

CALHOUN COUNTY BOARD OF EDUCATION
MORGAN, GEORGIA

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

CALHOUN COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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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

September 25, 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
Calhoun 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 Calhoun 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

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effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 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 School District 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 GASB Statement No. 75. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the 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.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 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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CALHOUN COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 9,697,020.49
Receivables, Net	
Taxes	108,365.66
State Government	401,693.83
Federal Government	155,241.07
Other	2,000.00
Inventories	14,045.70
Capital Assets, Non-Depreciable	1,765,814.82
Capital Assets, Depreciable (Net of Accumulated Depreciation)	4,838,808.27
Total Assets	16,982,989.84
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	908,307.00
Related to OPEB Plan	249,603.00
Total Deferred Outflows of Resources	1,157,910.00
LIABILITIES	
Accounts Payable	74,398.95
Salaries and Benefits Payable	621,431.49
Interest Payable	47,568.75
Contracts Payable	10,800.00
Deposits and Unearned Revenues	711,722.55
Net Pension Liability	5,577,451.00
Net OPEB Liability	6,969,623.00
Long-Term Liabilities	
Due Within One Year	51,160.76
Due in More Than One Year	6,013,770.60
Total Liabilities	20,077,927.10
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	652,569.00
Related to OPEB Plan	537,125.00
Total Deferred Inflows of Resources	1,189,694.00
NET POSITION	
Net Investment in Capital Assets	5,859,409.65
Restricted for	
Continuation of Federal Programs	194,071.48
Debt Service	237,843.76
Capital Projects	943,384.93
Unrestricted (Deficit)	(10,361,431.08)
Total Net Position	$ (3,126,721.26)

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

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

EXHIBIT "B"

	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES				
Instruction	$ 3,431,270.88	$ -	$ 2,836,052.54	$ (595,218.34)
Support Services				
Pupil Services	194,678.69	-	97,367.65	(97,311.04)
Improvement of Instructional Services	373,163.35	-	381,698.74	8,535.39
Educational Media Services	214,569.46	-	73,153.00	(141,416.46)
General Administration	1,023,864.98	-	344,312.89	(679,552.09)
School Administration	747,662.56	-	329,111.31	(418,551.25)
Business Administration	396,782.46	-	3,398.68	(393,383.78)
Maintenance and Operation of Plant	731,690.46	-	181,254.58	(550,435.88)
Student Transportation Services	569,640.28	-	178,533.60	(391,106.68)
Other Support Services	7,239.63	-	4,272.55	(2,967.08)
Operations of Non-Instructional Services				
Enterprise Operations	179,224.90	62,751.92	-	(116,472.98)
Food Services	467,339.93	2,263.20	471,563.84	6,487.11
Interest on Short-Term and Long-Term Debt	135,814.18	-	-	(135,814.18)
Total Governmental Activities	$ 8,472,941.76	$ 65,015.12	$ 4,900,719.38	(3,507,207.26)
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				3,076,816.89
Railroad Cars				31,591.53
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Capital Projects				401,162.26
Other Sales Tax				6,108.26
Grants and Contributions not Restricted to Specific Programs				66,337.00
Investment Earnings				83,436.46
Miscellaneous				339,834.86
Total General Revenues				4,005,287.26
Change in Net Position				498,080.00
Net Position - Beginning of Year (Restated)				(3,624,801.26)
Net Position - End of Year				$ (3,126,721.26)

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

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

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 3,183,787.38	$ 6,227,820.60	$ 285,412.51	$ 9,697,020.49
Receivables, Net				
Taxes	71,639.55	36,726.11	-	108,365.66
State Government	401,693.83	-	-	401,693.83
Federal Government	155,241.07	-	-	155,241.07
Other	2,000.00	-	-	2,000.00
Inventories	14,045.70	-	-	14,045.70
Total Assets	$ 3,828,407.53	$ 6,264,546.71	$ 285,412.51	$ 10,378,366.75
LIABILITIES				
Accounts Payable	$ 42,028.95	$ 32,370.00	$ -	$ 74,398.95
Salaries and Benefits Payable	621,431.49	-	-	621,431.49
Contracts Payable	-	10,800.00	-	10,800.00
Deposits and Unearned Revenue	711,722.55	-	-	711,722.55
Total Liabilities	1,375,182.99	43,170.00	-	1,418,352.99
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	8,260.88	-	-	8,260.88
FUND BALANCES				
Nonspendable	14,045.70	-	-	14,045.70
Restricted	180,025.78	6,221,376.71	285,412.51	6,686,815.00
Assigned	12,361.11	-	-	12,361.11
Unassigned	2,238,531.07	-	-	2,238,531.07
Total Fund Balances	2,444,963.66	6,221,376.71	285,412.51	8,951,752.88
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,828,407.53	$ 6,264,546.71	$ 285,412.51	$ 10,378,366.75

