

CITY OF DUBLIN
BOARD OF EDUCATION
LAURENS COUNTY, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

(Including Independent Auditor's Reports)

CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY

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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

January 9, 2018

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Dublin Board of Education

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

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 City of Dublin Board of Education (School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

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

Except for the matter described in the "Basis for Disclaimer of Opinion on Discretely Presented Component Unit" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion on Discretely Presented Component Unit

The financial statements of Heart of Georgia College & Career Academy, Inc. (Charter School) have not been audited, and we were not engaged to audit the Charter School's financial statements as part of our audit of the City of Dublin Board of Education's basic financial statements. The Academy's financial activities are included in the City of Dublin Board of Education's basic financial statements as a discretely presented component unit.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, the scope of our work was not sufficient to enable us to express and we do not express an audit opinion on the financial statements of the Discretely Presented Component Unit.

Unmodified Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 2 to the financial statements, in 2016, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement 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 68,* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinions are not modified with respect to this matter.

Since fiscal year 2011, the School District has maintained a general fund deficit. As of June 30, 2016, the School District had a general fund unassigned deficit fund balance of $5.8 million (Governmental Fund Statements). The School District also had a deficit unrestricted net position of $25.5 million (Government-wide Financial Statements) of which $20.2 million of the deficit is related to the net pension liability. The deficit fund balance note discusses the School District's deficit reduction plan as of the report date to address the accumulated fund balance deficit. The School District expects to reduce the general fund unassigned fund balance deficit by $1.9 million for fiscal year 2017. As discussed in the subsequent events note, in fiscal year 2017 the School District's levied a 2.25 bond property tax millage rate to help pay general obligation bond debt obligations. The Superior Court of Laurens County found that the property tax was illegally and erroneously assessed and collected. The tax collector will not disburse any of the collected bond property tax proceeds to the School District until further order from the court. The School District has appealed the ruling to the Georgia Supreme Court. The Georgia Supreme Court transferred the appeal to the Georgia Court of Appeals. The School

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District awaits a ruling by the court. If annual Special Purpose Local Option Sales Tax (SPLOST) collections remain stable, annual bond and capital lease debt payment requirements will exceed annual SPLOST collections for each of the next four fiscal years. The absence of the bond property tax revenue raises risk regarding the School District's ability to meet the long-term debt payment requirements without restructuring the long-term debt. The School District relies on both tax anticipation notes and temporary borrowing from SPLOST funds to meet its cash flow needs. The School District expects to be able to continue to obtain interim financing to meet cash flow needs as appropriate. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinions are 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 opinions on the basic financial statements are 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 33 through 40 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, consisting of Schedules 8 through 10, 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.

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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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2018, 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 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 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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CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY

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CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT CHARTER SCHOOL
ASSETS		
Cash and Cash Equivalents	$ 1,176,119.11	$ 17,903.94
Receivables, Net		
Interest	37.37	-
Taxes	913,825.32	-
State Government	1,514,260.00	-
Federal Government	198,073.53	-
Other	2,326.15	-
Inventories	40,235.80	-
Capital Assets, Non-Depreciable	1,969,200.50	-
Capital Assets, Depreciable (Net of Accumulated Depreciation)	59,671,374.47	-
Total Assets	65,485,452.25	17,903.94
DEFERRED OUTFLOWS OF RESOURCES		
Related to Defined Benefit Pension Plans	2,545,091.66	-
LIABILITIES		
Accounts Payable	167,911.69	27,000.00
Salaries and Benefits Payable	1,870,563.53	-
Payroll Withholdings Payable	1,937,206.74	-
Short-Term Debt	4,511,500.00	-
Interest Payable	166,233.75	-
Net Pension Liability	19,884,989.00	-
Long-Term Liabilities		
Due Within One Year	2,511,091.04	25,804.44
Due in More Than One Year	15,054,841.24	51,178.87
Total Liabilities	46,104,336.99	103,983.31
DEFERRED INFLOWS OF RESOURCES		
Unearned Grant Revenue	135,363.79	-
Related to Defined Benefit Pension Plans	2,876,341.00	-
Total Deferred Inflows of Resources	3,011,704.79	-
NET POSITION		
Net Investment in Capital Assets	44,074,642.69	-
Restricted for		
Continuation of Federal Programs	296,710.29	-
Debt Service	61,754.46	-
Unrestricted (Deficit)	(25,518,605.31)	(86,079.37)
Total Net Position	$ 18,914,502.13	$ (86,079.37)

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 16,375,586.34	$ 127,751.71
Support Services		
Pupil Services	1,524,403.91	-
Improvement of Instructional Services	1,694,607.26	-
Educational Media Services	435,595.96	-
General Administration	549,320.45	-
School Administration	1,452,694.36	-
Business Administration	864,014.08	-
Maintenance and Operation of Plant	2,306,197.08	-
Student Transportation Services	1,090,622.40	-
Central Support Services	403,805.54	-
Other Support Services	257,917.24	-
Operations of Non-Instructional Services		
Enterprise Operations	56,348.49	-
Community Services	1,280.42	-
Food Services	1,831,862.39	19,876.77
Interest on Short-Term and Long-Term Debt	788,530.42	-
Total Governmental Activities	$ 29,632,786.34	$ 147,628.48
COMPONENT UNIT		
Charter School	$ 386,917.89	
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Special Item		
Loss on Transfer of Building		
Total General Revenues and Special Item		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

EXHIBIT "B"

PROGRAM REVENUES	PRIMARY GOVERNMENT	COMPONENT UNIT
OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION	
$ 11,050,572.28	$ (5,197,262.35)	
321,019.25	(1,203,384.66)	
1,575,311.46	(119,295.80)	
327,984.00	(107,611.96)	
748,552.57	199,232.12	
934,915.00	(517,779.36)	
4,140.21	(859,873.87)	
735,998.21	(1,570,198.87)	
32,211.21	(1,058,411.19)	
-	(403,805.54)	
226,694.01	(31,223.23)	
55.48	(56,293.01)	
-	(1,280.42)	
1,808,142.87	(3,842.75)	
-	(788,530.42)	
$ 17,765,596.55	(11,719,561.31)	
		$ (386,917.89)
	9,066,518.54	-
	2,475,075.94	-
	120,597.64	-
	583.97	-
	576,776.52	331,267.64
	-	(3,522,095.12)
	12,239,552.61	(3,190,827.48)
	519,991.30	(3,577,745.37)
	18,394,510.83	3,491,666.00
	$ 18,914,502.13	$ (86,079.37)

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 778,547.32	$ 182,827.23	$ 214,744.56	$ 1,176,119.11
Receivables, Net				
Interest	-	-	37.37	37.37
Taxes	698,211.98	-	215,613.34	913,825.32
State Government	1,514,260.00	-	-	1,514,260.00
Federal Government	198,073.53	-	-	198,073.53
Other	2,326.15	-	-	2,326.15
Due from Other Funds	397,194.29	-	-	397,194.29
Inventories	40,235.80	-	-	40,235.80
Total Assets	$ 3,628,849.07	$ 182,827.23	$ 430,395.27	$ 4,242,071.57
LIABILITIES				
Accounts Payable	$ 167,911.69	$ -	$ -	$ 167,911.69
Salaries and Benefits Payable	1,870,563.53	-	-	1,870,563.53
Payroll Withholdings Payable	1,937,206.74	-	-	1,937,206.74
Due to Other Funds	-	144,159.29	253,035.00	397,194.29
Short-Term Debt	4,511,500.00	-	-	4,511,500.00
Interest Payable	11,960.00	-	-	11,960.00
Total Liabilities	8,499,141.96	144,159.29	253,035.00	8,896,336.25
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	523,435.54	-	-	523,435.54
Unavailable Grant Revenue	135,363.79	-	-	135,363.79
Total Deferred Inflows of Resources	658,799.33	-	-	658,799.33
FUND BALANCES				
Nonspendable	40,235.80	-	-	40,235.80
Restricted	256,474.49	38,667.94	177,360.27	472,502.70
Unassigned (Deficit)	(5,825,802.51)	-	-	(5,825,802.51)
Total Fund Balances	(5,529,092.22)	38,667.94	177,360.27	(5,313,064.01)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,628,849.07	$ 182,827.23	$ 430,395.27	$ 4,242,071.57

