

DOOLY COUNTY
BOARD OF EDUCATION
VIENNA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017
(Including Independent Auditor's Reports)

DOOLY 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

February 25, 2020

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

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 Dooly County Board of Education (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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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 opinion.

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, 2017, 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 2017, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) *Statement No. 77*, *Tax Abatement Disclosures*, GASB Statement No. 80, *Blending Requirements for Certain Component Units*, and GASB Statement No. 82, *Pension Issues*. Our opinion is not modified with respect to these matters.

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 Schedules of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages 31 through 35, respectively, 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 February 25, 2020 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

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DOOLY COUNTY BOARD OF EDUCATION

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DOOLY COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 7,192,030.14
Investments	627,075.70
Receivables, Net	
Taxes	730,853.35
State Government	783,627.84
Federal Government	335,305.69
Local	4,489.30
Other	5,524.49
Inventories	49,303.99
Restricted Assets	
Cash with Fiscal Agent or Trustee	1,245.39
Investments with Fiscal Agent or Trustee	1,732,739.60
Capital Assets, Non-Depreciable	309,734.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	19,227,927.00
Total Assets	30,999,856.49
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	3,248,432.18
LIABILITIES	
Accounts Payable	150,370.91
Salaries and Benefits Payable	1,307,911.08
Interest Payable	8,339.17
Net Pension Liability	12,960,260.00
Long-Term Liabilities	
Due Within One Year	1,098,888.83
Due in More Than One Year	5,931,139.75
Total Liabilities	21,456,909.74
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	1,261,966.00
NET POSITION	
Net Investment in Capital Assets	17,209,137.22
Restricted for	
Continuation of Federal Programs	462,571.05
Debt Service	1,684,898.70
Capital Projects	2,272,502.74
Unrestricted (Deficit)	(10,099,696.78)
Total Net Position	$ 11,529,412.93

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

DOOLY COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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	$ 9,218,187.08	$ -	$ 5,630,415.85	$ (3,587,771.23)
Support Services				
Pupil Services	458,917.72	-	153,218.93	(305,698.79)
Improvement of Instructional Services	1,055,464.72	-	661,602.36	(393,862.36)
Educational Media Services	251,974.22	-	159,435.53	(92,538.69)
General Administration	614,165.24	-	378,466.82	(235,698.42)
School Administration	1,089,136.49	-	432,040.72	(657,095.77)
Business Administration	211,599.86	-	8,789.86	(202,810.00)
Maintenance and Operation of Plant	1,488,663.10	-	408,138.53	(1,080,524.57)
Student Transportation Services	1,187,517.13	-	415,178.79	(772,338.34)
Central Support Services	121,908.21	-	370.93	(121,537.28)
Other Support Services	23,442.74	-	7,868.65	(15,574.09)
Operations of Non-Instructional Services				
Enterprise Operations	126,411.97	165,349.32	-	38,937.35
Food Services	1,011,706.17	20,844.12	1,022,314.29	31,452.24
Interest on Short-Term and Long-Term Debt	40,189.90	-	-	(40,189.90)
Total Governmental Activities	$ 16,899,284.55	$ 186,193.44	$ 9,277,841.26	(7,435,249.85)
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				4,999,654.78
Other Taxes				36,015.19
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Capital Projects				1,227,318.54
Other Sales Tax				35,907.72
Investment Earnings				98,760.36
Miscellaneous				193,268.98
Total General Revenues				6,590,925.57
Change in Net Position				(844,324.28)
Net Position - Beginning of Year				12,373,737.21
Net Position - End of Year				$ 11,529,412.93

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

DOOLY COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 1,514,404.25	$ 5,726,712.18	$ -	$ 7,241,116.43
Investments	162,833.48	464,242.22	-	627,075.70
Receivables, Net				
Taxes	619,422.26	111,431.09	-	730,853.35
State Government	783,627.84	-	-	783,627.84
Federal Government	335,305.69	-	-	335,305.69
Local	4,489.30	-	-	4,489.30
Other	5,524.49	-	-	5,524.49
Inventories	49,303.99	-	-	49,303.99
Restricted				
Cash with a Fiscal Agent or Trustee	-	-	1,245.39	1,245.39
Investments with a Fiscal Agent or Trustee	-	-	1,732,739.60	1,732,739.60
Total Assets	$ 3,474,911.30	$ 6,302,385.49	$ 1,733,984.99	$ 11,511,281.78
LIABILITIES				
Cash Overdraft	$ -	$ -	$ 49,086.29	$ 49,086.29
Accounts Payable	57,190.41	93,180.50	-	150,370.91
Salaries and Benefits Payable	1,307,911.08	-	-	1,307,911.08
Total Liabilities	1,365,101.49	93,180.50	49,086.29	1,507,368.28
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	493,823.53	-	-	493,823.53
FUND BALANCES				
Nonspendable	49,303.99	-	-	49,303.99
Restricted	413,267.06	6,209,204.99	1,684,898.70	8,307,370.75
Assigned	44,739.70	-	-	44,739.70
Unassigned	1,108,675.53	-	-	1,108,675.53
Total Fund Balances	1,615,986.28	6,209,204.99	1,684,898.70	9,510,089.97
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,474,911.30	$ 6,302,385.49	$ 1,733,984.99	$ 11,511,281.78

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

DOOLY COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")		$ 9,510,089.97
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	$ 309,734.00	
Buildings and improvements	25,161,414.00	
Equipment	5,835,314.00	
Land improvements	1,599,395.00	
Accumulated depreciation	(13,368,196.00)	19,537,661.00
Some liabilities are not due and payable in the current period and some assets are applicable to future periods; therefore, are not reported in the funds.		
Net pension liability		(12,960,260.00)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		1,986,466.18
Taxes that are not available to pay for current period expenditures are deferred in the funds.		493,823.53
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	$ (5,475,000.00)	
Accrued interest payable	(8,339.17)	
Installment sales agreement	(1,490,000.00)	
Universal service fund agreement	(65,028.58)	(7,038,367.75)
Net position of governmental activities (Exhibit "A")		$ 11,529,412.93

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

DOOLY COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 4,908,520.64	$ -	$ -	$ 4,908,520.64
Sales Taxes	35,907.72	1,227,318.54	-	1,263,226.26
State Funds	6,835,454.89	-	-	6,835,454.89
Federal Funds	2,401,252.11	-	-	2,401,252.11
Charges for Services	186,193.44	-	-	186,193.44
Investment Earnings	2,381.64	40,311.60	56,067.12	98,760.36
Miscellaneous	191,555.34	1,713.64	-	193,268.98
Total Revenues	14,561,265.78	1,269,343.78	56,067.12	15,886,676.68
EXPENDITURES				
Current				
Instruction	8,173,516.71	329,976.61	-	8,503,493.32
Support Services				
Pupil Services	461,206.38	1,482.19	-	462,688.57
Improvement of Instructional Services	1,059,757.18	-	-	1,059,757.18
Educational Media Services	254,375.83	-	-	254,375.83
General Administration	609,291.24	2,329.17	-	611,620.41
School Administration	1,098,624.93	3,972.84	-	1,102,597.77
Business Administration	207,172.74	2,163.48	-	209,336.22
Maintenance and Operation of Plant	1,381,364.00	231,472.92	-	1,612,836.92
Student Transportation Services	955,946.85	408,433.85	-	1,364,380.70
Central Support Services	75,095.00	31,031.14	-	106,126.14
Other Support Services	23,714.43	-	-	23,714.43
Enterprise Operations	126,411.97	-	-	126,411.97
Food Services Operation	976,763.96	-	-	976,763.96
Capital Outlay	-	62,400.00	-	62,400.00
Debt Services				
Principal	55,990.34	195,000.00	825,000.00	1,075,990.34
Interest	6,457.63	18,113.75	80,046.29	104,617.67
Total Expenditures	15,465,689.19	1,286,375.95	905,046.29	17,657,111.43
Revenues over (under) Expenditures	(904,423.41)	(17,032.17)	(848,979.17)	(1,770,434.75)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	1,577,533.00	1,577,533.00
Transfers Out	-	(1,577,533.00)	-	(1,577,533.00)
Total Other Financing Sources (Uses)	-	(1,577,533.00)	1,577,533.00	-
Net Change in Fund Balances	(904,423.41)	(1,594,565.17)	728,553.83	(1,770,434.75)
Fund Balances - Beginning	2,520,409.69	7,803,770.16	956,344.87	11,280,524.72
Fund Balances - Ending	$ 1,615,986.28	$ 6,209,204.99	$ 1,684,898.70	$ 9,510,089.97