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

CALHOUN 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")		$ 8,951,752.88
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	$ 1,568,278.88	
Construction in progress	197,535.94	
Buildings and improvements	8,198,247.64	
Equipment	2,216,228.33	
Land improvements	561,344.62	
Accumulated depreciation	(6,137,012.32)	6,604,623.09
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	$ (5,577,451.00)	
Net OPEB liability	(6,969,623.00)	(12,547,074.00)
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	$ 255,738.00	
Related to OPEB	(287,522.00)	(31,784.00)
Taxes that are not available to pay for current period expenditures are deferred in the funds.		8,260.88
Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	$ (5,550,000.00)	
Accrued interest payable	(47,568.75)	
Capital leases payable	(73,649.18)	
Unamortized bond premiums	(441,282.18)	(6,112,500.11)
Net position of governmental activities (Exhibit "A")		$ (3,126,721.26)

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

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

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 3,122,898.87	$ -	$ -	$ 3,122,898.87
Sales Taxes	6,108.26	401,162.26	-	407,270.52
State Funds	3,826,112.11	-	-	3,826,112.11
Federal Funds	1,136,834.42	-	-	1,136,834.42
Charges for Services	65,015.12	-	-	65,015.12
Investment Earnings	16,755.14	66,681.32	-	83,436.46
Miscellaneous	339,834.86	-	-	339,834.86
Total Revenues	8,513,558.78	467,843.58	-	8,981,402.36
EXPENDITURES				
Current				
Instruction	3,320,476.10	35,093.55	-	3,355,569.65
Support Services				
Pupil Services	195,681.29	-	-	195,681.29
Improvement of Instructional Services	377,161.40	-	-	377,161.40
Educational Media Services	211,407.19	-	-	211,407.19
General Administration	842,044.20	9,051.97	-	851,096.17
School Administration	757,152.98	683.77	-	757,836.75
Business Administration	229,364.87	163,358.72	-	392,723.59
Maintenance and Operation of Plant	718,753.53	2,900.00	-	721,653.53
Student Transportation Services	524,529.44	88,401.00	-	612,930.44
Other Support Services	9,445.10	-	-	9,445.10
Enterprise Operations	179,224.90	-	-	179,224.90
Food Services Operation	451,440.63	-	-	451,440.63
Capital Outlay	-	181,502.48	-	181,502.48
Debt Services				
Principal	19,261.45	11,291.81	-	30,553.26
Interest	3,320.55	1,908.19	97,251.66	102,480.40
Total Expenditures	7,839,263.63	494,191.49	97,251.66	8,430,706.78
Revenues over (under) Expenditures	674,295.15	(26,347.91)	(97,251.66)	550,695.58
OTHER FINANCING SOURCES				
Proceeds of Bonds	-	5,167,335.83	382,664.17	5,550,000.00
Premiums on Bonds Sold	-	455,517.15	-	455,517.15
Total Other Financing Sources	-	5,622,852.98	382,664.17	6,005,517.15
Net Change in Fund Balances	674,295.15	5,596,505.07	285,412.51	6,556,212.73
Fund Balances - Beginning	1,770,668.51	624,871.64	-	2,395,540.15
Fund Balances - Ending	$ 2,444,963.66	$ 6,221,376.71	$ 285,412.51	$ 8,951,752.88

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

CALHOUN 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")		$ 6,556,212.73
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	$ 269,903.48	
Depreciation expense	(307,615.36)	(37,711.88)
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(14,490.45)
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.		
General obligation bonds issued, including a premium of $455,517.15	$ (6,005,517.15)	
Amortization of premium on bonds	14,234.97	
Capital lease payments	30,553.26	(5,960,728.92)
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	$ 158,853.27	
OPEB expense	(156,486.00)	2,367.27
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued interest on issuance of bonds		(47,568.75)
Change in net position of governmental activities (Exhibit "B")		$ 498,080.00

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

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

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 10,700.15
LIABILITIES	
Funds Held for Others	$ 10,700.15

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

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

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

1. Net investment in capital assets consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
2. Restricted net position consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

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

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) and 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, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net 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.