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")		$ (5,313,064.01)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	$ 1,686,200.50	
Construction in progress	283,000.00	
Buildings and improvements	66,494,609.61	
Equipment	4,553,827.22	
Land improvements	6,818,289.00	
Accumulated depreciation	(18,195,351.36)	61,640,574.97
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(19,884,989.00)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		(331,249.34)
Taxes that are not available to pay for current period expenditures are deferred in the funds.		523,435.54
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	$ (11,590,000.00)	
Accrued interest payable	(154,273.75)	
Capital leases payable	(3,389,830.59)	
Revenue bonds payable	(2,300,000.00)	
Unamortized bond premiums	(286,101.69)	(17,720,206.03)
Net position of governmental activities (Exhibit "A")		$ 18,914,502.13

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 9,101,143.12	$ -	$ -	$ 9,101,143.12
Sales Taxes	120,597.64	-	2,475,075.94	2,595,673.58
State Funds	12,166,137.79	-	-	12,166,137.79
Federal Funds	5,703,836.46	-	-	5,703,836.46
Charges for Services	147,628.48	-	-	147,628.48
Investment Earnings	86.67	6.10	491.20	583.97
Miscellaneous	576,776.52	-	-	576,776.52
Total Revenues	27,816,206.68	6.10	2,475,567.14	30,291,779.92
EXPENDITURES				
Current				
Instruction	15,508,077.59	-	-	15,508,077.59
Support Services				
Pupil Services	1,554,559.58	-	-	1,554,559.58
Improvement of Instructional Services	1,752,123.77	-	-	1,752,123.77
Educational Media Services	451,992.57	-	-	451,992.57
General Administration	476,481.16	-	-	476,481.16
School Administration	1,491,137.50	-	-	1,491,137.50
Business Administration	860,898.59	-	-	860,898.59
Maintenance and Operation of Plant	2,238,049.19	-	-	2,238,049.19
Student Transportation Services	1,046,380.69	-	-	1,046,380.69
Central Support Services	301,303.46	38,369.85	-	339,673.31
Other Support Services	269,232.64	-	-	269,232.64
Enterprise Operations	56,348.49	-	-	56,348.49
Community Services	1,280.42	-	-	1,280.42
Food Services Operation	1,737,317.52	-	-	1,737,317.52
Capital Outlay	-	93,234.07	-	93,234.07
Debt Services				
Principal	9,322.25	21,047.22	2,080,000.00	2,110,369.47
Dues and Fees	-	-	24,524.12	24,524.12
Interest	13,393.23	1,500.25	791,486.94	806,380.42
Total Expenditures	27,767,898.65	154,151.39	2,896,011.06	30,818,061.10
Net Change in Fund Balances	48,308.03	(154,145.29)	(420,443.92)	(526,281.18)
Fund Balances - Beginning	(5,577,400.25)	192,813.23	597,804.19	(4,786,782.83)
Fund Balances - Ending	$ (5,529,092.22)	$ 38,667.94	$ 177,360.27	$ (5,313,064.01)

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2016

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")		$ (526,281.18)
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	$ 58,990.00	
Depreciation expense	(1,896,807.25)	(1,837,817.25)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position.		(77,470.13)
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(34,624.58)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.		
Bond principal retirements	$ 1,000,000.00	
Capital lease payments and adjustments	203,052.94	
Revenue bond payments	1,000,000.00	
Amortization of bond premium	45,721.57	2,248,774.51
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		729,559.93
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued interest on bonds and capital leases		17,850.00
Change in net position of governmental activities (Exhibit "B")		$ 519,991.30

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 64,989.19
LIABILITIES	
Funds Held for Others	$ 64,989.19

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The City of Dublin 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.

DISCRETELY PRESENTED COMPONENT UNIT

The Heart of Georgia College & Career Academy, Inc. (Charter School) is a jointly authorized start-up charter school pursuant to the Official Code of Georgia (O.C.G.A.) §20-2-2060 et. Seq., the Charter Schools Act of 1998. The Charter is an agreement entered into by and between the City of Dublin, Bleckley County, Laurens County, and Wheeler County Boards of Education and the State Board of Education to serve students in grades 9 through 12. The Charter School's mission is to improve public educational outcomes and ensure a viable 21ST century workforce for the Heart of Georgia region. The financial activities of the Charter School have been presented discretely because they provide services to third-parties outside the School System. See Notes 4, 5, and 8 for additional component unit disclosures.

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 and its component unit, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net positon often has constraints on resources imposed by management which can be removed or modified.

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

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

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

FUND FINANCIAL STATEMENTS:

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

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) 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, grants and donations. 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 and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net position 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 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District did not have any items that required a reassessment of value for reporting purposes as a result of adoption of this statement.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement 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 68.* This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68*, Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of this statement does not have a significant impact on the School District’s financial statements.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants.* This statement addresses accounting and financial reporting for certain external investment pools and pool participants. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool’s participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The School District participates in an external investment pool, the State of Georgia local government investment pool (Georgia Fund 1), which does not meet the criteria of this statement. Therefore, the investment in this pool is measured at fair value as provided in paragraph 11 of GASB Statement No. 31, as amended.

CASH AND CASH EQUIVALENTS

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

RECEIVABLES

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

Due to other funds and due from other funds consist of activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Construction in Progress	$ 5,000.00	N/A
Land Improvements	$ 5,000.00	20 to 80 years
Buildings and Improvements	$ 5,000.00	10 to 80 years
Equipment	$ 5,000.00	5 to 50 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of resources that applies to a future period 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 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 City of Dublin Board of Commissioners adopted the property tax levy for the 2015 tax digest year (calendar year) on November 5, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on February 5, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The City of Dublin Board of Commissioners bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations amounted to $8,564,872.62.

The tax millage rate levied for the 2015 tax year (calendar year) for the School District was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	19.705 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $536,270.50 during fiscal year ended June 30, 2016.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $2,475,075.94 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, except the various school activity (principal) accounts, is prepared and adopted by fund and function. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

NOTE 4: DEPOSITS AND CASH EQUIVALENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

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

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

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

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2016, the School District had deposits with a carrying amount of $1,016,913.43, and a bank balance of $960,500.41. The bank balances insured by Federal depository insurance were $436,317.27 and the bank balances collateralized with securities held by the pledging financial institution in the School District's name were $524,183.14.

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

Statement of Net Position		
Cash and cash equivalents	$	1,176,119.11
Statement of Fiduciary Net Position		
Cash and cash equivalents		64,989.19
Total Cash and cash equivalents		1,241,108.30
Less:		
Investment Pools reported as cash and cash equivalents		
Georgia Fund 1		224,194.87
Total carrying value of deposits - June 30, 2016	$	1,016,913.43

COMPONENT UNIT

At June 30, 2016, the Heart of Georgia College and Career Academy's carrying amount of $17,903.94 was included in the School District's operating bank account that was insured through Federal Depository Insurance Corporation (FDIC).

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of $224,194.87 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, 2016, was 42 days.

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

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 1,686,200.50	$ -	$ -	$ 1,686,200.50
Construction in Progress	241,000.00	42,000.00	-	283,000.00
Total Capital Assets Not Being Depreciated	1,927,200.50	42,000.00	-	1,969,200.50
Capital Assets Being Depreciated				
Buildings and Improvements	66,494,609.61	-	-	66,494,609.61
Equipment	4,647,508.83	16,990.00	110,671.61	4,553,827.22
Land Improvements	6,818,289.00	-	-	6,818,289.00
Less Accumulated Depreciation for:				
Buildings and Improvements	12,280,525.52	1,312,636.57	-	13,593,162.09
Equipment	2,651,933.84	334,904.35	33,201.48	2,953,636.71
Land Improvements	1,399,286.23	249,266.33	-	1,648,552.56
Total Capital Assets, Being Depreciated, Net	61,628,661.85	(1,879,817.25)	77,470.13	59,671,374.47
Governmental Activity Capital Assets - Net	$ 63,555,862.35	$ (1,837,817.25)	$ 77,470.13	$ 61,640,574.97

Current year depreciation expense by function is as follows:

Instruction		$ 1,375,853.38
Support Services		
General Administration	$ 94,840.36	
Maintenance and Operation of Plant	194,120.37	
Student Transportation Services	86,004.17	374,964.90
Food Services		145,988.97
		$ 1,896,807.25

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Component Unit				
Capital Assets, Not Being Depreciated:				
Building and Improvements	$ 3,679,575.00	$ -	$ 3,679,575.00	$ -
Less: Accumulated Depreciation for:				
Building and Improvements	58,487.00	98,992.88	157,479.88	-
Component Unit Capital Assets - Net	$ 3,621,088.00	$ (98,992.88)	$ 3,522,095.12	$ -

NOTE 6: INTERFUND ASSETS AND LIABILITIES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2016, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	$ 397,194.29	$ -
Capital Projects Fund	-	144,159.29
Debt Service Fund	-	253,035.00
	$ 397,194.29	$ 397,194.29

The capital projects fund plans to reimburse the general fund for loaning funds for allowable SPLOST expenditures. The debt service fund plans to reimburse the general fund for loaning a portion of the revenue bond principal payment.