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

DOOLY 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, 2017

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")			$ (1,770,434.75)
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	$ 608,970.00		
Depreciation expense	(977,717.00)		(368,747.00)
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			127,149.33
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 the net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.			
Bond principal retirements	$ 825,000.00		
Installment sales agreement payment	195,000.00		
Universal service fund agreement	55,990.34		1,075,990.34
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 liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.			
Pension expense			89,738.00
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. These activities consist of:			
Accrued interest			1,979.80
Change in net position of governmental activities (Exhibit "B")			$ (844,324.28)

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

DOOLY COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 20,323.34
Investments	26,262.49
Total Assets	46,585.83
LIABILITIES	
Funds Held for Others	$ 46,585.83

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

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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 60 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt,

which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities 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 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures.* This statement requires governments that enter into tax abatement agreements to disclose the following information; (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the School District's financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (O.C.G.A.) §45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

INVESTMENTS

The School District can invest its funds as permitted by O.C.G.A. §36-83-4. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity.

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. All other investments are reported at fair value.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

RECEIVABLES

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

INVENTORIES

Food Inventories

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

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

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

		Capitalization Policy
Land		All
Construction in Progress	$	5,000.00
Land Improvements	$	5,000.00
Buildings and Improvements	$	5,000.00
Equipment	$	5,000.00
Intangible Assets	$	10,000.00 to 100,000.00

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.

FUND BALANCES

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

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

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

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

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

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

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

USE OF ESTIMATES

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

PROPERTY TAXES

The Dooly County Board of Commissioners adopted the property tax levy for the 2016 tax digest year (calendar year) on September 16, 2016 (levy date) based on property values as of January 1, 2016. Taxes were due on December 20, 2016 (lien date). Taxes collected within the current fiscal year or within 120 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. Dooly County 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, 2017, for maintenance and operations amounted to $4,613,994.20.

The tax millage rate levied for the 2016 tax year (calendar year) for the School District was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	16.404 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $258,511.25 during fiscal year ended June 30, 2017.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $1,227,318.54 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, debt service and capital projects funds. There is no statutory prohibition regarding

over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

NOTE 4: DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

Acceptable security for deposits consists of any one of or any combination of the following:

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,

(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,

(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

(7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2017, the School District had deposits with a carrying amount of $2,150,284.98, and a bank balance of $3,120,603.00. The bank balances insured by Federal depository insurance were $402,050.54 and the bank balances collateralized with securities held by the pledging financial institution in the School District's name were $2,718,552.46.

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

Statement of Net Position	
Cash and cash equivalents	$ 7,192,030.14
Restricted cash held by trustee	1,245.39
Statement of Fiduciary Net Position	
Cash and cash equivalents	20,323.34
Total cash and cash equivalents	7,213,598.87
Add:	
Deposits with original maturity of three months or more reported as investments	653,338.19
Less:	
Investment pools reported as cash and cash equivalents	
Georgia Fund 1	5,716,652.08
Total carrying value of deposits - June 30, 2017	$ 2,150,284.98

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of $5,716,652.08 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, 2017, was 56 days.

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

CATEGORIZATION OF INVESTMENTS

At June 30, 2017, the School District had the following investments:

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Debt Securities		
Federal National Mortgage Association	$ 1,732,739.60	$ 1,732,739.60

Fair Value of Investments

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

Level 1: Quoted prices for identical measurements in active markets;

Level 2: Observable inputs other than quoted market prices; and,

Level 3: Unobservable inputs.

At June 30, the School District had the following investments by fair value level:

Invesments by fair value level:	Fair Value	Level 2
Federal National Mortgage Association	$ 1,732,739.60	$ 1,732,739.60

Interest Rate Risk

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

Custodial Credit Risk

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

At June 30, 2017, $1,732,739.60 of the School District's applicable investments were held by the investment's counterparty, not in the School District's name.

Credit Quality Risk

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

The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Ratings AAA
Debt Securities		
Federal National Mortgage Association	$ 1,732,739.60	$ 1,732,739.60

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Federal National Mortgage Association Discount Note. This investment is 73% of the School District's total investments.

NOTE 5: RESTRICTED ASSETS

The restricted assets represent the cash balance and investment balance, totaling $1,245.39 and $1,732,739.60, respectively, for the QZAB Bond Sinking Fund.

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2016	Increases	Decreases	Balances June 30, 2017
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 309,734.00	$ -	$ -	$ 309,734.00
Capital Assets Being Depreciated				
Buildings and Improvements	25,134,895.00	26,519.00	-	25,161,414.00
Equipment	5,252,863.00	582,451.00	-	5,835,314.00
Land Improvements	1,599,395.00	-	-	1,599,395.00
Less Accumulated Depreciation for:				
Buildings and Improvements	7,351,245.00	545,804.00	-	7,897,049.00
Equipment	3,882,738.00	375,750.00	-	4,258,488.00
Land Improvements	1,156,496.00	56,163.00	-	1,212,659.00
Total Capital Assets, Being Depreciated, Net	19,596,674.00	(368,747.00)	-	19,227,927.00
Governmental Activity Capital Assets - Net	$ 19,906,408.00	$ (368,747.00)	$ -	$ 19,537,661.00

Current year depreciation expense by function is as follows:

Instruction		$ 705,209.00
Support Services		
General Administration	$ 5,842.00	
School Administration	356.00	
Maintenance and Operation of Plant	30,348.00	
Student Transportation Services	198,715.00	
Central Support Services	14,255.00	249,516.00
Food Services		22,992.00
		$ 977,717.00

NOTE 7: INTERFUND TRANSFERS

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfers to	Transfers From Capital Projects Fund
Debt Service Fund	$ 1,577,533.00

Transfers are used to move sales tax revenues collected by the capital projects fund to the debt service fund for bond principal and interest payments.

NOTE 8: SHORT-TERM DEBT

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

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ -	$ 500,000.00	$ 500,000.00	$ -

NOTE 9: LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
General Obligation Bonds	$ 4,300,000.00	$ -	$ 825,000.00	$ 3,475,000.00	$ 840,000.00
Qualified Zone Academy Bonds	2,000,000.00	-	-	2,000,000.00	-
Installment Sales Agreement	1,685,000.00	-	195,000.00	1,490,000.00	199,000.00
U.S.F. Agreement	121,018.92	-	55,990.34	65,028.58	59,888.83
	$ 8,106,018.92	$ -	$ 1,075,990.34	$ 7,030,028.58	$ 1,098,888.83

GENERAL OBLIGATION DEBT OUTSTANDING

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

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2015	1.44%	9/10/2015	5/1/2021	$ 4,300,000.00	$ 3,475,000.00

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

	General Obligation Debt	
Fiscal Year Ended June 30:	Principal	Interest
2018	$ 840,000.00	$ 50,040.00
2019	860,000.00	37,944.00
2020	880,000.00	25,560.00
2021	895,000.00	12,888.00
Total Principal and Interest	$ 3,475,000.00	$ 126,432.00

QUALIFIED ZONE ACADEMY BONDS (QZAB)

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

This agreement establishes a method of repayment for qualified interest-free debt instrument. The agreement requires the School District to deposit funds annually into a sinking fund account on or before May 1, 2011. The amount on deposit at June 30, 2017 was $1,733,984.99.