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.

CAPITAL ASSETS

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at acquisition value on the date donated. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. The School District does not capitalize book collections or works of art.

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	$ 10,000.00	N/A
Land Improvements	$ 10,000.00	50 years
Buildings and Improvements	$ 10,000.00	50 years - remaining useful life
Equipment	$ 10,000.00	5 to 25 years
Intangible Assets	$ 100,000.00	10 to 15 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS

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

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

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

FUND BALANCES

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

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

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

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

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

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

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

USE OF ESTIMATES

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

PROPERTY TAXES

The Calhoun County Board of Commissioners adopted the property tax levy for the 2017 tax digest year (calendar year) on August 7, 2017 (levy date) based on property values as of January 1, 2017. Taxes were due on December 20, 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 Calhoun County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2018, for maintenance and operations amounted to $2,949,430.09.

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	17.686 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $141,877.25 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 $401,162.26 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 function level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

NOTE 4: DEPOSITS AND CASH EQUIVALENTS

COLLATERALIZATION OF DEPOSITS

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

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 $4,072,679.72, and a bank balance of $4,357,305.57. The bank balances insured by Federal depository insurance were $260,496.40 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 $4,096,809.17.

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

Cash and cash equivalents	
Statement of Net Position	$ 9,697,020.49
Statement of Fiduciary Net Position	10,700.15
Total cash and cash equivalents	9,707,720.64
Less:	
Investment pools reported as cash and cash equivalents	
Georgia Fund 1	5,635,040.92
Total carrying value of deposits - June 30, 2018	$ 4,072,679.72

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of $5,635,040.92 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	$ 1,568,278.88	$ -	$ -	$ 1,568,278.88
Construction in Progress	16,033.46	181,502.48	-	197,535.94
Total Capital Assets Not Being Depreciated	1,584,312.34	181,502.48	-	1,765,814.82
Capital Assets Being Depreciated				
Buildings and Improvements	8,198,247.64	-	-	8,198,247.64
Equipment	2,138,447.33	88,401.00	10,620.00	2,216,228.33
Land Improvements	561,344.62	-	-	561,344.62
Less Accumulated Depreciation for:				
Buildings and Improvements	4,413,397.99	161,015.02	-	4,574,413.01
Equipment	1,132,247.50	135,373.45	10,620.00	1,257,000.95
Land Improvements	294,371.47	11,226.89	-	305,598.36
Total Capital Assets, Being Depreciated, Net	5,058,022.63	(219,214.36)	-	4,838,808.27
Governmental Activity Capital Assets - Net	$ 6,642,334.97	$ (37,711.88)	$ -	$ 6,604,623.09

Current year depreciation expense by function is as follows:

Instruction		$ 201,264.28
Support Services		
Educational Media Services	$ 5,333.23	
Business Administration	13,200.00	
Maintenance and Operation of Plant	2,147.50	
Student Transportation Services	65,715.69	
Other Support Services	1,800.00	88,196.42
Food Services		18,154.66
		$ 307,615.36

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 Bonds	$ -	$ 5,550,000.00	$ -	$ 5,550,000.00	$ -
Unamortized Bond Premiums	-	455,517.15	14,234.97	441,282.18	18,979.88
Capital Leases	104,202.44	-	30,553.26	73,649.18	32,180.88
	$ 104,202.44	$ 6,005,517.15	$ 44,788.23	$ 6,064,931.36	$ 51,160.76

GENERAL OBLIGATION DEBT OUTSTANDING

The School District's bonded debt consists of one issue of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The School District will repay 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.

During the current year, the School District issued general obligation bonds totaling $5,550,000.00 to fund the acquisition, construction and equipping of a new school for grades kindergarten through twelfth grades.

