

MONROE COUNTY BOARD OF EDUCATION
FORSYTH, GEORGIA

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

MONROE COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

INDEPENDENT AUDITOR'S REPORT

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS i

EXHIBITS

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A STATEMENT OF NET POSITION 1

B STATEMENT OF ACTIVITIES 2

FUND FINANCIAL STATEMENTS

C BALANCE SHEET GOVERNMENTAL FUNDS 4

D RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION 6

E STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS 8

F RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES 10

G STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS 11

H STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS 12

I NOTES TO THE BASIC FINANCIAL STATEMENTS 14

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

1 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHERS RETIREMENT SYSTEM OF GEORGIA 41

2 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA 42

3 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA 43

4 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY SCHOOL OPEB FUND 44

5 SCHEDULE OF CONTRIBUTIONS – TEACHERS RETIREMENT SYSTEM OF GEORGIA 45

6 SCHEDULE OF CONTRIBUTIONS – EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA 46

7 SCHEDULE OF CONTRIBUTIONS – SCHOOL OPEB FUND 47

(This page left intentionally blank)

MONROE COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

8 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION 48
9 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND 49

SUPPLEMENTARY INFORMATION

10 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 50
11 SCHEDULE OF STATE REVENUE 51
12 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS 53

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SECTION IV

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION V

MANAGEMENT’S CORRECTIVE ACTION FOR CURRENT YEAR FINDINGS

SCHEDULE OF MANAGEMENT’S CORRECTIVE ACTION

(This page left intentionally blank)

SECTION I

FINANCIAL

(This page left intentionally blank)

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

November 4, 2019

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroe County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

(This page left intentionally blank)

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

(This page left intentionally blank)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

(This page left intentionally blank)

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

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

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

- General revenues accounts for $28.4 million in revenue or 55.1 % of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $23.2 million or 45% of total revenues of $51.6 million.

- The School District had $51.7 million in expenses related to governmental activities; however, $23.2 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of $28.4 million were adequate to provide for these programs.

- Among major funds, the general fund had $46.7 million in revenues and $46.7 in expenditures. The fund balance for the general fund decreased from $5.4 million to approximately $5.0 million. Decrease is the result of funds being transferred from to the capital projects fund to cover cost for renovation of the central office.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017(1)
Assets		
Current and Other Assets	$ 15,845,797	$ 16,155,988
Capital Assets, Net	55,836,864	56,254,088
Total Assets	71,682,661	72,410,076
Deferred Outflows of Resources		
Related to Defined Benefit Pension Plans	6,066,122	9,806,046
Related to OPEB Plan	1,493,287	-
Total Deferred Ouflows of Resources	7,559,409	9,806,046
Liabilities		
Current and Other Liabilities	6,249,361	5,967,196
Long-Term Liabilities	81,870,765	49,253,574
Total Liabilities	88,120,126	55,220,770
Deferred Inflows of Resources		
Related to Defined Benefit Pension Plans	1,183,330	1,227,167
Related to OPEB Plan	2,893,931	-
Total Deferred Ouflows of Resources	4,077,261	1,227,167
Net Position		
Net Investment in Capital Assets	48,490,019	47,359,386
Restricted	3,282,544	3,609,331
Unrestricted (Deficit)	(64,727,880)	(25,200,532)
Total Net Position	$ (12,955,317)	$ 25,768,185

(1) Fiscal year 2017 balances do not reflect the effects of the Restatement of Net Position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

After the restatement disclosed in Note 14 of the Notes to the Basic Financial Statements, the total net position decreased $139 thousand in fiscal year 2018.

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

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017(1)
Revenues		
Program Revenues:		
Charges for Services	$ 1,195,834	$ 1,156,999
Operating Grants and Contributions	21,648,628	20,275,776
Capital Grants and Contributions	306,888	-
Total Program Revenues	23,151,350	21,432,775
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	22,780,208	21,831,601
Railroad Cars	40,218	31,955
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	4,435,796	4,084,004
Other Taxes	216,689	225,390
Investment Earnings	122,990	51,913
Miscellaneous	828,254	678,118
Total General Revenues	28,424,155	26,902,981
Total Revenues	51,575,505	48,335,756
Program Expenses:		
Instruction	30,757,144	28,386,297
Support Services		
Pupil Services	1,501,418	1,405,962
Improvement of Instructional Services	1,489,102	1,548,428
Educational Media Services	786,485	744,607
General Administration	1,277,072	1,284,244
School Administration	2,360,460	2,201,453
Business Administration	518,532	575,278
Maintenance and Operation of Plant	4,757,314	4,926,281
Student Transportation Services	4,404,943	4,204,617
Central Support Services	20,053	19,666
Other Support Services	4,686	5,851
Operations of Non-Instructional Services		
Enterprise Operations	941,393	885,929
Food Services	2,754,374	2,587,002
Interest on Short-Term and Long-Term Debt	141,943	217,339
Total Expenses	51,714,919	48,992,954
Decrease in Net Position	$ (139,414)	$ (657,198)