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

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - QZAB Series 2005C	0.00%	10/20/2005	10/20/2021	$ 2,000,000.00	$ 2,000,000.00

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

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

INSTALLMENT SALES AGREEMENT

The School District entered into an agreement dated October 1, 2015 with the Georgia Municipal Association, Inc. (GMA) in order to refinance a capital lease dated July1, 2006 with the Georgia School Boards Association (GSBA). Under the terms of the installment sales agreement, the GMA purchased the real property consisting of six classrooms, an administrative suite addition, and a corridor attaching the school building to the gymnasium from the GSBA. The School District will make annual payments through May 1, 2024 to purchase the property from the GMA. The debt currently outstanding, associated with this agreement is as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital Outlay Improvements for six classrooms, administrative suite and a corridor to connect the high school to the gymnasium	2.15%	10/1/2015	5/1/2024	$ 1,895,000.00	$ 1,490,000.00

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

Fiscal Year Ended June 30:	Principal	Interest
2018	$ 199,000.00	$ 32,036.00
2019	204,000.00	27,756.00
2020	208,000.00	23,370.00
2021	213,000.00	18,898.00
2022 - 2024	666,000.00	28,854.00
Total Principal and Interest	$ 1,490,000.00	$ 130,914.00

UNIVERSAL SERVICE FUND AGREEMENT

The Dooly County Board of Education entered into an agreement with the Universal Service Administrative Company, dated June 19, 2013, for the funding commitment of previous projects. The School District did not meet bidding requirements and has been ordered to rescind in full all services provided through e-rate funding. Under the terms of this agreement, the School District will make annual payments through fiscal year 2019.

The following is a schedule of total Universal Service Fund Agreement payments:

Fiscal Year Ended June 30:	Principal	Interest
2018	$ 59,888.83	$ 2,559.13
2019	5,139.75	28.91
Total Principal and Interest	$ 65,028.58	$ 2,588.04

NOTE 10: RISK MANAGEMENT

INSURANCE

Commercial Insurance

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

Georgia School Boards Association Risk and Insurance Management System

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

WORKERS' COMPENSATION

Georgia Education Workers' Compensation Trust

The School District participates in the Georgia Education Workers' Compensation Trust (the Trust), a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of $1.0 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of $2.0 million. The Trust covers the first $1.0 million of each Employers Liability claim with Safety National providing additional Employers Liability limits up to a $2.0 million per occurrence maximum. Safety National Casualty Company also provides $2.0 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

UNEMPLOYMENT COMPENSATION

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2016	$ -	$ 13,079.30	$ 13,079.30	$ -
2017	$ -	$ 2,342.00	$ 2,342.00	$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 50,000.00

NOTE 11: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2017:

Nonspendable		
Inventories		$ 49,303.99
Restricted		
Continuation of Federal Programs	$ 413,267.06	
Capital Projects	6,209,204.99	
Debt Service	1,684,898.70	8,307,370.75
Assigned		
School Activity Accounts		44,739.70
Unassigned		1,108,675.53
Fund Balance, June 30, 2017		$ 9,510,089.97

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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

LITIGATION

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable but is not believed to have a material adverse effect on the financial condition of the School District.

NOTE 13: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Post-Employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). Additional information about the School OPEB Fund is disclosed in the State of Georgia Comprehensive Annual Financial Report. This report can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

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

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2017:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

July 1, 2016 – June 30, 2017	$945.00 per member per month

For non-certificated school personnel:

July 1, 2016 – December 31, 2016	$746.20 per member per month
January 1, 2017 – June 30, 2017	$846.20 per member per month

No additional contribution was required by the Board for fiscal year 2017 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	$ 1,668,287.80
2016	100%	$ 1,533,745.00
2015	100%	$ 1,487,024.00

NOTE 14: RETIREMENT PLANS

The School District participates in various retirement plans administered by the State of Georgia, as further explained below.

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description: All teachers of the School District as defined in O.C.G.A §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers Retirement System of Georgia issues a publicly available separate financial audit 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 2017. The School District's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual School District payroll, of which 14.15% of payroll was required from the School District and 0.12% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $1,079,921.18 and $8,767.76 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 $40,039.00.

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

At June 30, 2017, the School District reported a liability of $12,960,260.00 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	$ 12,960,260.00
State of Georgia's proportionate share of the net pension liability associated with the School District	154,733.00
Total	$ 13,114,993.00

The net pension liability for TRS was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016.

At June 30, 2016, the School District's TRS proportion was 0.062819%, which was a decrease of 0.001526% from its proportion measured as of June 30, 2015.

At June 30, 2017, 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 $346,042.00.

The PSERS net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of $1,009,542.00 for TRS and $56,729.00 for PSERS and revenue of $33,212.00 for TRS and $56,729.00 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, 2017, 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	$ 193,073.00	$ 64,089.00
Changes of assumptions	335,912.00	-
Net difference between projected and actual earnings on pension plan investments	1,639,526.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,197,877.00
School District contributions subsequent to the measurement date	1,079,921.18	-
Total	$ 3,248,432.18	$ 1,261,966.00

The School District contributions subsequent to the measurement date of $1,079,921.18 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, 2018. 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
2018	$ (159,184.00)
2019	$ (159,184.00)
2020	$ 650,923.00
2021	$ 558,569.00
2022	$ 15,421.00

Actuarial assumptions: The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015, 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, 2015 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, 2015 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	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	$ 20,172,805.00	$ 12,960,260.00	$ 7,021,918.00

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

NOTE 15: SUBSEQUENT EVENTS

The School District had one draw in the amount of $400,000.00 on a tax anticipation note that was required to meet the cash flow needs of the School District. The note was paid on December 29, 2017.

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

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.062819%	$ 12,960,260.00	$ 154,733.00	$ 13,114,993.00	$ 7,074,419.20	183.20%	76.06%
2016	0.064350%	$ 9,795,887.00	$ 135,037.00	$ 9,930,924.00	$ 6,800,258.94	144.05%	81.44%
2015	0.069296%	$ 8,754,636.00	$ 30,826.00	$ 8,785,462.00	$ 7,069,568.40	123.84%	84.03%

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

DOOLY 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
2017	0.00%	$ -	$ 346,042.00	$ 346,042.00	$ 710,915.26	N/A	81.00%
2016	0.00%	$ -	$ 221,931.00	$ 221,931.00	$ 547,942.61	N/A	87.00%
2015	0.00%	$ -	$ 164,743.00	$ 164,743.00	$ 523,971.52	N/A	88.29%

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

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

SCHEDULE "3"

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
2017	$ 1,079,921.18	$ 1,079,921.18	$ -	$ 7,630,230.41	14.15%
2016	$ 997,140.18	$ 997,140.18	$ -	$ 7,074,419.20	14.10%
2015	$ 894,234.05	$ 894,234.05	$ -	$ 6,800,258.94	13.15%
2014	$ 868,143.00	$ 868,143.00	$ -	$ 7,069,568.40	12.28%

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 utilizied 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 Socuety of Actuaries' projection scale BB (set forward one year for males).

Public School Employees Retirement System

Changes of assumptions: The last experience investigation was prepared for the five-year period ending June 30, 2009, and based on the results of the investigation various assumptions and methods were revised and adopted by the board on December 16, 2010. The next experience investigation will be prepared for the period July 1, 2009 through June 30, 2014.

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilizied 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).