General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2017	2.0% - 4.0%	9/27/2017	10/1/2041	$ 5,550,000.00	$ 5,550,000.00

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

Fiscal Year Ended June 30:	General Obligation Debt Principal	General Obligation Debt Interest	Unamortized Bond Premium
2019	$ -	$ 190,275.00	$ 18,979.88
2020	-	190,275.00	18,979.88
2021	190,000.00	188,375.00	18,979.88
2022	195,000.00	184,525.00	18,979.88
2023	200,000.00	179,575.00	18,979.88
2024 - 2028	1,060,000.00	815,700.00	94,899.40
2029 - 2033	1,210,000.00	646,862.50	94,899.40
2034 - 2038	1,405,000.00	402,100.00	94,899.40
2039 - 2042	1,290,000.00	105,600.00	61,684.58
Total Principal and Interest	$ 5,550,000.00	$ 2,903,287.50	$ 441,282.18

CAPITAL LEASES

The School District has acquired an energy management system and equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term or because the lease period equals or exceeds 75% of the asset's useful life.

The following assets were acquired through capital leases and are reflected in the capital asset note at fiscal year-end:

	Governmental Activities
Equipment	$ 66,000.00
Less: Accumulated Depreciation	33,000.00
	$ 33,000.00

Capital leases currently outstanding are as follows:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
FSNB Investments - Energy Management System Lease	5.45%	6/1/2005	1/14/2020	$ 232,337.01	$ 41,726.14
Ricoh Copiers	4.84%	2/11/2016	2/28/2021	58,518.65	31,923.04
				$ 290,855.66	$ 73,649.18

The following is a schedule of total capital lease payments:

Fiscal Year Ended June 30:	Principal	Interest
2019	$ 32,180.88	$ 3,601.12
2020	33,895.30	1,886.70
2021	7,573.00	127.00
Total Principal and Interest	$ 73,649.18	$ 5,614.82

NOTE 7: RISK MANAGEMENT

INSURANCE

Commercial Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters. Except as described below, the School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceed commercial insurance coverage in any of the past three fiscal years.

Georgia School Boards Association Risk and Insurance Management System

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

WORKERS' COMPENSATION

Georgia Education Workers' Compensation Trust

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

Employers Liability claim with Safety National providing additional Employers Liability limits up to a $2.0 million per occurrence maximum. Safety National Casualty Company also provides $2.0 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

UNEMPLOYMENT COMPENSATION

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the general fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2017	$ -	$ -	$ -	$ -
2018	$ -	$ 3,993.00	$ 3,993.00	$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 50,000.00

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		$ 14,045.70
Restricted		
Continuation of Federal Programs	$ 180,025.78	
Capital Projects	6,221,376.71	
Debt Service	285,412.51	6,686,815.00
Assigned		
School Activity Accounts		12,361.11
Unassigned		2,238,531.07
Fund Balance, June 30, 2018		$ 8,951,752.88

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.

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of not less than 7% of expenditures, not to exceed 15% of the total budget of the subsequent fiscal year. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

NOTE 9: BROADBAND SPECTRUM LEASE

Effective April 27, 2016, the School District entered into a 5-year lease agreement with Sprint Corporation for the lease of excess spectrum capacity on Education Broadband Service licenses currently held by School District. These licenses were granted to the School District by the Federal Communications Commission. The lease agreement requires monthly lease payments over the term of the lease, of which $24,000.00 was recognized during fiscal year 2018 as a general revenue on the Statement of Activities.

NOTE 10: SIGNIFICANT COMMITMENTS

OPERATING LEASES

The School District leases equipment under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease totaled $2,392.00 for governmental activities for the year ended June 30, 2018. The lease was paid in full at June 30, 2018.

NOTE 11: 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 12: 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 $247,565.00 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 $6,969,623.00 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 0.049606%, which was a decrease of 0.000051% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of $404,051.00. 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	$ -	$ 530,719.00
Net difference between projected and actual earnings on OPEB plan investments	2,038.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	6,406.00
School District contributions subsequent to the measurement date	247,565.00	-
Total	$ 249,603.00	$ 537,125.00

School District contributions subsequent to the measurement date of $247,565.00 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	$ (96,095.00)
2020	$ (96,095.00)
2021	$ (96,095.00)
2022	$ (96,095.00)
2023	$ (96,605.00)
2024	$ (54,102.00)

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 of assumptions 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	$ 8,275,178.00	$ 6,969,623.00	$ 5,939,275.00

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 School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	$ 5,777,024.00	$ 6,969,623.00	$ 8,522,386.00

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 13: 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 16.78% of payroll was required from the School District and 0.03% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $577,411.00 and $1,892.15 from the School District and the State, respectively.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

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

Upon retirement, the member will receive a monthly benefit of $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 $17,961.00.