(1) Fiscal year 2017 balances do not reflect the effects of the Restatement of Net Position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions increased $1.7 million for governmental activities. This increase is largely due to increase in funds earned through the State Quality Basic Education (QBE) Funding Formula from one fiscal period to the next.

General revenues increased by $1.5 million during fiscal year 2018 due in part to a slight increase in the tax digest.

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
Instruction	$ 30,839,794	$ 28,386,297	$ 14,906,438	$ 14,151,161
Support Services:				
Pupil Services	1,501,418	1,405,962	1,328,634	1,258,035
Improvement of Instructional Services	1,489,102	1,548,428	913,590	989,053
Educational Media Services	786,485	744,607	265,863	237,621
General Administration	1,272,817	1,284,244	508,373	573,686
School Administration	2,360,460	2,201,453	1,321,764	1,208,217
Business Administration	518,226	575,278	518,226	575,278
Maintenance and Operation of Plant	4,740,425	4,926,281	3,509,440	3,619,999
Student Transportation Services	4,344,725	4,204,617	3,615,791	3,437,533
Central Support Services	20,053	19,666	19,053	18,291
Other Support Services	4,686	5,851	4,686	5,851
Operations of Non-Instructional Services:				
Enterprise Operations	941,393	885,929	941,393	885,929
Food Services	2,753,392	2,587,002	568,374	382,186
Interest on Short-Term and Long-Term Debt	141,943	217,339	141,943	217,339
Total Expenses	$ 51,714,919	$ 48,992,954	$ 28,563,568	$ 27,560,179

Although program revenue make up a large portion of the funding, the School District is still dependent upon tax revenues for governmental activities. For 2018, 56.2% of instruction and support activities were supplemented by taxes and other general revenues compared to 57.6% in 2017.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of $55.9 million and expenditures and other financing uses of $56.6 million. The capital projects fund had an overall decrease of $0.2 million due to funds being transferred out to cover debt payments. The general fund had an overall decrease of $0.5 million. The decrease in the general fund for the year is due to funds transferred to the capital projects funds to cover the construction for the central office renovation.

General Fund Budgeting Highlights

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

For the general fund, the final budgeted revenues of $38.5 million remained the same from the original budgeted amount of $38.5 million. The actual revenue was more than the budgeted amount by $8.2 million. The variances between final budget and actual revenue are due to federal programs not being budgeted, increase in funds earned through the State Quality Basic Education (QBE) Funding Formula, more tax collections than anticipated and charges for services revenues were not budgeted within the exception of rental property.

The final actual expenditures of $46.7 million was more than the final budgeted amount of $40.5 million by $6.2 million. The difference is due to school food and school activity account expenditures and pre-k kindergarten program not budgeted and under estimated pay for bus driver's salaries and benefits.

CAPITAL ASSETS

At the fiscal years ended June 30, 2018 and June 30, 2017, the School District had $55.8 million and $56.3 million, respectively, invested in capital assets, net of accumulated depreciation. These assets are made up of a broad range of capital assets, including land; buildings; transportation, food service and maintenance equipment. Table 4 reflects a summary of these balances, by class, net of accumulated depreciation.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017
Land	$ 3,165,429	$ 3,165,429
Construction In Progress	286,953	48,918
Building and Improvements	48,284,278	50,130,742
Equipment	3,092,035	2,613,511
Land Improvements	1,008,169	295,488
Total	$ 55,836,864	$ 56,254,088

DEBT ADMINISTRATION

At June 30, 2018, the School District had $8.1 million in total debt outstanding with $3.5 million due within one year. Table 5 summarizes debt outstanding at June 30, 2018 and 2017.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017
Bonds Payable	$ 5,120,000	$ 7,615,000
Unamortized Bond Premium	275,301	412,915
Installments Sales Agreements	1,341,915	1,497,935
Capital Leases	1,384,331	-
Total	$ 8,121,547	$ 9,525,850

In fiscal year 2018, the School District entered into various capital leases for buses and technology equipment.