DOOLY COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017

SCHEDULE "5"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ -	$ 4,938,329.00	$ 4,908,520.64	$ (29,808.36)
Sales Taxes	-	33,567.00	35,907.72	2,340.72
State Funds	39,000.00	6,602,740.00	6,835,454.89	232,714.89
Federal Funds	1,173,000.00	2,693,474.00	2,401,252.11	(292,221.89)
Charges for Services	22,000.00	15,000.00	186,193.44	171,193.44
Investment Earnings	500.00	1,005.00	2,381.64	1,376.64
Miscellaneous	-	162,495.00	191,555.34	29,060.34
Total Revenues	1,234,500.00	14,446,610.00	14,561,265.78	114,655.78
EXPENDITURES				
Current				
Instruction	8,201,005.00	8,042,650.00	8,173,516.71	(130,866.71)
Support Services				
Pupil Services	389,716.00	491,896.00	461,206.38	30,689.62
Improvement of Instructional Services	668,328.00	1,075,968.00	1,059,757.18	16,210.82
Educational Media Services	249,380.00	249,380.00	254,375.83	(4,995.83)
General Administration	590,568.00	604,618.00	609,291.24	(4,673.24)
School Administration	1,263,835.00	1,281,975.00	1,098,624.93	183,350.07
Business Administration	185,104.00	185,104.00	207,172.74	(22,068.74)
Maintenance and Operation of Plant	1,422,235.00	1,422,235.00	1,381,364.00	40,871.00
Student Transportation Services	891,208.00	863,202.00	955,946.85	(92,744.85)
Central Support Services	80,218.00	75,718.00	75,095.00	623.00
Other Support Services	44,355.00	9,272.00	23,714.43	(14,442.43)
Enterprise Operations	-	-	126,411.97	(126,411.97)
Food Services Operation	1,277,500.00	1,278,081.00	976,763.96	301,317.04
Debt Service	-	-	62,447.97	(62,447.97)
Total Expenditures	15,263,452.00	15,580,099.00	15,465,689.19	114,409.81
Excess of Revenues over (under) Expenditures	(14,028,952.00)	(1,133,489.00)	(904,423.41)	229,065.59
OTHER FINANCING SOURCES (USES)				
Other Sources	500.00	108,871.00	-	(108,871.00)
Other Uses	(102,887.00)	(108,871.00)	-	108,871.00
Total Other Financing Sources (Uses)	(102,387.00)	-	-	-
Net Change in Fund Balances	(14,131,339.00)	(1,133,489.00)	(904,423.41)	229,065.59
Fund Balances - Beginning	2,614,549.18	2,614,549.18	2,520,409.69	(94,139.49)
Adjustments	(12,163.96)	(12,163.96)	-	12,163.96
Fund Balances - Ending	$ (11,528,953.78)	$ 1,468,896.22	$ 1,615,986.28	$ 147,090.06

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 $180,381.46 and $166,094.10, 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.

See notes to the basic financial statements.

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

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	17175GA324N1099	$ 242,639.64
National School Lunch Program	10.555	17175GA324N1100	780,944.69
Total U. S. Department of Agriculture			1,023,584.33
Education, U. S. Department of			
Direct			
Impact Aid	84.041		760.10
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	305,098.13
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A150010	24,424.53
English Language Acquisition Grants	84.365	S365A150010	24,029.62
Improving Teacher Quality State Grants	84.367	S367A150001	142,558.30
Migrant Education - State Grant Program	84.011	S011A150011	25,776.12
Rural Education	84.358	S358B150010	40,536.54
Title I Grants to Local Educational Agencies	84.010	S010A150010	1,095,320.69
Total Other Programs			1,352,645.80
Total U. S. Department of Education			1,658,504.03
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		69,974.84
Total Expenditures of Federal Awards			$ 2,752,063.20

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Dooly County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2016. 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.

DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2017

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 446,632.03
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	376,687.00
Kindergarten Program - Early Intervention Program	34,232.00
Primary Grades (1-3) Program	961,471.00
Primary Grades - Early Intervention (1-3) Program	104,776.00
Upper Elementary Grades (4-5) Program	437,042.00
Upper Elementary Grades - Early Intervention (4-5) Program	85,190.00
Middle Grades (6-8) Program	773,024.00
High School General Education (9-12) Program	605,806.00
Vocational Laboratory (9-12) Program	313,426.00
Students with Disabilities	525,381.00
Gifted Student - Category VI	7,847.00
Remedial Education Program	42,947.00
Alternative Education Program	52,587.00
English Speakers of Other Languages (ESOL)	109,881.00
Media Center Program	128,265.00
20 Days Additional Instruction	41,664.00
Staff and Professional Development	20,895.00
Principal Staff and Professional Development	728.00
Indirect Cost	
Central Administration	291,408.00
School Administration	337,181.00
Facility Maintenance and Operations	300,134.00
Mid-term Adjustment Hold-Harmless	279,609.00
Amended Formula Adjustment	(84,965.00)
Vocational Supervisors	6,653.00
Categorical Grants	
Pupil Transportation	
Regular	330,051.00
Nursing Services	45,000.00
Sparsity	54,382.00
Other State Programs	
Food Services	25,978.00
Math and Science Supplements	10,012.10
Teachers Retirement	8,767.76
Vocational Education	122,724.00
Office of the State Treasurer	
Public School Employees Retirement	40,039.00
	$ 6,835,454.89

See notes to the basic financial statements.

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DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2017

SCHEDULE "8"

SPLOST III (2008) PROJECTS	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN FY 2017 (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
1. To provide funds to pay or to be applied toward the cost of paying all or a portion of certain previously incurred general obligation debt and acquiring certain previously financed educational facilities at Dooly County High School.	$ 6,000,000.00	$ 4,974,806.37	$ 830,162.75	$ 4,144,643.62	$ 4,974,806.37	-	Complete
2. To provide funds to pay or to be applied toward the cost of constructing additional classrooms at existing educational facilities;	1,200,000.00	15,744.12		15,744.12	15,744.12	-	Complete
3. To provide funds to pay or to be applied toward the cost of improving existing educational facilities, including making energy management upgrades, purchasing equipment and upgrading athletic facilities;	379,000.00	469,056.89	31,884.00	437,172.89	469,056.89	-	Complete
4. To provide funds to pay or to be applied toward the cost of acquiring and upgrading system-wide instructional and administrative technology;	550,000.00	559,779.80	102,598.56	457,181.24	559,779.80	-	Complete
5. To provide funds to pay or to be applied toward the cost of purchasing safety and security equipment;	25,000.00	307,377.19	801.27	306,575.92	307,377.19	-	Complete
6. To provide funds to pay or to be applied toward the cost of purchasing textbooks and furnishing;	250,000.00	259,800.19		259,800.19	259,800.19	-	Complete
7. To provide funds to pay or to be applied toward the cost of purchasing vocational, fine arts, physical education and athletic equipment;	50,000.00	89,113.13	19,257.50	69,855.63	89,113.13	-	Complete
8. To provide funds to pay or to be applied toward the cost of purchasing school buses, maintenance vehicles and equipment;	546,000.00	851,233.59	406,965.75	444,267.84	851,233.59	-	Complete
9. To provide funds to pay or to be applied toward the cost of and acquiring any property necessary or desirable therefor, both real and personal.	500,000.00	347,617.53	-	-	-	-	Complete
	9,500,000.00	7,874,528.81	1,391,669.83	6,135,241.45	7,526,911.28		
SPLOST IV (2014) PROJECTS							
1. To provide funds to pay or to be applied toward the cost of making certain lease-purchase payments in connection with the construction and renovation of certain improvements at Dooly County High School;	2,100,000.00	2,100,000.00	290,160.77	-	-	-	6/30/2020
2. To provide funds to pay or to be applied toward the cost of constructing additional classrooms at existing educational facilities;	1,400,000.00	1,400,000.00	-	-	-	-	6/30/2020
3. To provide funds to pay or to be applied toward the cost of improving existing educational facilities, including making energy management upgrades, purchasing equipment and upgrading athletic facilities;	550,000.00	550,000.00	192,521.74	-	-	-	6/30/2020
4. To provide funds to pay or to be applied toward the cost of acquiring and upgrading system-wide instructional and administrative technology, including reimbursements for purchased instructional and administrative technology;	550,000.00	550,000.00	88,907.07	-	-	-	6/30/2020
5. To provide funds to pay or to be applied toward the cost of purchasing safety and security equipment;	125,000.00	150,000.00	143,526.00	-	-	-	6/30/2020
6. To provide funds to pay or to be applied toward the cost of purchasing textbooks and furnishing;	600,000.00	600,000.00	66,127.74	-	-	-	6/30/2020
7. To provide funds to pay or to be applied toward the cost of purchasing vocational, fine arts, physical education and athletic equipment;	200,000.00	200,000.00		-	-	-	6/30/2020
8. To provide funds to pay or to be applied toward the cost of purchasing school buses, maintenance vehicles and equipment, including but not limited to, purchasing maintenance equipment for athletic fields;	1,250,000.00	1,250,000.00	-	-	-	-	6/30/2020
9. To provide funds to pay or to be applied toward the cost of purchasing band and athletic uniforms and equipment;	50,000.00	50,000.00	2,091.58	-	-	-	6/30/2020
10. To provide funds to pay or to be applied toward the cost of repairing HVAC and roofing of existing facilities;	175,000.00	175,000.00	-	-	-	-	6/30/2020
11. To provide funds to pay or to be applied toward the cost of and acquiring any property necessary or desirable therefor, both real and personal.	500,000.00	475,000.00	-	-	-	-	6/30/2020
12. To pay capitalized interest and the cost of issuing debt.	-	146,129.55	-	146,129.55	-	-	6/30/2020
	7,500,000.00	7,646,129.55	783,334.90	146,129.55	-	-	
	$ 17,000,000.00	$ 15,520,658.36	$ 2,175,004.73	$ 6,281,371.00	$ 7,526,911.28	-	

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

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

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

See notes to the basic financial statements.