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 $5,577,451.00 for its proportionate share of the net pension liability for TRS.

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

School District's proportionate share of the net pension liability	$	5,577,451.00
State of Georgia's proportionate share of the net pension liability associated with the School District		47,393.00
Total	$	5,624,844.00

The net pension liability for TRS 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 during the fiscal year ended June 30, 2017.

At June 30, 2017, the School District's TRS proportion was 0.030010%, which was a decrease of 0.002569% 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 $98,022.00.

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 $421,409.00 for TRS and $19,755.00 for PSERS and revenue of $4,208.00 for TRS and $19,755.00 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	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 208,631.00	$ 21,049.00
Changes of assumptions	122,265.00	-
Net difference between projected and actual earnings on pension plan investments	-	38,382.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	593,138.00
School District contributions subsequent to the measurement date	577,411.00	-
Total	$ 908,307.00	$ 652,569.00

The School District contributions subsequent to the measurement date of $577,411.00 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 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
2019	$ (229,916.00)
2020	$ 129,430.00
2021	$ 21,409.00
2022	$ (237,264.00)
2023	$ (5,332.00)

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.

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

Asset class	TRS Target allocation	PSERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	-	5.00%	10.50%
Total	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 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 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	$ 9,153,251.00	$ 5,577,451.00	$ 2,631,795.00

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

NOTE 14: 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 $7,100,659.00. This change is in accordance with generally accepted accounting procedures.

Net Position, July 1, 2017 as previously reported	$	3,475,857.74
Prior Period Adjustment - Implementation of GASB No. 75: Net OPEB Liability (measurement date)		(7,359,309.00)
Deferred Outflows - School District's Contributions made during fiscal year 2017		258,650.00
Net Position, July 1, 2017, as restated	$	(3,624,801.26)

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CALHOUN 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

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	0.030010%	$ 5,577,451.00	$ 47,393.00	$ 5,624,844.00	$ 3,484,595.18	160.06%	79.33%
2017	0.032579%	$ 6,721,411.00	$ 55,085.00	$ 6,776,496.00	$ 3,599,986.75	186.71%	76.06%
2016	0.337830%	$ 5,143,126.00	$ 42,170.00	$ 5,185,296.00	$ 3,595,214.92	143.05%	81.44%
2015	0.034414%	$ 4,347,755.00	$ 35,880.00	$ 4,383,635.00	$ 3,527,185.21	123.26%	84.03%

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

CALHOUN 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

SCHEDULE "2"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.00%	$ -	$ 98,022.00	$ 98,022.00	$ 262,459.48	N/A	85.69%
2017	0.00%	$ -	$ 124,359.00	$ 124,359.00	$ 253,073.39	N/A	81.00%
2016	0.00%	$ -	$ 79,756.00	$ 79,756.00	$ 320,811.30	N/A	87.00%
2015	0.00%	$ -	$ 71,888.00	$ 71,888.00	$ 290,522.39	N/A	88.29%

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

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

SCHEDULE "3"

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.049606%	$ 6,969,623.00	$ -	$ 6,969,623.00	$ 3,230,294.65	215.76%	1.61%

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

CALHOUN 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	$ 577,411.00	$ 577,411.00	$ -	$ 3,442,038.56	16.78%
2017	$ 493,075.73	$ 493,075.73	$ -	$ 3,484,595.18	14.15%
2016	$ 509,542.10	$ 509,542.10	$ -	$ 3,599,986.75	14.15%
2015	$ 468,922.36	$ 468,922.36	$ -	$ 3,595,214.92	13.04%

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

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

SCHEDULE "5"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2018	$ 247,565.00	$ 247,565.00	$ -	$ 3,173,758.79	7.80%

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).

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.