NOTE 7: SHORT-TERM DEBT

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

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ 4,999,500.00	$ 5,511,500.00	$ 5,999,500.00	$ 4,511,500.00

NOTE 8: LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
General Obligation Bonds	$ 12,590,000.00	$ -	$ 1,000,000.00	$ 11,590,000.00	$ 1,250,000.00
Unamortized Bond Premiums	331,823.26	-	45,721.57	286,101.69	45,721.57
Revenue Bonds	3,300,000.00	-	1,000,000.00	2,300,000.00	1,100,000.00
Capital Leases	3,592,883.53	-	203,052.94	3,389,830.59	115,369.47
	$ 19,814,706.79	$ -	$ 2,248,774.51	$ 17,565,932.28	$ 2,511,091.04

	Component Unit				
	Balances July 1, 2015	Additions	Deductions	Balances June 30, 2016	Due Within One Year
Promissory Notes	$ 105,520.00	$ -	$ 28,536.69	$ 76,983.31	$ 25,804.44

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 Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2010	3.0% - 4.0%	4/22/2010	4/1/2021	$ 9,755,000.00	$ 7,505,000.00
General Government - Series 2011	2.5% - 4.0%	12/8/2011	4/1/2023	4,085,000.00	4,085,000.00
				$ 13,840,000.00	$ 11,590,000.00

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

Fiscal Year Ended June 30:	General Obligation Debt Principal	General Obligation Debt Interest	Unamortized Bond Premium
2017	$ 1,250,000.00	$ 424,100.00	$ 45,721.57
2018	1,400,000.00	386,600.00	45,721.57
2019	2,000,000.00	330,600.00	45,721.57
2020	2,000,000.00	254,350.00	45,721.57
2021	1,905,000.00	175,600.00	45,721.57
2022 - 2023	3,035,000.00	167,800.00	57,493.84
Total Principal and Interest	$ 11,590,000.00	$ 1,739,050.00	$ 286,101.69

REVENUE BONDS

The School District entered into a contract with the Laurens County Public Facilities Authority dated April 1, 2008, for the issuance of revenue bonds to provide funds to acquire, construct, and equip capital outlay projects of the School District. Under the terms of the contract, the Laurens County Public Facilities Authority issued $4,500,000.00 less issuance costs of $83,500.00 in revenue bonds on behalf of the School District. The obligation of the School District is absolute and unconditional so long as any of the bonds remain outstanding. Under the contract, the School District will recommend to the Mayor and Council of the City of Dublin, Georgia, to exercise its power of taxation to the extent necessary to pay the amounts required to be paid by the contract.

Debt currently outstanding under Revenue Bonds is as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Laurens County Public Facilities Authority Revenue Bonds	3.94%	4/30/2008	4/1/2018	$ 4,500,000.00	$ 2,300,000.00

The following is a schedule of total revenue bond payments:

Fiscal Year Ended June 30:	Principal	Interest
2017	$ 1,100,000.00	$ 90,620.00
2018	1,200,000.00	47,280.00
Total Principal and Interest	$ 2,300,000.00	$ 137,900.00

CAPITAL LEASES

The School District has acquired a solar panel project and equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

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

	Governmental Activities
Land Improvements	$ 3,585,000.00
Equipment	121,477.87
Less: Accumulated Depreciation	(470,075.58)
	$ 3,236,402.29

Capital leases currently outstanding are as follows:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Solar Panel Lease	5.00 - 6.50%	1/29/2013	5/15/2037	$ 3,585,000.00	$ 3,335,000.00
Phone System	7.13%	10/31/2014	10/31/2018	84,188.88	42,094.44
CTAE Equipment	12.40%	12/1/2013	11/30/2017	25,999.50	9,208.18
CSI Server	21.95%	10/17/2013	9/17/2017	11,289.49	3,527.97
				$ 3,706,477.87	$ 3,389,830.59

The following is a schedule of total capital lease payments:

Fiscal Year Ended June 30:	Principal	Interest
2017	$ 115,369.47	$ 206,683.48
2018	114,461.12	201,369.16
2019	95,000.00	194,875.00
2020	100,000.00	190,000.00
2021	105,000.00	185,000.00
2022 - 2026	615,000.00	831,225.00
2027 - 2031	830,000.00	615,162.50
2032 - 2036	1,140,000.00	302,575.00
2037	275,000.00	13,487.50
Total Principal and Interest	$ 3,389,830.59	$ 2,740,377.64

PROMISSORY NOTE – COMPONENT UNIT

The Heart of Georgia College and Career Academy (Charter School), a component unit of the School District entered into a lending agreement with a commercial lending institution. The debt currently outstanding associated with this agreement is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Promissory Note	5.25%	5/5/2015	7/31/2018	$ 105,520.00	$ 76,983.31

The following is a schedule of total promissory note payments:

Fiscal Year Ended June 30:	Principal	Interest
2017	$ 25,084.44	$ 4,052.70
2018	27,170.25	2,686.89
2019	24,008.62	1,260.45
Total Principal and Interest	$ 76,263.31	$ 8,000.04

NOTE 9: RISK MANAGEMENT

INSURANCE

Commercial Insurance

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

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. A premium is charged when needed by the general fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims 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
2015	$ -	$ 12,820.40	$ 12,820.40	$ -
2016	$ -	$ 4,841.27	$ 4,841.27	$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 50,000.00
Drivers Education	$ 10,000.00

NOTE 10: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2016:

Nonspendable		
Inventories		$ 40,235.80
Restricted		
Continuation of federal programs	$ 256,474.49	
Debt service	216,028.21	472,502.70
Unassigned		(5,825,802.51)
Fund balance, June 30, 2016		$ (5,313,064.01)

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

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of not less than 8.3% of expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with O.C.G.A. §20-2-167(a)5. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance. See Note 15 and Note 16 for additional information.

NOTE 11: SIGNIFICANT COMMITMENTS

OPERATING LEASES

The School District leases a bus workshop, fuel disbursement system and equipment under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled $75,569.85 for governmental activities for the year ended June 30, 2016. The following future minimum lease payments were required under operating leases at June 30, 2016:

Year Ending	Governmental Funds
2017	$ 75,569.85
2018	37,200.00
2019	23,700.00
2020	19,200.00
2021	19,200.00
2022 - 2023	27,200.00
Total	$ 202,069.85

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 a Class Action case, MMT Holdings, LLC, et al v. City of Dublin School District and City of Dublin, Georgia. The Plaintiffs' motion was granted and the School District has appealed this ruling to the Georgia Supreme Court and the appeal is in the briefing stage. The estimated amount of the property tax that would be returned to the taxpayers if the School District loses its appeal is approximately $1,000,000.00. These funds, collected by the City of Dublin but not released to the School District are not recorded on the School District's financial statements.

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, 2016:

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

July 1, 2015 – June 30, 2016	$945.00 per member per month

For non-certificated school personnel:

July 1, 2015 – December 31, 2015	$596.20 per member per month
January 1, 2016 – June 30, 2016	$746.20 per member per month

No additional contribution was required by the Board for fiscal year 2016 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
2016	100%	$ 2,802,332.42
2015	100%	$ 2,531,592.78
2014	100%	$ 2,872,907.01

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 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual School District payroll, of which 14.09% of payroll was required from the School District and 0.18% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $1,945,074.66 and $25,341.70 from the School District and the State, respectively.

EMPLOYEES' RETIREMENT SYSTEM

Plan description: The Employees' Retirement System of Georgia (ERS) is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

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

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

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to $4,200.00, plus 6% of annual compensation in excess of $4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. 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. For the current fiscal year, employer contributions to the pension plan were $0.00.

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 $49,723.00.

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

At June 30, 2016, the School District reported a liability of $19,884,989.00 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	$	19,884,989.00
State of Georgia's proportionate share of the net pension liability associated with the School District		1,218.00
Total	$	19,886,207.00

The net pension liability for TRS was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2015.