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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

February 25, 2020

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

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 Dooly County Board of Education (School District), as of and for the year ended June 30, 2017, 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 February 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items FS 2017-001 and FS 2017-004 to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items FS 2017-002 and FS 2017-003 to be significant deficiencies.

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.*

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

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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

February 25, 2020

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

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 Dooly County Board of Education (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. 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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Basis for Qualified Opinion on Title I Grants to Local Educational Agencies (CFDA 84.010) and Special Education Cluster (CFDA 84.027)

As described in the accompanying *Schedule of Findings and Questioned Costs*, the School District did not comply with requirements regarding Title I Grants to Local Educational Agencies (CFDA 84.010) as described in items FA 2017-002, FA 2017-005 and FA 2017-007 for Allowable Costs/Cost Principles, Reporting and Special Tests and Provisions and Special Education Cluster (CFDA 84.027) as described in item FA 2017-002 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to those programs.

Qualified Opinion on Title I Grants to Local Educational Agencies (CFDA 84.010) and Special Education Cluster (CFDA 84.027)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies (CFDA 84.010) and Special Education Cluster (CFDA 84.027) for the year ended June 30, 2017.

Other Matters

The School District's response to the noncompliance findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as items FA 2017-002, FA 2017-005 and FA 2017-007, to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as items FA 2017-001, FA 2017-003, FA 2017-004 and FA 2017-006, to be significant deficiencies.

The School District's response to the internal control over compliance findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,



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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DOOLY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PY FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-2014-001	**Inadequate Internal Controls**
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

The plan of action is to have adequate controls over the financial reporting process which includes accurate preparation and presentation of the financial statements. Since the School District has key personnel in place, completeness and accuracy of all activity recorded should be achieved with the 2019 financial reporting.

FS 2015-001	**Accounting Control Procedures**
Control Category:	Accounting Controls (Overall) Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Employee Compensation General Ledger Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

Policies for managing user access to the financial application, school food point of sale system and student information system will be developed and implemented in fiscal year 2019. Internal controls have been reviewed to ensure transactions are processed according to established procedures.

FS-2015-002	**Internal Control Procedures over Student Activity Accounts**
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Funds Held for Others
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

Internal controls have been review to ensure transactions are processed according to the established procedures. A School Activity Account Procedure Manual is to be revised in fiscal year 2020.

DOOLY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PY FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-2015-003	**Controls over Financial Reporting**
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

The plan of action is to have adequate controls over the financial reporting process which includes accurate preparation and presentation of the financial statements. Since the School District has key personnel in place, completeness and accuracy of all activity recorded should be achieved with the 2019 financial reporting.

FS 2016-001	**Internal Controls at the Central Office**
Control Categories:	Accounting Controls (Overall) Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Employee Compensation General Ledger Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

Procedures are being implemented to strengthen the internal controls over the accounting functions. Implementing compensating controls to assist in assuring that transactions are properly processed and reported in fiscal year 2020.

FS 2016-002	**Internal Control Procedures over School Activity Accounts**
Control Categories:	Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Funds Held for Others General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

Development and Implementation of compensating controls for separation of duties will be a goal for fiscal year 2020. The School Activity Account Procedure Manual is currently be reviewed in fiscal year 2020.

DOOLY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PY FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-003	**Internal Controls Over Financial Reporting**
Control Categories:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

Since the School District has key personnel in place, completeness and accuracy of all activity recorded should be achieved with the 2019 financial reporting.

FS 2016-004	**Improper Use of SPLOST Proceeds**
Control Categories:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Finding Status:	Previously Reported Corrective Action Implemented.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-2015-001	**Internal Control Procedures**
Control Categories:	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I, Part A (CFDA 84.010)
Questioned Costs:	$57,185.64
Finding Status:	Partially Resolved

Procedures are being implemented to strengthen the internal controls over the accounting functions. Implementing compensating controls to assist in assuring that transactions are properly processed and reported in fiscal year 2020.

DOOLY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PY FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2016-001	**Internal Control Procedures**
Control Categories:	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	CFDA 10.553 National School Breakfast Program CFDA 10.555 National School Lunch Program
Federal Award Number:	16165GA324N1099 National School Breakfast Program 16165GA324N1099 National School Lunch Program
Questioned Costs:	$4,386.32
Finding Status:	Unresolved

Procedures are being implemented to strengthen the internal controls over the accounting functions. Implementing compensating controls to assist in assuring that transactions are properly processed and reported in fiscal year 2020.

FA 2016-002	**Expenditures to Consultants**
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	CFDA 84.010 Title I Grants to Local Educational Agencies CFDA 84.367 Improving Teacher Quality State Grants CFDA 84.377 School Improvement Grants
Federal Award Number:	S010A150010 - Title I Grants to Local Educational Agencies S367A150001 – Improving Teacher Quality State Grants S377A16001 – School Improvement Grants
Questioned Costs:	$33,200.00
Finding Status:	Previously Reported Corrective Action Implemented

DOOLY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PY FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2016-003	**Refund of Unexpended Grants**
Compliance Requirement:	Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	CFDA 84.010 Title I Grants to Local Educational Agencies CFDA 84.358 Rural Education CFDA 84.365 English Language Acquisition Grants CFDA 84.367 Improving Teacher Quality State Grants
Federal Award Number:	S010A150010 - Title I Grants to Local Educational Agencies S358B150010 - Rural Education S365A150010 - English Language Acquisition Grants S367A150001 - Improving Teacher Quality State Grants
Questioned Costs:	$334,006.10
Finding Status:	Unresolved

Procedures are being implemented to strengthen the internal controls over the accounting functions. Implementing compensating controls to assist in assuring that transactions are properly processed and reported in fiscal year 2020.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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DOOLY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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 weaknesses identified? — Yes
- Significant deficiency identified? — Yes

Noncompliance material to financial statements noted: — No

Federal Awards

Internal Control over major programs:
- Material weakness identified? — Yes
- Significant deficiency identified? — Yes

Type of auditor's report issued on compliance for major programs:
All Major Programs — Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? — Yes

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education Cluster

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

FS 2017-001	Internal Controls at the Central Office
Control Categories:	Accounting Controls (Overall)
	Cash and Cash Equivalents
	Revenues/Receivables/Receipts
	Expenditures/Liabilities/Disbursements
	Employee Compensation
	General Ledger
	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-001, FS 2016-001

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

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures.

Condition:
Accounting Controls (Overall)

- The School District did not complete a risk assessment related to Information Technology Risks for the year under audit.

Cash and Cash Equivalents

- The School District did not have adequate internal controls in place to ensure that the bank reconciliation function was separate from the record keeping function.
- Seven bank reconciliations were not reviewed or completed timely.
- One bank reconciliation did not foot by $14,129.60.
- For several bank accounts, there were variances noted between the bank reconciliations and the balance on the general ledger.