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

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 2,409,678.00	$ 2,409,678.00	$ 3,122,898.87	$ 713,220.87
Sales Taxes	-	-	6,108.26	6,108.26
State Funds	3,650,011.00	3,776,974.56	3,826,112.11	49,137.55
Federal Funds	-	747,116.00	1,136,834.42	389,718.42
Charges for Services	-	-	65,015.12	65,015.12
Investment Earnings	-	-	16,755.14	16,755.14
Miscellaneous	24,000.00	24,000.00	339,834.86	315,834.86
Total Revenues	6,083,689.00	6,957,768.56	8,513,558.78	1,555,790.22
EXPENDITURES				
Current				
Instruction	3,105,021.32	3,560,615.81	3,320,476.10	240,139.71
Support Services				
Pupil Services	165,354.50	219,193.50	195,681.29	23,512.21
Improvement of Instructional Services	13,936.50	409,573.00	377,161.40	32,411.60
Educational Media Services	184,177.17	210,654.93	211,407.19	(752.26)
General Administration	750,447.86	1,177,980.46	842,044.20	335,936.26
School Administration	690,151.79	796,017.89	757,152.98	38,864.91
Business Administration	229,869.43	229,869.43	229,364.87	504.56
Maintenance and Operation of Plant	732,112.06	733,381.02	718,753.53	14,627.49
Student Transportation Services	513,997.75	526,108.75	524,529.44	1,579.31
Central Support Services	5,562.00	5,562.00	-	5,562.00
Other Support Services	6,500.00	6,500.00	9,445.10	(2,945.10)
Enterprise Operations	-	-	179,224.90	(179,224.90)
Food Services Operation	-	453,000.00	451,440.63	1,559.37
Debt Service	-	-	22,582.00	(22,582.00)
Total Expenditures	6,397,130.38	8,328,456.79	7,839,263.63	489,193.16
Excess of Revenues over (under) Expenditures	(313,441.38)	(1,370,688.23)	674,295.15	2,044,983.38
OTHER FINANCING SOURCES (USES)				
Other Sources	10,000.00	10,000.00	-	(10,000.00)
Other Uses	(10,000.00)	(10,000.00)	-	10,000.00
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(313,441.38)	(1,370,688.23)	674,295.15	2,044,983.38
Fund Balances - Beginning	2,207,635.01	2,207,635.01	1,770,668.51	(436,966.50)
Adjustments	-	2,200.57	-	(2,200.57)
Fund Balances - Ending	$ 1,894,193.63	$ 839,147.35	$ 2,444,963.66	$ 1,605,816.31

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 $163,338.76 and $179,224.90, 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.

CALHOUN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED 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	$ 123,410.32
National School Lunch Program	10.555	18185GA324N1100	311,715.67
Total U. S. Department of Agriculture			435,125.99
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	45,689.19
Grants to States	84.027	H027A170073	150,820.04
Preschool Grants	84.173	H173A160081	1,611.00
Preschool Grants	84.173	H173A170081	4,522.28
Total Special Education Cluster			202,642.51
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A160010	1,051.00
Career and Technical Education - Basic Grants to States	84.048	V048A170010	10,552.72
Rural Education	84.358	S358B160010	583.00
Rural Education	84.358	S365B170010	8,785.76
Student Support and Academic Enrichment Program	84.424A	S424A170011	2,867.27
Supporting Effective Instruction State Grants	84.367	S367A160001	7,369.67
Supporting Effective Instruction State Grants	84.367	S367A170001	17,742.17
Title I Grants to Local Educational Agencies	84.010	S010A160010	48,483.40
Title I Grants to Local Educational Agencies	84.010	S010A170010	359,688.76
Total Other Programs			457,123.75
Total U. S. Department of Education			659,766.26
Health and Human Services, U. S. Department of			
Child Care and Development Fund Cluster			
Pass-Through From Bright From the Start:			
Georgia Department of Early Care and Learning			
Child Care and Development Block Grant	93.575	17175GA368N1099	24,300.00
Total Expenditures of Federal Awards			$ 1,119,192.25