At June 30, 2015, the School District's TRS proportion was 0.130616%, which was a decrease of 0.007221% from its proportion measured as of June 30, 2014. At June 30, 2015, the School District's ERS proportion was 0.00%, which was a decrease of 0.000392% from its proportion measured as of June 30, 2014.

At June 30, 2016, 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 $197,656.00.

The PSERS net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 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, 2015.

For the year ended June 30, 2016, the School District recognized pension expense of $1,194,596.00 for TRS, ($39,698.00) for ERS and $11,787.00 for PSERS and revenue of ($41,100.00) for TRS and $11,787.00 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, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 174,899.00	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	-	1,677,320.00	-	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	600,017.00	993,718.00	-	30,404.00
School District contributions subsequent to the measurement date	1,945,074.66	-	-	-
Total	$ 2,545,091.66	$ 2,845,937.00	$ -	$ 30,404.00

The School District contributions subsequent to the measurement date of $1,945,074.66 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2017	$ (880,647.00)	$ (26,746.00)
2018	$ (880,647.00)	$ (3,658.00)
2019	$ (880,648.00)	$ -
2020	$ 451,672.00	$ -
2021	$ (55,650.00)	$ -

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	3.00%
Salary increases	3.75% – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Employees' Retirement System:

Inflation	3.00%
Salary increases	5.45% – 9.25%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Public School Employees Retirement System:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

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

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

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 34,170,850.00	$ 19,884,989.00	$ 8,110,040.00

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

NOTE 15: DEFICIT FUND BALANCE OF INDIVIUDAL FUNDS

Funds reporting a deficit fund balance at the fiscal year end, are as follows:

Fund Type/Fund Name	Deficit Balances
Governmental Funds	
General Fund	
General Fund	$ 3,911,322.64
Title I	305,530.49
Special Education	659,194.23
Title II-A-Improving Teacher Quality	14,011.08
Education for Homeless Children	73.29
Twenty-First Century	17,890.14
R.O.T.C	636,018.47
Pre-K	281,762.17
	$ 5,825,802.51

A deficit reduction plan, including staff eliminations and closing Saxon Heights Elementary School was given to the Georgia Department of Education. Monthly financial reports and bank statements are sent to Financial Review combined with site visits to Dublin and visits to Atlanta to monitor the deficit.

NOTE 16: LIQUIDITY RISK

Liquidity risk is the risk of not having sufficient liquid financial resources to meet obligations when they fall due. The School District faces liquidity risk regarding operating expenditures and long-term debt payment requirements.

As a result of ongoing operating deficits over the past several years the School District accumulated a general fund unassigned fund balance deficit of $5.8 million at June 30, 2016. As part of reporting and monitoring requirements, the School District files annual deficit reduction plans with the Georgia Department of Education. The fiscal year 2017 deficit reduction plan's goal is to reduce the general fund unassigned fund balance by $1.9 million. The general fund deficit fund balance has forced the School District to rely on tax anticipation notes and temporary borrowing from Special Purpose Local Option Sales Tax (SPLOST) funds to meet cash flow needs related to operating expenditures. The School District expects to be able to continue to utilize tax anticipation notes to meet current cash flow needs related to operating expenditures.

The School District's annual bond and capital lease debt payment requirements will exceed annual SPLOST collections for each of the next four fiscal years. The School District levied a 2.25 bond property tax millage in fiscal year 2017 to help fund this revenue shortfall. The funds generated from the tax are being held by the City of Dublin pending the outcome of a lawsuit filed by citizens disputing the bond millage. Without the bond property tax revenue the School District may have to consider restructuring long-term debt.

NOTE 17: SUBSEQUENT EVENTS

In fiscal year 2017, the School District levied a 2.25 bond property tax millage rate to pay general obligation bond debt obligations. This millage rate was levied in addition to the 19.705 maintenance and operations millage rate. On November 7, 2016, a Complaint for Refund of Taxes and Injunctive Relief (Class Action) was filed in the Superior Court of Laurens County, Georgia. The court found that the educational sales tax proceeds must first be used to satisfy the 2010 and 2011 general obligation bond debt service requirements. The court also found that the property tax was illegally and erroneously assessed and collected and that Plaintiffs were entitled to a property tax refund. The parties have entered into a consent order agreeing that the tax collector, City of Dublin, will not disburse any of the collected bond property tax proceeds to the School District until further order from the court. The School District has appealed the ruling to the Georgia Supreme Court. The Georgia Supreme Court transferred the appeal to the Georgia Court of Appeals.

The School District's short-term debt (tax anticipation notes in advance of property tax collections) at July 1, 2016 was $4,511,500.00. Another $488,500.00 was borrowed during the remainder of calendar year 2016 and the $5,000,000.00 was paid back in December 2016. A total of $4,210,228.00 was borrowed by June 30, 2017 with additional draws of $775,000.00 during the remainder of calendar year 2017. The $4,985,228.00 is due to be paid back on December 29, 2017.

As part of the School District's fiscal year 2018 deficit reduction plan, the Board of Education voted to freeze the fiscal year 2017 salaries for all employees. No salary increases were implemented for teachers or staff in fiscal year 2018. Additionally, thirteen staff positions were eliminated. The School District expects to decrease the general fund unassigned fund balance by $950 thousand as a result of the 2018 deficit reduction plan.

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CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
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-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.130616%	$ 19,884,989.00	$ 1,218.00	$ 19,886,207.00	$ 13,935,731.79	142.69%	81.44%
2015	0.137837%	$ 17,413,887.00	$ 74,412.00	$ 17,488,299.00	$ 14,216,882.08	122.49%	84.03%

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY

SCHEDULE "2"

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

FOR THE YEAR ENDED JUNE 30

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total net pension liability
2016	0.00%	$ -	$ -	0.00%	76.20%
2015	0.000392%	$ 14,702.00	$ 9,246.18	159.01%	77.99%

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY

SCHEDULE "3"

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEMS OF GEORGIA

FOR THE YEAR ENDED JUNE 30

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.00%	$ -	$ 197,656.00	$ 197,656.00	$ 653,953.49	N/A	87.00%
2015	0.00%	$ -	$ 194,696.00	$ 194,696.00	$ 615,833.23	N/A	88.29%

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended (1)	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2016	$ 1,945,074.66	$ 1,945,074.66	$ -	$ 13,808,103.41	14.09%
2015 (1)	$ 1,832,548.73	$ 1,832,548.73	$ -	$ 13,935,731.79	13.15%
2014 (1)	$ 1,745,833.12	$ 1,745,833.12	$ -	$ 14,216,882.08	12.28%
2013 (1)	$ 1,687,641.93	$ 1,687,641.93	$ -	$ 14,790,902.10	11.41%
2012 (1)	$ 1,549,293.65	$ 1,549,293.65	$ -	$ 15,070,949.90	10.28%
2011 (1)	$ 1,609,593.00	$ 1,609,593.00	$ -	$ 15,657,519.46	10.28%
2010 (1)	$ 1,569,706.00	$ 1,569,706.00	$ -	$ 16,116,078.03	9.74%
2009 (1)	$ 1,461,107.13	$ 1,461,107.13	$ -	$ 15,744,688.90	9.28%
2008 (1)	$ 1,442,489.65	$ 1,442,489.65	$ -	$ 15,544,069.50	9.28%
2007 (1)	$ 1,478,388.89	$ 1,478,388.89	$ -	$ 15,930,914.76	9.28%

(1) For years 2015 and earlier, the contribution amounts include payments made on-behalf of the School District employees by the Georgia Department of Education.