Capital Assets

- The School District did not capitalize $62,400.00 of eligible construction in progress, $70,743.00 of eligible improvements and $11,265.74 of eligible equipment.
- The School District misclassified several improvements as buildings. The cost of these assets was $122,255.00 and the related accumulated depreciation totaled $25,627.00.

Revenues/Receivables/Receipts

- The School District did not have adequate internal controls in place to ensure that the asset custody and reconciliation functions were separate from the record keeping function, the bank reconciliation function and the journal entry function.
- Federal grants were not properly monitored resulting in numerous variances when compared to the amounts paid by the grantor agency. For more details, see FA 2017-006.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Expenditures/Liabilities/Disbursements

- The School District did not have adequate internal controls in place to ensure that the purchase order function was separated from the functions of cutting checks, reconciling bank statements and entering journal entries.
- The School District did not have procedures in place to ensure that credit cards which were checked out for use were properly returned.
- The School District reported all hotel expenditures to the incorrect object. As a result, none of these expenditures were included in travel on the CS1. The estimated amount of unreported travel is approximately $47,529.10.
- Our examination of thirty-eight expenditures revealed the following deficiencies:
    - One expenditure was charged to the incorrect account.
    - One expenditure was not approved.

Employee Compensation

- The School District did not have adequate procedures in place to ensure proper separation of duties or to ensure employee compensation expenditures were properly documented, calculated and approved before disbursement.
- Our review of twenty-nine employees' salaries revealed the following deficiencies:
    - Overpayments totaling $67,757.66 were noted for 10 employees due to salaries not being calculated using Board approved salary scales, no documentation maintained for amounts paid above contract or for supplements paid, missing documentation, and issues with salary accruals.
    - Underpayments totaling $3,641.28 were noted for 3 employees due to the School District using incorrect supplement amounts and an incorrect calculation for an extended day and an extended year employee.
    - There were no approvals of supplements and stipends for leadership and athletic positions.

General Ledger

- Our review of eleven journal entries revealed the following deficiencies:
    - Eleven journal entries did not have evidence of the preparer.
    - Seven journal entries were not adequately documented.
- The School District recorded an undocumented journal entry that overstated cash in the amount of $25,824.17.

Cause:

In discussing this deficiency with the School District, they stated that these issues were a result of a lack of separation of duties and internal control procedures within the finance department due to lack of experience and training.

Effect or Potential Effect:

Without satisfactory accounting controls and procedures in place, the School District could place itself in a position where potential misappropriation of assets could occur. In addition, the lack of controls impacted its reporting of financial position and results of operations.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:
The School District should review accounting procedures in place and design and implement procedures relative to the above control categories to strengthen the internal controls over the accounting functions. Management should ensure that proper separation of duties exists. In the case when management determines that separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring that transactions are properly processed and reported.

Views of Responsible Officials:
We concur with this finding.

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

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

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide proper separation of duties and reasonable assurance that transactions are processed according to established procedures.

Condition:
The following deficiencies were noted with the School District's school activity accounts:

Revenues/Receivables/Receipts

- The key accounting functions of receipt preparation, record keeping and bank reconciliation were not adequately separated.
- Our examination of ten receipts revealed the following:
  - Three receipts did not agree to the deposit amounts or accounting records.
  - Two receipts were not reported in the correct period.
  - Seven receipts were not deposited timely.
- The entity did not properly report its school activity revenues between miscellaneous revenue and charges for services.

Expenditures/Liabilities/Disbursements

- The key accounting functions of check preparation, record keeping and bank reconciliation were not adequately separated.

Funds Held for Others

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

General Ledger

- The School District did not properly record the financial activity related to the school activity accounts. As a result, fiscal year 2015 amounts were reported in the current year for two of the School District's three schools resulting in misstatements of revenues, expenditures and funds held for others.
- The entity could not document that school activity account activity was reviewed quarterly.

Cause:
In discussing this deficiency with the School District, they stated that the errors were made due to the schools not having a school activity account policy manual. In addition, the schools do not have adequate personnel in order to be able to separate the duties.

Effect or Potential Effect:
Failure to maintain adequate internal controls over school activity accounts increases the risk that misstatements could occur in the financial statements due to errors or fraud and not be detected in a timely manner.

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

Views of Responsible Officials:
We concur with this finding.

FS 2017-003	Internal Controls Over Financial Reporting
Control Categories:	Financial Reporting
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2016-003, FS 2015-003, FS 2014-001

Description:
The School District did not have adequate internal controls in place over the financial statement reporting process.

Criteria:
Management is responsible for having adequate controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The School District's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis- for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental fund balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

Chapter II Section 2 *Annual Financial Reporting* of the Financial Management for Georgia Local Units of Administration provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

Condition:

The following errors and omissions were noted in the School District's financial statements, note disclosures and supplementary information presented for audit:

- The School District did not record its liability for compensated absences in the amount of $93,042.67.
- Net position on the government wide statements was misclassified by $256,900.20 between Net Investment in Capital Assets and Unrestricted Net Position due to calculation errors.
- Accounts Receivable – Taxes and Property Tax Revenues were overstated by $78,554.61 on the government wide statements due to an error in the calculation of delinquent taxes. This also caused an overstatement of Accounts Receivable – Taxes and Unavailable Revenue – Property Taxes in the same amount on the governmental fund statements.
- The School District misstated $72,137.10 in cash as accounts receivable due to an error posting a school nutrition receipt.
- Interest expense was understated by $62,447.97 on the government wide statements due to an undocumented financial statement preparation entry.
- Numerous errors were noted with the cash note reported by the School District, including FDIC insured balances and collateral balances. Adjustments to the notes to the financial statements were proposed by the auditors and accepted by the School District.
- An error was noted with the investment note reported by the School District. An adjustment to the notes to the financial statements were proposed by the auditors and accepted by the School District.
- The School District did not disclose its operating leases, with current year payments of $27,462.15 and future minimum lease payments of $11,729.65.
- Capital assets were not classified correctly in the capital asset note. A misclassification in the amount of $122,255.00 was made between buildings and land improvements.
- Numerous errors were noted with the Schedule of Proportionate Share of the Net Pension Liability for TRS, Schedule of Proportionate Share of the Net Pension Liability for PSERS, Schedule of Contributions to TRS, Notes to the Required Supplementary Information, Schedule of Expenditures of Federal Awards and Schedule of SPLOST Expenditures. Adjustments were proposed by the auditors and accepted by the School District.
- The Reconciliation of the Governmental Funds Balance Sheet and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances did not reconcile to the Statement of Net Position and Statement of Activities. Adjustments were proposed by the auditors and accepted by the School District.
- Other immaterial audit adjustments and reclassifications were proposed by the auditors and accepted by the client to properly present the School District's financial statements, note disclosures and supplemental information.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:
In discussing the deficiency with the School District, it appears the errors occurred due to a lack of oversight by the School District during the financial statement reviews process.

Effect or Potential Effect:
Significant misstatements and misclassifications were included in the financial statements presented for audit. The lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations.

Recommendation:
The School District should strengthen their internal controls and preparation and review procedures over financial reporting to ensure that the financial statements, including disclosures and schedules, presented for audit are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of GAAP, the applicable GASB pronouncements, and knowledge of the School District's activities and operations. The School District should consider implementing the use of a review checklist to assist in the review process over the financial statements.

Views of Responsible Officials:
We concur with this finding.

FS 2017-004	Controls over Expenditures
Control Categories:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Questioned Costs:	$7,836.72

Description:
A review of expenditures revealed that the School District did not have adequate internal controls to ensure that expenditures claimed by the previous Superintendent were appropriate. Travel expenses were in violation of the statewide travel regulations, and charges to the previous Superintendent's debit card were unapproved and undocumented.

Criteria:
Management is responsible for designing and maintaining internal controls over expenditures that provide reasonable assurance that all transactions are properly approved documented and processed according to established procedures and comply with state law.

