upper Elementary Grades - Early Intervention (4-5) Program	844,826.00
Middle Grades (6-8) Program	2,756,804.00
High School General Education (9-12) Program	2,107,117.00
Vocational Laboratory (9-12) Program	683,720.00
Students with Disabilities	3,168,227.00
Gifted Student - Category VI	968,259.00
Remedial Education Program	494,195.00
Alternative Education Program	182,063.00
English Speakers of Other Languages (ESOL)	46,112.00
Media Center Program	533,208.00
20 Days Additional Instruction	159,395.00
Staff and Professional Development	90,969.00
Principal Staff and Professional Development	1,501.00
Indirect Cost	
Central Administration	650,487.00
School Administration	962,788.00
Facility Maintenance and Operations	1,201,999.00
Mid-term Adjustment Hold-Harmless	848,772.00
Amended Formula Adjustment	(392,970.00)
Charter System Adjustment	492,929.00
Categorical Grants	
Pupil Transportation	
Regular	818,613.00
Nursing Services	111,529.00
Other State Programs	
Food Services	103,556.00
Math and Science Supplements	45,102.04
Preschool Disability Services	42,018.00
Pupil Transportation - State Bonds	231,759.58
Teacher of the Year	507.25
Teachers Retirement	31,717.92
Vocational Education	66,720.94
Governor's Office of Student Achievement	
AP Rural	26,968.72
Connections for Classrooms Grant	444,996.00
Innovation in K-8 Computer Science/Coding Professional Learning Grant	290,288.80
Literacy in Neighborhood Communities (LINC)	32,453.78
Mini Literacy Grant	5,000.00
Office of the State Treasurer	
Public School Employees Retirement	97,616.00
	$ 27,276,659.72

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

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BALDWIN COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2018

SCHEDULE "12"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4) (5) (6)	AMOUNT EXPENDED IN PRIOR YEAR (3) (4) (5) (6)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST V							
Renovating, extending, repairing, furnishing and equipping Blandy Hills Elementary School, Creekside Elementary School, Eagle Ridge Elementary School, Midway Elementary School, Oak Hill Middle School, Baldwin County High School/Fine Arts Center/ College and Career Academy, Baldwin County Stadium, Baldwin School Maintenance and Warehouse Facility, Baldwin Bus Maintenance Facility, Baldwin Grounds Maintenance Facility, The Early Learning Center, and the Baldwin Administrative Offices and Meeting Facility, to include HVAC upgrades, new roof systems, security, safety and communication upgrades, parking and sidewalk renovations and upgrades	$ 28,800,000.00	$ 27,184,472.80	$ 2,183,647.54	$ 4,911,947.58	$ -	$ -	September 2021
Renovation and extension of retention ponds							September 2021
Purchase and installation of technology devices (to include computers, servers, printers, projectors, cabling, wireless access points, and Voice Over IP)	4,000,000.00	3,640,941.00	1,181,428.04	760,351.20	-	-	September 2021
Acquiring and installing systemwide software to support instructional initiatives and improvements, finance, safety and operations	-	-	-	-	-	-	September 2021
Purchase and installation of school nutrition equipment	-	-	-	-	-	-	September 2021
Acquisition of school buses, transportation and maintenance equipment	2,500,000.00	2,226,350.00	630,501.50	311,202.55	-	-	September 2021
Acquisition of textbooks, ebooks, digital media and library books	1,100,000.00	1,100,000.00	265,592.27	-	-	-	September 2021
Acquisition of band/music, fine arts, vocational, and physical education / athletic equipment	1,100,000.00	1,100,000.00	171,256.66	23,441.00	-	-	September 2021
Demolition of existing facilities	-	-	-	-	-	-	September 2021
Acquiring and installing all other necessary property therefore, both real and personal (the “Projects”)	-	-	-	-	-	-	September 2021
Paying expenses incident to accomplishing the foregoing?	-	-	-	-	-	-	September 2021
	$ 37,500,000.00	$ 35,251,763.80	$ 4,432,426.01	$ 6,006,942.33	$ -	$ -	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.

(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

(3) The voters of Baldwin 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.

(4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	$	308,813.00
Current Year		281,450.00
Total	$	590,263.00

(5) In addition to expenditures shown above, the School District has incurred cost to provide advance funding for the above projects as follows:

SPLOST V	Prior Years	$	198,674.53
	Current Year		5,250.00
	Total	$	203,924.53

(6) In addition to expenditures shown above, the School District has incurred expenditires to provide the annual SPLOST audit as required by O.C.G.A. 20-2-491:

SPLOST V	Prior Years	$	7,800.00
	Current Year		4,000.00
	Total	$	11,800.00

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 29, 2019

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
Baldwin County Board of Education

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

Report on Compliance for Each Major Federal Program

We have audited the Baldwin 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, 2018. 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.

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Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items FA-2018-001 and FA-2018-002. Our opinion on each major federal program is not modified with respect to these 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* as items FA-2018-001 and FA-2018-002, that we consider to be significant deficiencies.

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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,



Greg S. Griffin
State Auditor

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 29, 2019

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
Baldwin County Board of Education

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*

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 Baldwin County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 29, 2019.

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.

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

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

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Compliance and Other Matters

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

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

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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BALDWIN COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-001	**Internal Controls over Financial Reporting**
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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BALDWIN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:
Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information — Unmodified

Internal control over financial reporting:
- Material weakness identified? — No
- Significant deficiency identified? — None Reported

Noncompliance material to financial statements noted: — No

Federal Awards

Internal Control over major programs:
- Material weakness identified? — No
- Significant deficiencies identified? — Yes

Type of auditor's report issued on compliance for major programs:
All major programs — Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? — No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
93.600	Head Start

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

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-2018-001	Improve Controls over Equipment
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Number:	04CH4656-05-02
Questioned Costs:	None Identified

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 Head Start 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 Head Start program equipment listing:

- Three out of the 11 equipment items selected for testing could not be physically located. The items should have been reported as dispositions. However, the equipment listing did not contain the appropriate disposition data, including the date of disposal and sales price of the property.
- One equipment item was physically located by auditors but did not appear to be reported on the equipment listing.