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY

SCHEDULE "5"

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

FOR THE YEAR ENDED JUNE 30

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2016	$ -	$ -	$ -	$ -	0.00%
2015	$ -	$ -	$ -	$ -	0.00%
2014	$ 1,706.84	$ 1,706.84	$ -	$ 9,246.18	18.46%
2013	$ 8,138.28	$ 8,138.28	$ -	$ 54,619.32	14.90%
2012	$ 5,402.16	$ 5,402.16	$ -	$ 46,450.18	11.63%
2011	$ 4,704.42	$ 4,704.42	$ -	$ 45,191.37	10.41%
2010	$ 4,608.29	$ 4,608.29	$ -	$ 44,267.91	10.41%

This schedule is intended to show information for 10 years. The School District started contributing to the Employees Retirement System in fiscal year 2010. The School District made no contributions to the Employees Retirement System during fiscal years 2015 and 2016.
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.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Employees' Retirement System

Changes of assumptions: There were no changes in assumptions or benefits that affect the measurement of the total pension liability since the prior measurement date.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	5.45% - 9.25%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of living adjustments	1.50% semi-annually

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 9,029,255.00	$ 9,141,255.00	$ 9,101,143.12	$ (40,111.88)
Sales Taxes	-	-	120,597.64	120,597.64
State Funds	12,160,378.01	12,112,412.38	12,166,137.79	53,725.41
Federal Funds	5,702,456.00	6,320,867.00	5,703,836.46	(617,030.54)
Charges for Services	16,850.00	16,850.00	147,628.48	130,778.48
Investment Earnings	-	-	86.67	86.67
Miscellaneous	300,000.00	300,000.00	576,776.52	276,776.52
Total Revenues	27,208,939.01	27,891,384.38	27,816,206.68	(75,177.70)
EXPENDITURES				
Current				
Instruction	14,649,545.41	14,622,718.78	15,508,077.59	(885,358.81)
Support Services				
Pupil Services	1,440,087.80	1,441,905.80	1,554,559.58	(112,653.78)
Improvement of Instructional Services	2,420,874.36	2,154,266.36	1,752,123.77	402,142.59
Educational Media Services	473,508.68	473,508.68	451,992.57	21,516.11
General Administration	749,889.32	652,764.32	476,481.16	176,283.16
School Administration	1,581,126.68	1,581,126.68	1,491,137.50	89,989.18
Business Administration	649,076.12	749,076.12	860,898.59	(111,822.47)
Maintenance and Operation of Plant	2,155,875.00	2,130,875.00	2,238,049.19	(107,174.19)
Student Transportation Services	1,130,571.00	1,064,890.00	1,046,380.69	18,509.31
Central Support Services	443,466.32	442,691.32	301,303.46	141,387.86
Other Support Services	347,173.00	315,879.00	269,232.64	46,646.36
Enterprise Operations	-	-	56,348.49	(56,348.49)
Community Services	-	-	1,280.42	(1,280.42)
Food Services Operation	1,656,650.00	1,656,650.00	1,737,317.52	(80,667.52)
Debt Service	-	-	22,715.48	(22,715.48)
Total Expenditures	27,697,843.69	27,286,352.06	27,767,898.65	(481,546.59)
Excess of Revenues over (under) Expenditures	(488,904.68)	605,032.32	48,308.03	(556,724.29)
Fund Balances - Beginning	(5,660,642.22)	(5,651,246.22)	(5,577,400.25)	73,845.97
Adjustments	15,349.70	(4,314.27)	-	4,314.27
Fund Balances - Ending	$ (6,134,197.20)	$ (5,050,528.17)	$ (5,529,092.22)	$ (478,564.05)

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 and ROTC fund.
The actual revenues and expenditures of the various principal accounts are $480,592.32 and $473,783.81, respectively.
The actual revenues and expenditures of the ROTC fund are $67,377.67 and $170,121.88, 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.

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

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	16165GA324N1099	$ 474,607.04
National School Lunch Program	10.555	16165GA324N1099	1,370,799.58
Total U. S. Department of Agriculture			1,845,406.62
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	559,292.02
Preschool Grants	84.173	H173A150081	17,636.00
Total Special Education Cluster			576,928.02
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A150010	40,693.00
Education for Homeless Children and Youth	84.196	S196A150011	34,309.00
Improving Teacher Quality State Grants	84.367	S367A150001	180,387.61
Rural Education	84.358	S358B150010	53,104.73
Title I Grants to Local Educational Agencies	84.010	S010A150010	1,984,537.58
Twenty-First Century Community Learning Centers	84.287	S287C150010	717,484.52
Total Other Programs			3,010,516.44
Total U. S. Department of Education			3,587,444.46
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			67,377.67
Total Expenditures of Federal Awards			$ 5,500,228.75

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 of the City of Dublin 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 Par 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 assets 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.

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 559,694.16
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	794,333.00
Kindergarten Program - Early Intervention Program	240,542.00
Primary Grades (1-3) Program	1,869,096.00
Primary Grades - Early Intervention (1-3) Program	364,781.00
Upper Elementary Grades (4-5) Program	823,668.00
Upper Elementary Grades - Early Intervention (4-5) Program	128,837.00
Middle School (6-8) Program	1,475,438.00
High School General Education (9-12) Program	1,328,900.00
Vocational Laboratory (9-12) Program	385,092.00
Students with Disabilities	1,556,216.00
Gifted Student - Category VI	214,126.00
Remedial Education Program	45,066.00
Alternative Education Program	103,203.00
Media Center Program	261,839.00
20 Days Additional Instruction	82,028.00
Staff and Professional Development	42,064.00
Principal Staff and Professional Development	1,730.00
Indirect Cost	
Central Administration	399,527.00
School Administration	760,451.00
Facility Maintenance and Operations	586,837.00
Mid-term Adjustment Hold-Harmless	49,168.00
Amended Formula Adjustment	(612,286.00)
Charter System Adjustment	213,166.00
Categorical Grants	
Pupil Transportation	
Regular	151,295.00
Nursing Services	47,018.00
Other State Programs	
Food Services	43,976.00
Math and Science Supplements	2,921.93
Preschool Handicapped Program	51,689.00
Residential Treatment Centers Grant	102,915.00
Teachers Retirement	25,341.70
Vocational Education	17,742.00
Office of the State Treasurer	
Public School Employees Retirement	49,723.00
	$ 12,166,137.79

See notes to the basic financial statements.

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CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2016

SCHEDULE "10"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
Acquiring, constructing, and equipping renovations and improvements to the Dublin Junior High School Auditorium, including partial demolition of Dublin Junior High School, renovations and additions at Dublin High School, the purchase of school buses, the installation of computer cabling on a system-wide basis and technology upgrades, the acquisition of certain property and equipment, including any heating and air conditioning equipment, which may be subject to lease by the Dublin School District, and additions, renovations, and improvements to Central Elementary School, Susie Dasher Elementary School, Saxon Heights Elementary School, Hillcrest Elementary School, Moore Street Elementary School, and Dublin Middle School.	$ 14,850,000.00	$ 7,847,109.23	$ 51,183.22	$ 7,795,926.01	$ 7,847,109.23	$ -	Completed
Acquisition of real property and construction, equipping and furnishing of new school buildings and facilities, including, but not limited to, a new elementary school including physical education and athletic facilities, and the completion of the new Dublin High School and auditorium; additions, renovations, repairs and improvements to existing school buildings and facilities, including, but not limited to Moore Street Elementary, Susie Dasher Elementary, Saxon Heights Elementary, Dublin Middle School, and Hillcrest Center; new physical education and athletic facilities for Dublin High School and Dublin Middle School, including, but not limited to, a tennis court complex at Dublin High School; technology equipment, school nutrition program equipment, and improvements throughout the Dublin School District; the acquisition of school vehicles, including, but not limited to, school buses and equipment; additions renovations, repairs and improvements to the central office building including, but not limited to, HVAC; and to retire previously incurred general obligation debt.	17,750,000.00	20,690,165.37	1,232,988.17	19,457,177.20	-	-	12/31/2017
	$ 32,600,000.00	$ 28,537,274.60	$ 1,284,171.39	$ 27,253,103.21	$ 7,847,109.23	$ -	

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

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

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

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

Prior Years	$ 4,168,450.84
Current Year	454,100.00
Total	$ 4,622,550.84

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

January 9, 2018

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Dublin Board of Education

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*

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Dublin Board of Education (School District) as of and for the year ended June 30, 2016, 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 January 9, 2018.

Internal Control Over Financial Reporting

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

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

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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 2016-003, FS 2016-004, and FS 2016-006, to be material weaknesses.

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 2016-001, FS 2016-002, and FS 2016-005, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items FS 2016-004 and FS 2016-006.

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

January 9, 2018

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Dublin Board of Education

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited City of Dublin Board of Education's (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, 2016. 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.

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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.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-7741-12-01	Internal Controls at the Central Office
Control Category:	Cash and Cash Equivalents Employee Compensation Expenditures/Liabilities/Disbursements Revenues/Receivables/Receipts General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The Board has implemented procedures to reconcile all bank accounts on a monthly basis to the general ledger and to have documented management review and approval. Subsidiary listings for accounts payable and accounts receivable are being maintained. State travel regulations are being followed with credit card usage being controlled as well as being paid on a timely basis.