Condition:
A review of travel expenditures claimed by the previous Superintendent revealed that seven bi-monthly mileage reimbursements totaling $7,644.00 were in violation of statewide travel regulations because the School District provided the Superintendent with a vehicle. Three of the seven mileage reimbursements totaling $3,276.00 were completed and submitted by the previous Superintendent prior to the end of each reimbursement period, and one of these mileage reimbursements was a fiscal year 2018 expenditure that was paid in advance. There were also seven travel charges totaling $843.78 that were not approved. Of these additional travel charges, mileage reimbursements were paid in the amount of $192.72. These mileage reimbursements were in violation of the statewide travel regulations because of overlapping reimbursement dates that had already been paid in previous mileage reimbursements and because the previous Superintendent was provided a School District vehicle. In addition, a review of the charges made to the School District's debit card assigned to the

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

previous Superintendent revealed more than fifty charges totaling $8,633.23. Of these debit card charges, none of them were approved and charges totaling $6,960.36 were not documented. These mileage reimbursements and debit card charges made by the previous Superintendent occurred between April 1, 2017 and June 30, 2017.

Questioned Cost:
Questioned costs of $7,836.72 were identified for mileage reimbursements that were in violation of the statewide travel regulations.

Cause:
In discussing these deficiencies with the School District, this was a result of management override of controls.

Effect or Potential Effect:
The School District was not in compliance with the statewide travel regulations for expenditures related to the previous Superintendent's travel. Also, the School District is susceptible to payment of unallowable expenditures.

Recommendation:
The School District should implement policies and procedures to ensure that expenditures are properly documented, allowable and adhere to statewide travel regulations. Management override should not be used to circumvent established internal control. The School District should review the questioned costs noted above and determine if a reclaim of funds is appropriate.

Views of Responsible Officials:
We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2017-001	Improve Controls over Expenditures and Journal Entries
Compliance Requirements:	Activities Allowed or Unallowed
	Allowable Costs/Cost Principles
	Period of Performance
	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
CFDA Number and Title:	Title I Grants to Local Educational Agencies (CFDA 84.010)
Federal Award Number:	S010A160010
Questioned Costs:	$21,989.57
Repeat of Prior Year Finding:	FA 2016-002

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Criteria:

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

In addition, 2 CFR 200.318(a) states in part that the "non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law…" More specifically, 2 CFR 200.320(b) states in part that "if small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources."

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

Condition:

A sample of 21 Title I Grants to Local Educational Agencies program expenditures was selected for testing using a non-statistical sampling approach. These expenditures were reviewed to determine if appropriate internal controls were implemented and applicable compliance requirements were met. The following deficiencies were noted:

- For one expenditure, the amount recorded on the general ledger did not agree to supporting documentation.
- Two expenditure voucher packages did not reflect appropriate evidence of receipt of goods.
- Two expenditures were not recorded in the correct period.

In addition, a sample of 15 Title I procurements was selected for testing using a non-statistical sampling approach to determine if appropriate procurement procedures were followed. It was noted that price or rate quotations were not obtained from an adequate number of qualified sources for five expenditures that qualified as small purchases according to the Uniform Guidance.

Furthermore, a sample of three Title I journal entries was randomly selected for testing using a non-statistical sampling approach to determine if the activity was related to the appropriate period of performance. Two journal entries did not reflect appropriate evidence of review to ensure that the activity occurred during the period of performance.

Questioned Costs:

Questioned costs of $21,989.57, with likely questioned costs of $63,003.47, were identified for expenditures that did not follow the School District's procurement procedures.

Cause:

In discussing this deficiency with the School District, they stated these issues were a result of a turnover within the Central Office. In addition, the School District was not following its approved procurement policy.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Recommendation:
The School District should review current internal control procedures related to Federal programs expenditures and journal entries. Where vulnerable, the School District should develop and/or modify its policies and procedures to ensure that all expenditures and journal entries reflect evidence of review for associated compliance requirements and contain appropriate supporting documentation. Furthermore, management should develop and implement a monitoring process to ensure that controls are properly implemented.

Views of Responsible Officials:
We concur with this finding.

FA 2017-002	Strengthen Controls over Employee Compensation
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Numbers and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Numbers:	17175GA324N1099 – School Breakfast Program 17175GA324N1100 – National School Lunch Program
Questioned Costs:	$4,423.20
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Numbers and Title:	Title I Grants to Local Educational Agencies (CFDA 84.010) Special Education Cluster (CFDA 84.027)
Federal Award Numbers:	S010A160010 – Title I Grants to Local Educational Agencies H027A160073 – Special Education Cluster
Questioned Costs:	$44,422.95
Repeat of Prior Year Finding:	FA 2016-001, FA 2015-001

Description:
A review of employee compensation charges to the Child Nutrition Cluster (CFDA 10.553 and 10.555), Title I Grants to Local Educational Agencies program (CFDA 84.010), and Special Education Cluster (CFDA 84.027) revealed that internal control procedures were not in place to ensure that employee compensation payments were properly documented.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Condition:

Upon review of employee compensation payments to determine if appropriate internal controls were implemented and applicable compliance requirements were met, the following deficiencies were noted:

- The Child Nutrition Cluster Director was paid $4,423.20 more than the amount documented per the Board-approved salary scales, and no Board approval could be documented for the excess payment.
- A random sample of four Title I Grants to Local Educational Agencies program employees was selected for testing using a non-statistical sampling approach. The Title I Director was paid $6,475.78 more than the amounts documented per the Board-approved salary scales, and no Board approval could be documented for the excess payment. This employee was also overpaid an additional $9,034.61 due to the use of the incorrect certificate level when calculating the employee's state salary, local supplement and extended year pay. The employee's total overpayment was $15,510.39.
- Two Title I Grants to Local Educational Agency program employees were underpaid $1,000.00 due to the School District using incorrect supplement amounts.
- The School District could not provide personnel activity reports for three split-funded Special Education Cluster program employees whose federally funded salaries totaled $63,703.50 of which $28,912.56 was not selected as part of a sample.

Questioned Cost:

Questioned costs of $48,846.15, with likely questioned costs of $61,915.47, were identified for unsupported salary payments and/or incorrect salary calculations.

Cause:

In discussing this deficiency with the School District, they stated that this issue was a result of the previous Superintendent's failure to adhere to Board-approved salary scales, and the School District's failure to properly calculate salary amounts and maintain time and attendance records.

Effect or Potential Effect:

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

Recommendation:

The School District should evaluate their internal control processes regarding the retention of documentation to support employee compensation payments to ensure that federally-funded employees are paid appropriately. Furthermore, management should develop and implement a monitoring process to ensure that these procedures are properly implemented.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials:
We concur with this finding.

FA 2017-003	Strengthen Controls over Cash Management
Compliance Requirement:	Cash Management
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I Grants to Local Educational Agencies (CFDA 84.010)
Federal Award Number:	S010A160010
Questioned Costs:	None Identified

Description:
The School District made cash drawdowns in excess of immediate cash needs for the Title I Grants to Local Educational Agencies program.

Criteria:
2 CFR 200.305(b) states, "For non-Federal entities other than states, payment methods must minimize the time elapsing between the transfer of funds from… the pass-through entity and the disbursement by the non-Federal entity." In addition, 2 CFR 200.302(b)(6) requires that the entity develop written cash management procedures.

Condition:
A random sample of eight Title I Grants to Local Educational Agencies program cash drawdown requests was selected for testing using a non-statistical sampling approach. It was noted that four of these requests did not reflect any evidence of review or approval prior to submission to the Georgia Department of Education.

In addition, upon review of cash drawdowns and disbursements related to the Title I program, excessive cash balances were noted for 48 days in the fiscal year.

Cause:
In discussing this deficiency with the School District, they stated this issue was a result of turnover within the Central Office.

Effect or Potential Effect:
Failure to ensure that cash drawdowns are appropriately reviewed and approved prior to submission to the Georgia Department of Education exposes the School District to unnecessary risk of error and could lead to the filing of inaccurate reimbursement requests. In addition, the School District could potentially accrue a Federal interest liability that would be owed to the Federal government. Furthermore, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:
The School District should develop and implement procedures to accurately forecast the cash needs of the Title I program and minimize the time elapsing between the transfer of funds from the Georgia Department of Education and disbursements of such funds by the School District. These procedures should be documented in accordance with 2 CFR 200.302(b)(6). In addition, management should develop and implement a monitoring process to ensure that these procedures are followed.