Cause:
The internal control process by which equipment items get aggregated and reported does not appear fully effective. In discussing the deficiency with management, they state that communication difficulties exist between the responsible parties of purchasing equipment, labeling equipment, performance of the annual inventory, and recording equipment items on the listings.

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.

Recommendation:
The School District should strengthen controls over Head Start equipment to ensure that the equipment records are complete and accurate. Management should update the equipment listing to reflect all required information, including a description, an identifying number, the source of funding,

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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. Management should perform a physical inventory of equipment at least once every two years and reconcile the results of the physical inventory to the Head Start equipment listing.

Views of Responsible Officials:
We concur with this finding.

FA-2018-002	Improve Controls over Special Reporting
Compliance Requirement:	Reporting
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:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Numbers:	18185GA324N1099 - School Breakfast Program 18185GA324N1100 - National School Lunch Program
Questioned Costs:	None Identified

Description:
The policies and procedures of the School District were insufficient to provide adequate internal controls over the monthly Claims for Reimbursement process.

Criteria:
Provisions included in 7 CFR 210.7(c) require that the School District "base Claims for Reimbursement on lunch counts, taken daily at the point of service, which correctly identify the number of free, reduced price and paid lunches served to eligible children" and "correctly record, consolidate and report those lunch and supplemental counts on the Claim for Reimbursement."

In addition, provisions included in 7 CFR 220.11(d) state that the School District "shall establish internal controls which ensure the accuracy of breakfast counts prior to the submission of the monthly Claim for Reimbursement."

Furthermore, 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:
A review of the School District's Form DE0106 Claim Data reports, which are submitted to the Georgia Department of Education to obtain reimbursement funds, and the corresponding Form DE0112 Daily Record of Number of Breakfasts Served and Form DE0118 Daily Record of Number of Lunches Served, which are prepared by the School District from their School Food Service meal sales system, was performed for every month during the standard school year. Meal count errors were noted for all months tested. The number of meals served per the Form DE0112 and DE0118 for each month was greater than the number of meals reported and claimed on the Form DE0106 reports.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:

In discussing these deficiencies with the School District, they indicated that monthly close-out procedures within the School Food Service meal sales system were not performed appropriately. Therefore, meal counts submitted for reimbursement did not capture all activity that occurred during each month.

Effect or Potential Effect:

Failure to submit accurate monthly Claims for Reimbursement to the Georgia Department of Education resulted in the School District obtaining less Federal funding than they were eligible to receive. This deficiency may expose the School District to unnecessary financial strains and shortages within the Child Nutrition Cluster fund. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:

The School District should evaluate their internal control processes regarding the creation of the Form DE0106 reports and develop or modify procedures to ensure Claims for Reimbursement are based on final and accurate meals counts. The School District should become more familiar with the Federal regulations related to the Child Nutrition Cluster in order to develop or modify procedures that will ensure accurate reporting of meals served. Furthermore, management should develop and implement a monitoring process to ensure that controls are properly implemented.

Views of Responsible Officials:

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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Baldwin County Board of Education

A Charter System of Georgia

Shannon D. Hill
Board Chair

Dr. Noris Price
Superintendent

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Board of Education
Lyn Chandler, Vice Chair
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CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

No matters were reported.

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

FA -2018-001	**Improve Controls over Equipment**
Compliance Requirement:	**Equipment and Real Property Management**
Internal Control Impact:	**Significant Deficiency**
Compliance Impact:	**Nonmaterial Noncompliance**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Pass-Through Entity:	**Direct**
CFDA Number and Title:	**93.600 Head Start**
Federal Award Number:	**04CH4656-05-02**
Questioned Costs:	**None Identified**
Repeat of Prior Year Finding:	**None**

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 Head Start program.

Corrective Action Plans:
Equipment purchased with federal funds will be inventoried at least yearly, during the month of June. Additional criteria will be added to the inventory list to meet sufficient federal requirements for tracking inventory. Medical equipment will be inspected by the nurse and compared to the Head Start inventory. Any changes that need to be made to the inventory will be done at this time. A meeting will be held with the Head Start Director and Director of Transportation in June of each year in order to assess the condition and needs for the buses for the following school year. Buses will be inspected and compared to the Head Start Inventory and any needed changes will be made. At this time the inventory has been updated and is being kept onsite at the bus garage as well as with the Head Start Director.

Estimated Completion Date: June 2019

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FA -2018-002	**Improve Controls over Special Reporting**
Compliance Requirement:	**Reporting**
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:	**Child Nutrition Cluster (CFDA 10.553 and 10.555)**
Federal Award Number:	**18185GA324N1099 - School Breakfast Program** **18185GA324N1100 - National School Lunch Program**
Questioned Costs:	**None Identified**
Repeat of Prior Year Finding:	**None**

The policies and procedures of the School District were insufficient to provide adequate internal controls over the monthly Claims for Reimbursement process.

Corrective Action Plans:

Additional internal controls have been implemented by the School Food Department. Newly drafted policies have been put in place that ensure all school food managers properly close out sales for each day and are communicating accurate and complete meal counts. In addition, the School Food Director has implemented an increased focus on monitoring. The Director and administrative staff will monitor for days that have not been closed and ensure federal reimbursement requests are based on final, complete, and accurate meal counts.

Estimated Completion Date: February 2019

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