FS-7741-12-02	Adoption of a Balanced Budget, Deficit Fund Balance
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

During fiscal year 2016, the Board developed a new deficit elimination plan and presented it to the Georgia Department of Education. The plan calls for the closure of Saxon Heights Elementary school, and moving 5th graders to Dublin Middle School to better use our facilities and resources as well as save money. Non-academic staff positions and operating expenses at Saxon are being eliminated. During fiscal year 2017, the Board anticipates reducing the deficit by over $1.5 million.

FS-7741-12-03	Internal Controls over Financial Reporting
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The Board will develop and implement internal controls over financial statement reporting and ensure that activity is properly recorded in the general ledger. We will verify that financial statements (including note disclosures) properly reflect the activity reported in the general ledger and that the financial information presented for audit will be accurate.

CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-7741-12-04	Use of SPLOST Proceeds
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	None
Compliance Impact:	Material Noncompliance
Finding Status:	Unresolved

The Board will review with legal counsel SPLOST referendums prior to the obligation of funds.

FS-7741-12-05	Maintenance of Capital Assets
Control Category:	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District will review its capital asset activity and ensure that activity conforms to the approved capital asset policy and generally accepted accounting principles.

FS 2013-001	Internal Controls at the Central Office
Control Category:	Cash and Cash Equivalents Employee Compensation Expenditures/Liabilities/Disbursements
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The Board has implemented procedures to reconcile all bank accounts on a monthly basis to the general ledger and to have documented management review and approval. Subsidiary listings for accounts payable and accounts receivable are being maintained. State travel regulations are being followed with credit card usage being controlled as well as being paid on a timely basis.

FS 2013-002	Deficit Fund Balance
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

During fiscal year 2016, the Board developed a new deficit elimination plan and presented it to the Georgia Department of Education. The plan calls for the closure of Saxon Heights Elementary school, and moving 5th graders to Dublin Middle School to better use our facilities and resources as well as save money. Non-academic staff positions and operating expenses at Saxon are being eliminated. During fiscal year 2017, the Board anticipates reducing the deficit by over $1.5 million.

CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2013-003	Internal Control over Financial Reporting Process
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The Board will develop and implement internal controls over financial statement reporting and ensure that activity is properly recorded in the general ledger. We will verify that financial statements (including note disclosures) properly reflect the activity reported in the general ledger and that the financial information presented for audit will be accurate.

FS 2013-004	Use of SPLOST Proceeds
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Finding Status:	Unresolved

The Board will review with legal counsel SPLOST referendums prior to the obligation of funds.

FS 2013-005	Maintenance of Capital Assets
Control Category:	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District will review its capital asset activity and ensure that activity conforms to the approved capital asset policy and generally accepted accounting principles.

FS 2014-001	Internal Controls at the Central Office
Control Category:	Cash and Cash Equivalents Expenditures/Liabilities/Disbursements Employee Compensation
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The Board has implemented procedures to reconcile all bank accounts on a monthly basis to the general ledger and to have documented management review and approval. Subsidiary listings for accounts payable and accounts receivable are being maintained. State travel regulations are being followed with credit card usage being controlled as well as being paid on a timely basis.

CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-002	Deficit Fund Balance
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

During fiscal year 2016, the Board developed a new deficit elimination plan and presented it to the Georgia Department of Education. The plan calls for the closure of Saxon Heights Elementary school, and moving 5th graders to Dublin Middle School to better use our facilities and resources as well as save money. Non-academic staff positions and operating expenses at Saxon are being eliminated. During fiscal year 2017, the Board anticipates reducing the deficit by over $1.5 million.

FS 2014-003	Internal Control over Financial Reporting
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The Board will develop and implement internal controls over financial statement reporting and ensure that activity is properly recorded in the general ledger. We will verify that financial statements (including note disclosures) properly reflect the activity reported in the general ledger and that the financial information presented for audit will be accurate.

FS 2014-004	Use of SPLOST Proceeds
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	None
Compliance Impact:	Nonmaterial Noncompliance
Finding Status:	Unresolved

The Board will review with legal counsel SPLOST referendums prior to the obligation of funds.

FS 2014-005	Maintenance of Capital Assets
Control Category:	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District will review its capital asset activity and ensure that activity conforms to the approved capital asset policy and generally accepted accounting principles.

CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-001	Internal Controls at the Central Office
Control Category:	Accounting Controls (Overall) Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Employee Compensation
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

The Board has implemented procedures to reconcile all bank accounts on a monthly basis to the general ledger and to have documented management review and approval. Subsidiary listings for accounts payable and accounts receivable are being maintained. State travel regulations are being followed with credit card usage being controlled as well as being paid on a timely basis.

FS 2015-002	Internal Controls Over School Activity Accounts
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

We concur with this finding. The Board has implemented procedures to reconcile all school activity bank accounts monthly at the Board office with school bookkeepers working with the School District Accounts Payable Specialist. Bank accounts will be properly reconciled to the General Ledger. This procedure will ensure the timeliness of performing the reconciliations along with a review of the deposit and disbursement documentation, as well as a separation of duties. Additional training will be provided to the school bookkeepers about properly documenting the receipts and disbursements at the school. School principals will review and sign the monthly bank reconciliations.

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

The Board will develop and implement internal controls over financial statement reporting and ensure that activity is properly recorded in the general ledger. We will verify that financial statements (including note disclosures) properly reflect the activity reported in the general ledger and that the financial information presented for audit will be accurate.

CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-004	Use of SPLOST Proceeds
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Finding Status:	Unresolved

We concur with the finding. The School District will use SPLOST funds exclusively for the purpose of retiring bond debt and in accordance with the referendum approved by the voters of Laurens County.

FS 2015-005	Maintenance of Capital Assets
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

We concur with this finding. The School District will verify and use the updated, audited capital assets listing provided during the audit and keep it current with future capital asset activity and ensure that it conforms to the approved capital assets policy and generally accepted accounting principles.

FS 2015-006	Adoption of a Balanced Budget, Deficit Fund Balance
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Finding Status:	Unresolved

We concur with this finding. The Board submitted a deficit elimination plan to the Georgia Department of Education in March 2016. The plan should reduce the deficit by over $1.6 million each year. The Board has closed Saxon Heights Elementary School and made significant staff reductions. Property values in the City of Dublin were reassessed in 2015, resulting in an additional $500,000.00 in tax revenue that is to be used exclusively for deficit reduction. In fiscal year 2017 the School District is budgeted to receive an increase in State QBE funding of $627,000.00 of which 50% is earmarked for deficit reduction. No salary increases will be implemented for teachers or staff in fiscal year 2017. Reporting requirements applicable for deficit fund balances with the Georgia Department of Education are being followed.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unmodified
Discretely Presented Component Unit	Disclaimer

Internal control over financial reporting:

▪ Material weaknesses identified?	Yes
▪ Significant deficiencies identified?	Yes

Noncompliance material to financial statements noted: Yes

Federal Awards

Internal Control over major programs:

▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported

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

All major programs	Unmodified

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-001	Internal Controls at the Central Office
Control Categories:	Accounting Controls (Overall) Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-001, FS 2014-001, FS 2013-001, FS-7741-12-01

Description:
The accounting procedures of the School District were insufficient to provide for adequate internal controls over operations 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 does not have adequate logical access controls in place to ensure only appropriate users have access to significant financial applications. We noted several users with access rights that exceeded their need to complete their assigned job functions. Further, the access granted did not adequately separate the functions of initiating, authorizing, and recording transactions, reconciliations, and maintaining the custody of assets.
- School District management did not complete a formal risk assessment of significant accounts and processes to ensure that internal controls were well defined, documented, and placed in operation and functioning properly.

Cash and Cash Equivalents

- The debt service SPLOST bank account reconciliations were performed quarterly rather than monthly and were untimely. Four additional June 2016 bank account reconciliations were not completed and approved until September 2016.
- The School District's general ledger reflected an overall balance in the Inter-fund Cash account of $11,771.38. This account should always carry an overall balance of zero.

Revenue/Receivables/Receipts

- A review of the federal grant fund activity revealed that the School District did not properly monitor federal grants to ensure that grants were maintained by grant period, revenues and expenditures were properly recorded in the appropriate fiscal year, and that accounts receivable and deferred revenue were recorded when appropriate.
- Grants were not properly closed out so that unused grant funds remaining after the end of grant periods were returned to grantors as required and grant over-expenditures were properly funded with local funds.