CURRENT ISSUES

The School District is financially stable. The operating millage rate has remained steady for several years. In fiscal year 2018 the Board voted to reduce the millage to the "rollback rate" of 15.734 mills. This allowed for the transfer of $400,000.00 out of the general fund to the capital projects fund to fund the Central Office Renovation.

Fiscal year 2018 saw the completion of the Monroe County Fine Arts Center parking lot. This project has greatly enhanced the usage of the Fine Arts Center.

In fiscal year 2018, the cost of employer portion of Teachers Retirement System pension and health insurance premiums for all employees was increased again. Along with the uncertainty regarding how School Districts will be funded in the future, it places a challenge on the Board to balance its responsibility to taxpayers and the education of the students.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chris Johnson, CGFM, Director of Financial Services at the Monroe County Board of Education, 25 Brooklyn Avenue, Forsyth, GA 31029. You may also email your questions to chris.johnson@mcschools.org.

MONROE COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 11,243,526.65
Investments	92,908.88
Receivables, Net	
Taxes	1,408,906.71
State Government	2,575,653.95
Federal Government	442,359.78
Other	7,904.62
Inventories	74,536.40
Capital Assets, Non-Depreciable	3,452,382.28
Capital Assets, Depreciable (Net of Accumulated Depreciation)	52,384,481.75
Total Assets	71,682,661.02
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	6,066,122.02
Related to OPEB Plan	1,493,287.00
Total Deferred Outflows of Resources	7,559,409.02
LIABILITIES	
Accounts Payable	231,240.70
Salaries and Benefits Payable	5,638,174.53
Payroll Withholdings Payable	115,223.07
Contracts Payable	164,252.76
Retainages Payable	23,250.32
Deposits and Unearned Revenues	77,220.00
Net Pension Liability	35,744,919.00
Net OPEB Liability	38,004,298.00
Long-Term Liabilities	
Due Within One Year	3,452,710.50
Due in More Than One Year	4,668,836.94
Total Liabilities	88,120,125.82
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	1,183,330.00
Related to OPEB Plan	2,893,931.00
Total Deferred Inflows of Resources	4,077,261.00
NET POSITION	
Net Investment in Capital Assets	48,490,019.28
Restricted for	
Continuation of Federal Programs	74,536.40
Debt Service	2,632,100.00
Capital Projects	557,905.05
Permanent Funds	18,002.80
Unrestricted (Deficit)	(64,727,880.31)
Total Net Position	$ (12,955,316.78)

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

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

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 30,839,793.60	$ 636,736.05
Support Services		
Pupil Services	1,501,417.53	-
Improvement of Instructional Services	1,489,102.50	-
Educational Media Services	786,485.40	-
General Administration	1,272,816.96	-
School Administration	2,360,459.97	-
Business Administration	518,226.16	-
Maintenance and Operation of Plant	4,740,424.54	35,456.00
Student Transportation Services	4,344,725.13	-
Central Support Services	20,053.10	-
Other Support Services	4,685.77	-
Operations of Non-Instructional Services		
Enterprise Operations	941,392.56	-
Food Services	2,753,392.51	523,642.29
Interest on Short-Term and Long-Term Debt	141,943.11	-
Total Governmental Activities	$ 51,714,918.84	$ 1,195,834.34
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Taxes		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
$ 14,989,731.21	$ 306,887.96	$ (14,906,438.38)
172,783.81	-	(1,328,633.72)
575,512.23	-	(913,590.27)
520,622.00	-	(265,863.40)
764,444.12	-	(508,372.84)
1,038,695.87	-	(1,321,764.10)
-	-	(518,226.16)
1,195,528.53	-	(3,509,440.01)
728,934.38	-	(3,615,790.75)
1,000.00	-	(19,053.10)
-	-	(4,685.77)
-	-	(941,392.56)
1,661,375.91	-	(568,374.31)
-	-	(141,943.11)
$ 21,648,628.06	$ 306,887.96	(28,563,568.48)
		22,780,207.86
		40,217.85
		4,435,796.07
		216,689.43
		122,989.79
		828,253.80
		28,424,154.80
		(139,413.68)
		(12,815,903.10)
		$ (12,955,316.78)