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

CALHOUN COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED 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	$ 92,578.40
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	156,513.00
Kindergarten Program - Early Intervention Program	31,071.00
Primary Grades (1-3) Program	314,229.00
Primary Grades - Early Intervention (1-3) Program	74,531.00
Upper Elementary Grades (4-5) Program	229,184.00
Upper Elementary Grades - Early Intervention (4-5) Program	77,030.00
Middle School (6-8) Program	370,467.00
High School General Education (9-12) Program	331,733.00
Vocational Laboratory (9-12) Program	182,490.00
Students with Disabilities	327,589.00
Remedial Education Program	97,534.00
Alternative Education Program	29,074.00
Media Center Program	61,963.00
20 Days Additional Instruction	20,724.00
Staff and Professional Development	10,495.00
Principal Staff and Professional Development	777.00
Indirect Cost	
Central Administration	289,985.00
School Administration	276,830.00
Facility Maintenance and Operations	147,023.00
Mid-term Adjustment Hold-Harmless	185,564.00
Amended Formula Adjustment	(53,343.00)
Categorical Grants	
Pupil Transportation	
Regular	155,316.00
Nursing Services	45,000.00
Sparsity	222,903.00
Education Equalization Funding Grant	66,337.00
Other State Programs	
Food Services	12,918.00
Math and Science Supplements	9,002.56
Preschool Disability Services	12,841.00
Teachers Retirement	1,892.15
Vocational Education	27,900.00
Office of the State Treasurer	
Public School Employees Retirement	17,961.00
	$ 3,826,112.11

See notes to the basic financial statements.

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

SCHEDULE "10"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
(i) Rehabilitating, repairing, renovating, extending, improving, and equipping existing School District facilities, including without limitation, mechanical systems repair and replacements, and electrical upgrades;	$ 1,315,000.00	$ 1,193,452.51	$ 1,100.00	$ 1,170,767.55	$ -	$ -	June 2019
(ii) Rehabilitating, repairing, renovating, extending, improving, and equipping existing athletic facilities, including without limitation, stadium and gymnasium improvements;	100,000.00	672,246.31	-	672,246.31	672,246.31	-	Completed
(iii) Acquiring and installing system-wide instructional and administrative technology, safety and security equipment;	300,000.00	340,273.78	880.00	339,393.78	340,273.78	-	Completed
(iv) Purchasing textbooks and furnishings;	50,000.00	148,296.59	270.98	148,025.61	148,296.59	-	Completed
(v) Purchasing a driver's education vehicle;	25,000.00	-	-	-	-	-	Completed
(vi) Purchasing vocational, band, physical education, and athletic equipment;	50,000.00	49,850.51	-	49,850.51	49,850.51	-	Completed
(vii) Purchasing school buses, and maintenance vehicles and equipment;	400,000.00	185,147.20	-	185,147.20	-	-	June 2019
(viii) Planning for new School District construction;	50,000.00	4,700.00	-	4,700.00	4,700.00	-	Completed
(ix) Acquiring any necessary property, both real and personal, and acquiring any necessary or desirable rights in connection therewith (the "Projects");	50,000.00	-	-	-	-	-	Completed
(x) And paying costs incidental to accomplish the foregoing.	10,000.00	-	-	-	-	-	Completed
	2,350,000.00	2,593,966.90	2,250.98	2,570,130.96	1,215,367.19	-	
SPLOST 2015							
PROJECT							
(i) Repairing, improving, renovating, extending, upgrading, furnishing and equipping school buildings and support facilities in the Calhoun County School District, useful and desirable in connection therewith, including acquiring any necessary property, both real and personal;	500,000.00	500,000.00	15,000.00	158,279.75	-	-	December 2020
(ii) Acquiring maintenance vehicles, maintenance equipment, and new buses;	430,000.00	430,000.00	88,401.00	88,401.00	-	-	December 2020
(iii) Acquiring administrative and instructional technology equipment, textbooks, and media center books (including e-books), safety and security equipment;	450,000.00	450,000.00	38,980.77	260,450.02	-	-	December 2020
(iv) Acquiring equipment and furnishings;	180,000.00	180,000.00	1,973.99	5,241.21	-	-	December 2020
(v) Renovations, extensions, additions, repairs and improvements to existing school facilities, including athletic equipment, band instruments, exercise/training rooms and athletic facilities, parking lot, lunchroom, sidewalks, and a school sign;	440,000.00	440,000.00	-	22,912.64	-	-	December 2020
(vi) Paying expenses incident to accomplishing the foregoing.	10,000.00	10,000.00	-	-	-	-	December 2020
	2,010,000.00	2,010,000.00	144,355.76	535,284.62	-	-	
SPLOST 2017							
PROJECT							
(i) The acquisition, construction, and equipping of a new school for grades kindergarten through twelfth, including but not limited to new school buildings and facilities, including, but not limited to, classrooms, physical education facilities and lunchrooms, and the acquisition and purchase of any property necessary and desirable therefore, both real and personal property, including, but not limited to, land, technology, safety and security improvements and equipment, text books, and transportation facilities and equipment,	1,748,977.11	1,748,977.11	181,502.48	-	-	-	June 2024
(ii) The renovation, improvement and equipping of existing school, athletic, and physical education facilities, lunch rooms and auditoriums, including, but not limited to, upgrades to system wide technology and safety and security improvements, and	-	-	-	-	-	-	June 2024
(iii) The acquisition of school buses and other vehicles (collectively, the "Projects");	-	-	-	-	-	-	June 2024
(iv) Paying capitalized interest on the Bonds; and	382,664.17	382,664.17	97,251.66	-	-	-	June 2020
(v) Paying the costs of issuing the Bonds.	168,358.72	168,358.72	163,358.72	-	163,358.72	-	Completed
	2,300,000.00	2,300,000.00	442,112.86	-	163,358.72	-	
	$ 6,660,000.00	$ 6,903,966.90	$ 588,719.60	$ 3,105,415.58	$ 1,378,725.91	$ -	