Expenditures/Liabilities/Disbursements

- The general ledger included $5,279.83 of invalid accounts payables over one year old for the School Food Service program.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:
In discussing these deficiencies with School District management, they stated that these deficiencies were the result of management's failure to ensure that internal controls were established, implemented and functioning.

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 could impact its reporting of financial position and results of operations.

Recommendation:
The School District should review accounting procedures in place and design and implement procedures relative to the above control categories to strengthen the internal controls over the accounting functions. Management should complete a formal risk assessment of significant accounts and processes. Timely bank reconciliations should be performed. Grant activity should be properly recorded on the general ledger and reviewed at the end of the grant periods to determine if refunds are due to grantors or if local funds are necessary to cover deficits. Liabilities should be reviewed at fiscal year-end for validity. Management should establish monitoring processes to provide reasonable assurance that the controls are functioning and financial transactions are properly processed and recorded.

Views of Responsible Officials:
The School District concurs with this finding.

FS 2016-002	Internal Controls over School Activity Accounts
Control Categories:	Cash and Cash Equivalents
	Revenues/Receivables/Receipts
	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-002

Description:
The accounting procedures of the School District were insufficient to provide the 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 related to School Activity Accounts were noted during our audit procedures:

Cash and Cash Equivalents

- The bank reconciliation function was not separate from the record keeping and voucher payment functions.
- Monthly bank reconciliations were not performed for five of the six school activity bank accounts throughout fiscal year 2016.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Revenues/Receipts/Receivables

- The deposit preparation function was not separated from the record keeping and cash custody functions.

Expenditures/Liabilities/Disbursements

- The check writing function was not separated from the record keeping or check processing functions.
- A review ten disbursements revealed five that lacked proper approval.

Cause:

In discussing these deficiencies with School District management, they stated that these deficiencies were the result of management's failure to ensure that internal controls were established, implemented and functioning.

Effect or Potential Effect:

The lack of adequate controls over school activity account cash, revenues and expenditures increases the risk for theft, fraud or misuse of School District resources that may result in errors and/or irregularities which would not be detected in a timely manner.

Recommendation:

The School District should implement procedures to ensure that key accounting functions relative to the above control categories are appropriately separated. In addition, the School District should implement procedures to ensure that disbursements are properly reviewed and approvals are documented. The School District should also establish a monitoring process to provide reasonable assurance that transactions are processed according to established procedures and that all school activity bank accounts are reconciled in a timely manner.

Views of Responsible Officials:

The School District concurs with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-003	Internal Controls over Financial Reporting
Control Category:	Financial reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-003, FS 2014-003, FS 2013-003, FS-7741-12-03

Description:
The School District did not have adequate internal controls in place over the financial statement reporting process. The original financial statements, as presented for audit, contained material and significant errors and omissions.

Criteria:
The School District is required to maintain a system of 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).

GASB Statement No. 34, *Basic Financial Statement – 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 funds 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 non-major funds in the aggregate, to be provided in the fund financial statements.

Chapter 22A *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 in the School District financial statements presented for audit:

- The School District did not record activity of the Heart of Georgia College & Career Academy, Inc. (Charter School) for the year ended June 30, 2016. Material adjustments were proposed by the auditor and accepted by the School District to record the activity of the Component Unit on the government-wide financial statements.
- Beginning net position and expense were each overstated by $493,929.73. Adjustments were proposed by the auditor and accepted by the School District to correct these significant misstatements.
- Unearned revenue was understated and federal revenue was overstated by $135,363.79 for both the government-wide financial statements and the general fund. Adjustments were proposed by the auditor and accepted by the School District to correct these significant misstatements.
- Net position restricted for continuation of federal programs was overstated by $225,820.50, net position restricted for debt service was overstated by $115,605.81, net position restricted for capital projects was overstated by $84,799.14 and unrestricted net position was understated by $426,225.45. An adjustment was proposed by the auditor and accepted by the School District to properly classify net position.
- Equipment in the amount of $77,470.13 was improperly capitalized. An adjustment was proposed by the auditor and accepted by the School District to correct this error.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Cash was overstated and due from other funds was understated by $144,159.29 for the general fund. Cash and due to other funds were each understated by $144,159.29 for the capital projects fund. Adjustments were proposed by the auditors and accepted by the School District to correct this significant misstatement to the general fund and material misstatement to the capital projects fund.
- Fund balance restricted for continuation of federal programs was overstated and unrestricted fund balance was understated by $225,820.50 for the general fund. An adjustment was proposed by the auditor and accepted by the School District to properly classify fund balance.
- Capital outlay expenditures were understated and cash was overstated by $46,131.20 for the capital projects fund. An adjustment was proposed by the auditor and accepted by the School District to correct this material error.
- Central support services expenditures was understated and debt service was overstated by $38,369.08 for the capital projects fund. An adjustment was proposed by the auditor and accepted by the School District to correct this material error.
- The School District did not provide all of the required Exhibits to the financial statements. Specifically the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statements of Revenues and Expenditures and Changes in Fund Balances to the Statement of Activities were not completed and presented for audit by the School District.
- Numerous other significant adjustments and reclassifications were proposed by the auditor and accepted by the School District to properly present the financial statements.

Cause:
In discussing these deficiencies with School District management, they stated that they did not implement an adequate system of internal control over the financial reporting process.

Effect or Potential Effect:
Material and 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 result of operations.

Recommendation:
The School District should strengthen procedures over the financial statement reporting process to ensure that the financial statements presented for audit, including note disclosures and supplementary information, are complete and accurate. These controls should include a monitoring process to evaluate the accuracy of the financial statements. These procedures should be performed by properly trained individuals possessing a thorough understanding of the applicable GAAP statements, GASB pronouncements and the School District's operations.

Views of Responsible Officials:
The School District concurs with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-004	Use of SPLOST Proceeds
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Repeat of Prior Year Finding:	FS 2015-004, FS 2014-004, FS 2013-004, FS-7741-12-04

Description:
The School District expended Special Purpose Local Option Sales Tax (SPLOST) proceeds on items which were not specifically identified in the SPLOST project referendum and do not meet the definition of "capital outlay projects for educational purposes" in State laws regarding imposition and use of sales taxes for educational purposes.

Criteria:
According to Paragraph IV, Section VI, Article VIII of the Constitution of the State of Georgia, "the purpose or purposes for which the proceeds of the tax are to be used and may be expended include:

(1) Capital outlay projects for educational purposes; (2) the retirement of previously incurred general obligation debt with respect only to capital projects of the School System..." Official Code of Georgia Annotated §48-8-121 states, "The proceeds received from the tax authorized by this part shall be used exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax".

The Attorney General's Official Opinion 97-7 for O.G.G.A. §20-2-260(b)(5), states, "capital outlay projects as used in the educational sales tax purposes amendment should be read as well to refer to major, permanent, or long-lived improvements or betterments, such as would be properly chargeable to capital asset account and as distinguished from current expenditures and ordinary maintenance expenses".

Condition:
During the year under review, the School District loaned $2,162,000.00 of SPLOST proceeds to the general fund for general operating expenditures. These expenditures were not approved in the SPLOST referendum. The entire amount was paid back from the general fund before fiscal year-end but still constituted an improper use of SPLOST proceeds.

Cause:
In discussing this matter with School District management, they indicated that this loan was to cover a shortfall in general operating cash and that they failed to have adequate controls in place to ensure that this interfund activity was properly recorded on the general ledger.

Effect or Potential Effect:
Improper use of the Special Purpose Local Option Sales Tax (SPLOST) proceeds, which is a violation of state law.

Recommendation:
The School District should ensure that any use of SPLOST funds is appropriate in accordance with State law and the SPLOST referendum as approved by the voters of Laurens County.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:
The School District concurs with this finding.

FS 2016-005	Maintenance of Capital Assets
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-005, FS 2014-005, FS 2013-005, FS-7741-12-05

Description:
The School District did not adequately maintain capital assets inventory records.

Criteria:
Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration provides that School Districts must establish capital asset policies, define system requirements, implement a capital asset system and maintain capital asset inventory reports.

Condition:
A review of the School District's capital assets policies and procedures and the related capital assets records revealed the following exceptions:

- Eight items totaling $137,728.11, with accumulated depreciation of 50,100.16, did not meet the capitalization thresholds but were recorded in the capital assets records.
- One equipment purchase that would have had a net book value of $14,429.55 should have been capitalized rather than expensed.
- The School District has not updated their capitalization policy to include the adoption of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Reporting for Intangible Assets*.