Views of Responsible Officials:
We concur with this finding.

FA 2017-004	Improve Controls over Equipment
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I Grants to Local Educational Agencies (CFDA 84.010) Special Education Cluster (CFDA 84.027)
Federal Award Number:	S010A160010 – Title I Grants to Local Educational Agencies H027A160073 – Special Education Cluster
Questioned Costs:	None Identified

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

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

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

- Property records did not include the following required components for five equipment items: (1) Description of the property, (2) the source of the funding for the property (including the FAIN), (3) cost of the property, and (4) condition of property.
- There was no evidence that a physical inventory had been performed in either the current year or the previous year.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

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

Recommendation:
The School District should strengthen controls over Title I Grants to Local Educational Agencies program and Special Education Cluster equipment to ensure that the equipment records are complete and accurate. Management should update the equipment listing to reflect all required information, including a description, an identifying number, the source of funding, the title holder, the acquisition date, the cost, the percentage of Federal participation in the project costs, the location, the use and condition, and any ultimate disposal data for each piece of equipment. Management should perform a physical inventory of equipment at least once every two years and reconcile the results of the physical inventory to the Title I and Special Education equipment listings.

Views of Responsible Officials:
We concur with this finding.

FA 2017-005	Improve Controls over Financial Reporting
Compliance Requirement:	Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I Grants to Local Educational Agencies (CFDA 84.010)
Federal Award Number:	S010A160010
Questioned Costs:	None Identified

Description:
The School District did not file accurate completion reports for the Title I Grants to Local Educational Agencies program.

Criteria:
2 CFR 200.302(a) states in part that "the non-Federal entity's financial management systems must… be sufficient to permit the preparation of reports required by general and program-specific terms and conditions." In addition, 2 CFR 200.302(b)(2) states in part that the non-Federal entity's financial management systems must provide for "accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements."

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:

A review of the School District's accounting records and the program completion reports revealed the following:

1. The Title I - Improving Academic Achievement completion report for the period ending June 30, 2017 was over reported by $91,792.90.
2. The Title I – School Improvement completion report for the period ending June 30, 2017 was under reported by $20,034.46.

Cause:

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

Effect or Potential Effect:

Failure to accurately report Federal award expenditures through the completion report process could lead to the filing of reimbursement requests that do not agree to actual expenditures. Therefore, the School District may obtain more or less Federal funding than they were eligible to receive. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:

The School District should revise and implement internal control procedures to ensure that completion reports submitted to the Georgia Department of Education are supported by the accounting records and reimbursement requests are prepared based upon actual expenditures incurred. In addition, management should develop and implement a monitoring process to ensure that control procedures are being followed.

Views of Responsible Officials:

We concur with this finding.

FA 2017-006	Refund of Unexpended Grants
Compliance Requirement:	Reporting
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I Grants to Local Educational Agencies (CFDA 84.010) Rural Education (CFDA 84.358) Improving Teacher Quality State Grants (CFDA 84.367)
Federal Award Number:	S010A150010 - Title I Grants to Local Educational Agencies S358B150010 - Rural Education S367A150001 - Improving Teacher Quality State Grants
Questioned Costs:	$37,717.52
Repeat of Prior Year Finding:	FA 2016-003

Description:

The School District failed to refund unearned grants balances to the Georgia Department of Education.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Criteria:

2 CFR 200.343(d) states in part that "the non-Federal entity must promptly refund any balances of unobligated cash that the Federal awarding agency or pass-through entity paid in advance or paid and that are not authorized to be retained by the non-Federal entity for use in other projects."

Chapter V-1, *State and Federal Fiscal Rules and Procedures* of the Financial Management for Georgia Local Units of Administration states, "This chapter sets forth the principal requirements that a School District must meet to account for and externally report its budget and financial operations relating to state and Federally funded programs administered by the Georgia Department of Education. Unearned funds must be returned to the Georgia Department of Education."

Condition:

Our review of the School District's accounting records revealed the following:

The School District did not return unearned Title I Grants to Local Education Agencies funds of $19,295.88 on hand as of year-end.

- The School District did not return unearned Rural Education funds of $8,482.12 on hand as of year-end.
- The School District did not return unearned Improving Teacher Quality State Grants funds of $9,939.52 on hand as of year-end.

Questioned Cost:

Questioned costs of $37,717.52 were identified for unearned grant balances that should have been refunded to the Georgia Department of Education.

Cause:

In discussing this deficiency with the School District, they stated that the cause was a direct result of the lack of time and resources to investigate these balances.

Effect or Potential Effect:

The lack of monitoring of expenditures and funds drawn down resulted in noncompliance with the Federal grant requirements and could impact the School District's ability to obtain future grants.

Recommendation:

The School District should implement procedures to ensure that unearned funds on hand at the end of the grant period are returned to the grantor timely. The Georgia Department of Education should review this matter to determine if a reclaim of funds is appropriate.

Views of Responsible Officials:

We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2017-007	Strengthen Controls over Consultation with Private School Officials
Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I Grants to Local Educational Agencies (CFDA 84.010)
Federal Award Number:	S010A160010
Questioned Costs:	None Identified

Description:

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

Criteria:

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

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

Condition:

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

Cause:

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

Effect or Potential Effect:

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

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

Views of Responsible Officials:

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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DOOLY COUNTY BOARD OF EDUCATION
Superintendent's Office

202 Cotton Street
Vienna, Georgia 31092-1598
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FINANCIAL STATEMENTS FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS 2017-001

We concur with this finding. Management will design and implement procedures to strengthen the internal controls over the accounting functions and implement compensating controls to ensure transactions are properly processed and reported. We will begin this process immediately.

Contact Person: Chris Godfrey
Phone: (229) 268-4761
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E-mail: cgodfrey@dooly.k12.ga.us

Finding Control Number: FS 2017-002

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

Contact Person: Chris Godfrey
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E-mail: cgodfrey@dooly.k12.ga.us

Finding Control Number: FS 2017-003

We concur with this finding. Management will design and implement procedures which will strengthen internal controls and review procedures over financial reporting to ensure the financial statements are complete and accurate. This has been completed for FY2019.

Contact Person: Chris Godfrey
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DR. CRAIG LOCKHART
Superintendent

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

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Superintendent's Office

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Finding Control Number: FS 2017-004

We concur with this finding. Management will design and implement procedures to ensure all expenditures are properly documented, allowable and adhere to statewide travel regulations. Procedures have been implemented for FY 2019.

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Control Number: FA 2017-001

We concur with this finding. Management will review and monitor current internal control procedures to ensure all expenditures and journal entries reflect evidence of review and have appropriate supporting documentation. We will begin this process immediately.

Contact Person: Chris Godfrey
Phone: (229) 268-4761
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Finding Control Number: FA 2017-002

We concur with this finding. Management will evaluate the internal control procedures to ensure all employee compensation charged to federal programs is adequately documented. We will begin this process immediately.

Contact Person: Chris Godfrey
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Finding Control Number: FA 2017-003

We concur with this finding. Management will design, implement and monitor procedures to ensure cash needs are accurately forecasted and timely disbursed. We will begin this process immediately.

Contact Person: Chris Godfrey
Phone: (229) 268-4761
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Finding Control Number: FA 2017-004

We concur with this finding. Management will strengthen controls over Federal equipment to ensure records are complete and accurate. Management will also perform and reconcile required physical inventories of such equipment. We will begin this process immediately.

Contact Person: Chris Godfrey
Phone: (229) 268-4761
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Finding Control Number: FA 2017-005

We concur with this finding. Management will implement procedures and monitoring processes to ensure reports submitted to GADOE are supported by the accounting records. We will begin this process immediately.

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Finding Control Number: FA 2017-006

We concur with this finding. Management will implement procedures to ensure that unearned funds are returned timely. We will begin this process immediately.

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