(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 Calhoun 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.

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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

September 25, 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
Calhoun 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 Calhoun 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 September 25, 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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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

September 25, 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
Calhoun 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 Calhoun 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.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

Respectfully submitted,



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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CALHOUN 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-6191-12-03	**Accounting Procedures over School Activity Accounts**
Control Categories:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

Management has addressed the school activity account receipts with the Principals and will continue to monitor to ensure this issue is resolved. We will continue to review the design and implementation of internal control procedures and update them as necessary to ensure adequate controls over significant processes. The bank reconciliations now show evidence of approval by someone other than the person performing the bank reconciliation and the activity is recorded on the general ledger at year end. Documentation is kept for journal entries made in the school activity accounts.

FS-6191-13-02	**Accounting Procedures over School Activity Accounts**
Control Categories:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

Management has addressed the school activity account receipts with the Principals and will continue to monitor to ensure this issue is resolved. We will continue to review the design and implementation of internal control procedures and update them as necessary to ensure adequate controls over significant processes. The bank reconciliations now show evidence of approval by someone other than the person performing the bank reconciliation and the activity is recorded on the general ledger at year end. Documentation is kept for journal entries made in the school activity accounts.

FS 2014-002	**Accounting Procedures over School Activity Accounts**
Control Categories:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

CALHOUN 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

Management has addressed the school activity account receipts with the Principals and will continue to monitor to ensure this issue is resolved. We will continue to review the design and implementation of internal control procedures and update them as necessary to ensure adequate controls over significant processes. The activity is recorded on the general ledger at year end. Documentation is kept for journal entries made in the school activity accounts.

FS 2015-002	**Accounting Procedures over School Activity Accounts**
Control Categories:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

Management has addressed the school activity account receipts with the Principals and will continue to monitor to ensure this issue is resolved. We will continue to review the design and implementation of internal control procedures and update them as necessary to ensure adequate controls over significant processes.

FS 2016-002	**Accounting Procedures over School Activity Accounts**
Control Categories:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

Management has addressed the school activity account receipts with the Principals and will continue to monitor to ensure this issue is resolved. We will continue to review the design and implementation of internal control procedures and update them as necessary to ensure adequate controls over significant processes.

FS 2017-001	**Internal Controls over School Activity Accounts**
Control Categories:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

CALHOUN 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

Management has addressed the school activity account receipts with the Principals and will continue to monitor to ensure this issue is resolved. We will continue to review the design and implementation of internal control procedures and update them as necessary to ensure adequate controls over significant processes.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2017-001	**Suspension and Debarment Policies and Procedures**
Compliance Category:	Procurement and Suspension and Debarment
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CDFA Number and Title:	84.010 Title I, Grants to Local Educational Agencies
Federal Award Number:	S010A150010
Questioned Costs:	None identified
Finding Status:	Unresolved

Management will prepare policies and procedures to ensure the requirements are followed for the suspension and debarment policies and procedures.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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CALHOUN 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 deficiency identified? — None Reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.