Cause:
In discussing these deficiencies with School District management, they indicated that they failed to properly maintain capital assets records in accordance with the School District's approved capital assets policy and requirements set forth in Chapter 37 *Implementing a Capital Asset Management System* of the Financial Management for Georgia Local Units of Administration.

Effect or Potential Effect:
The failure of the School District to maintain a complete and accurate capital assets listing can lead to inaccurate internal and external reporting, as well as noncompliance with generally accepted accounting principles.

Recommendation:
The School District should review its capital assets records and make appropriate adjustments to ensure that the capital assets are properly maintained and reported according to its policy. In addition, the School District should amend its capital assets policy to include the procedures for recording intangible assets.

Views of Responsible Officials:
The School District concurs with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-006	Adoption of a Balanced Budget, Deficit Fund Balance
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Repeat of Prior Year Finding:	FS 2015-006, FS 2014-002, FS 2013-002, FS-7741-12-02

Description:
At June 30, 2016, the general fund of the School District reported a deficit fund balance. The School District also failed to adopt a balanced general fund budget for fiscal year 2016.

Criteria:
Chapter 25 *Governmental Fund Deficits* of the Financial Management for the Georgia Local Units of Administration states in part: "The seriousness of the fund balances deficits cannot be overstated. The Georgia Department of Education requires those LUAs with deficit governmental fund balances to meet certain reporting requirements".

Chapter 32, *Preparing Operating Budgets* of the Financial Management for Georgia Local Units of Administration states in part: "The budget must be balanced for all budgeted funds. Total anticipated revenues should equal total estimated expenditures. In the event anticipated revenues are insufficient to fund anticipated essential expenditures, a portion of unreserved fund balance from previous years must be used to fund the short fall. In the event there is insufficient unreserved fund balance from previous years to fund anticipated expenditures, then such expenditures must be reduced to equal anticipated revenues plus available unreserved fund balance".

The Department of Audits and Accounts is required to report all instances of budget deficits in accordance with the Official Code of Georgia Annotated §20-2-67(a) which states: "When an audit by the Department of Audits and Accounts finds and reports irregularities or budget deficits in the fund accounting information regarding a local school system or a school within the local school system, the Department of Audits and Accounts shall report the findings of irregularities or budget deficits to the State Board of Education and the local board of education".

Condition:
The School District's general fund reported a deficit unassigned fund balance of $5,825,802.51. In addition, the School District's original and final budgets for the general fund were not balanced. Total anticipated revenues and beginning fund balance did not equal or exceed total estimated expenditures.

Cause:
In discussing these deficiencies with School District management, they stated that they started the 2016 fiscal year with a $5,577,400.25 deficit, failed to use effective budgeting techniques and continued charging expenditures to state and federal programs after the award amounts had been depleted.

Effect or Potential Effect:
The unassigned fund balance of the general fund was not sufficient to meet the fund's obligations for the current year. This a financial statement irregularity in accordance with the Official Code of Georgia Annotated (O.C.G.A.) §20-2-67.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:

The School District should establish policies and procedures to enforce the successful implementation of their deficit reduction plan to ensure that expenditures do not exceed availability of resources, so that in future periods the School District does not report a deficit fund balance. In addition, appropriate procedures should be implemented to ensure that the adopted budget for each budgeted fund is balanced as required.

Views of Responsible Officials:

The School District concurs with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2016

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2016-001	Internal Controls at the Central Office
Control Categories:	Accounting Controls (Overall) Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-001, FS 2014-001, FS 2013-001, FS-7741-12-01

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

Corrective Action Plans:
The debt service SPLOST bank account reconciliations were completed on a monthly basis during fiscal year 2017. The inter-fund cash accounts are now balanced monthly to ensure they carry an overall balance of zero. Federal grants are now being maintained by grant period. The grants were reconciled and closed out at the end of the subsequent fiscal year as recommended.

Estimated Completion Date: June 30, 2017

Contact Person: Christi Thublin, Assistant Superintendent
Telephone: (478) 353-8013
E-mail: christi@dcsirish.com

FS 2016-002	Internal Controls over School Activity Accounts
Control Categories:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-002

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

Corrective Action Plans:
The Board has implemented procedures to reconcile all school activity bank accounts monthly at the Board office with school bookkeepers working with the School District accounts payable specialist. Bank accounts will be properly reconciled to the general ledger. This procedure will ensure the timeliness of performing the reconciliations along with a review of the deposit and disbursement documentation, as well as a separation of duties. Additional training will be provided to the school bookkeepers about properly documenting the receipts and disbursements at the school. School principals will review and sign the monthly bank reconciliations.

CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2016

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

Estimated Completion Date: June 30, 2017

Contact Person: Christi Thublin, Assistant Superintendent
Telephone: (478) 353-8013
E-mail: christi@dcsirish.com

FS 2016-003	Internal Controls over Financial Reporting
Control Category:	Financial reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-003, FS 2014-003, FS 2013-003, FS-7741-12-03

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

Corrective Action Plans:
The Board will continue to develop and implement internal controls over financial statement preparation and reporting and ensure that activity is properly recorded in the general ledger. We will verify that financial statements (including note disclosures) properly reflect the activity reported in the general ledger and that the financial information presented for audit is accurate.

Estimated Completion Date: June 30, 2017

Contact Person: Christi Thublin, Assistant Superintendent
Telephone: (478) 353-8013
E-mail: christi@dcsirish.com

FS 2016-004	Use of SPLOST Proceeds
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Repeat of Prior Year Finding:	FS 2015-004, FS 2014-004, FS 2013-004, FS-7741-12-04

The School District expended Special Purpose Local Option Sales Tax (SPLOST) proceeds on items which were not specifically identified in the SPLOST project referendum and do not appear to meet the definition of "capital outlay projects for educational purposes" in State laws regarding imposition and use of sales taxes for educational purposes.

Corrective Action Plans:
The School District will use SPLOST funds exclusively for the purpose of retiring bond debt and in accordance with the referendum approved by the voters of Laurens County.

CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2016

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

Estimated Completion Date: July 1, 2017

Contact Person: Christi Thublin, Assistant Superintendent
Telephone: (478) 353-8013
E-mail: christi@dcsirish.com

FS 2016-005	Maintenance of Capital Assets
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-005, FS 2014-005, FS 2013-005, FS-7741-12-05

The School District did not adequately maintain capital assets inventory records.

Corrective Action Plans:
The School District will verify and use the updated, audited capital assets listing provided during the audit and keep it current with future capital asset activity and ensure that it conforms to the approved capital assets policy and generally accepted accounting principles.

Estimated Completion Date: June 30, 2017

Contact Person: Christi Thublin, Assistant Superintendent
Telephone: (478) 353-8013
E-mail: christi@dcsirish.com

FS 2016-006	Adoption of a Balanced Budget, Deficit Fund Balance
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Repeat of Prior Year Finding:	FS 2015-006, FS 2014-002, FS 2013-002, FS-7741-12-02

At June 30, 2016, the general fund of the School District reported a deficit fund balance. The School District also failed to adopt a balanced general fund budget for fiscal year 2016.

Corrective Action Plans:
The Board presented a deficit elimination plan to the Georgia Department of Education in March 2016. The plan reduces the general fund deficit by over $1.9 million during fiscal year 2017. The Board has closed Saxon Heights Elementary School and made significant staff reductions. Property values in the City of Dublin were reassessed in 2015, resulting in an additional $500,000.00 in tax revenue that is to be used exclusively for deficit reduction. In fiscal year 2018, the School District is budgeted to reduce the deficit by an additional $950 thousand, despite a reduction in State QBE funding of $705,000.00 and an increase in employer costs for TRS and SHBP. No salary increases were implemented for teachers or staff in fiscal year 2018. The Board voted to "freeze" fiscal year 2017 salaries for all employees and adopted a new School District salary schedule for all certified staff. Reporting requirements applicable for deficit fund balances with the Georgia Department of Education are being followed.

CITY OF DUBLIN BOARD OF EDUCATION – LAURENS COUNTY
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2016

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

Estimated Completion Date: June 30, 2017

Contact Person: Christi Thublin, Assistant Superintendent
Telephone: (478) 353-8013
E-mail: christi@dcsirish.com

CORRECTIVE ACTION PLANS - FEDERAL AWARD FINDINGS

No matters were reported.