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

	GENERAL FUND	CAPITAL PROJECTS FUND
ASSETS		
Cash and Cash Equivalents	$ 7,481,271.63	$ 3,761,253.05
Investments	74,906.08	-
Receivables, Net		
Taxes	992,389.27	416,517.44
State Government	2,575,653.95	-
Federal Government	442,359.78	-
Other	7,904.62	-
Inventories	74,536.40	-
Total Assets	$ 11,649,021.73	$ 4,177,770.49
LIABILITIES		
Accounts Payable	$ 204,679.06	$ 26,561.64
Salaries and Benefits Payable	5,638,174.53	-
Payroll Withholdings Payable	115,223.07	-
Contracts Payable	-	164,252.76
Retainages Payable	-	23,250.32
Deposits and Unearned Revenue	77,220.00	-
Total Liabilities	6,035,296.66	214,064.72
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	660,243.55	-
FUND BALANCES		
Nonspendable	74,536.40	-
Restricted	-	3,963,705.77
Assigned	302,726.12	-
Unassigned	4,576,219.00	-
Total Fund Balances	4,953,481.52	3,963,705.77
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 11,649,021.73	$ 4,177,770.49

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

EXHIBIT "C"

	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL
	$ 1,001.97	$ -	$ 11,243,526.65
	-	18,002.80	92,908.88
		-	1,408,906.71
		-	2,575,653.95
		-	442,359.78
		-	7,904.62
		-	74,536.40
	$ 1,001.97	$ 18,002.80	$ 15,845,796.99
	$ -	$ -	$ 231,240.70
	-	-	5,638,174.53
	-	-	115,223.07
	-	-	164,252.76
	-	-	23,250.32
	-	-	77,220.00
	-	-	6,249,361.38
	-	-	660,243.55
	-	10,000.00	84,536.40
	1,001.97	8,002.80	3,972,710.54
	-	-	302,726.12
	-	-	4,576,219.00
	1,001.97	18,002.80	8,936,192.06
	$ 1,001.97	$ 18,002.80	$ 15,845,796.99

Total fund balances - governmental funds (Exhibit "C")		$ 8,936,192.06
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	$ 3,165,429.20	
Construction in progress	286,953.08	
Buildings and improvements	75,021,300.68	
Equipment	8,484,222.25	
Land improvements	4,376,910.04	
Accumulated depreciation	(35,497,951.22)	55,836,864.03
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	$ (35,744,919.00)	
Net OPEB liability	(38,004,298.00)	(73,749,217.00)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Related to pensions	$ 4,882,792.02	
Related to OPEB	(1,400,644.00)	3,482,148.02
Taxes that are not available to pay for current period expenditures are deferred in the funds.		660,243.55
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	$ (5,120,000.00)	
Capital leases payable	(1,384,331.85)	
Unamortized bond premiums	(275,300.80)	
Installment sales agreement	(1,341,914.79)	(8,121,547.44)
Net position of governmental activities (Exhibit "A")		$ (12,955,316.78)

(This page left intentionally blank)

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

	GENERAL FUND	CAPITAL PROJECTS FUND
REVENUES		
Property Taxes	$ 22,759,692.86	$ -
Sales Taxes	216,689.43	4,435,796.07
State Funds	18,368,297.19	-
Federal Funds	3,294,907.68	-
Charges for Services	1,195,834.34	-
Investment Earnings	99,034.85	23,905.35
Miscellaneous	747,253.80	81,000.00
Total Revenues	46,681,710.15	4,540,701.42
EXPENDITURES		
Current		
Instruction	27,096,751.29	1,623,708.44
Support Services		
Pupil Services	1,493,509.46	-
Improvement of Instructional Services	1,483,046.01	-
Educational Media Services	777,570.24	-
General Administration	1,243,727.67	-
School Administration	2,339,089.14	-
Business Administration	495,415.89	-
Maintenance and Operation of Plant	4,355,798.75	211,253.86
Student Transportation Services	3,811,890.35	525,227.00
Central Support Services	20,053.10	-
Other Support Services	4,685.77	-
Enterprise Operations	941,392.56	-
Community Services	-	-
Food Services Operation	2,670,586.72	22,595.00
Capital Outlay	-	1,212,919.74
Debt Services		
Principal	-	335,843.15
Dues and Fees	-	-
Interest	-	35,979.76
Total Expenditures	46,733,516.95	3,967,526.95
Revenues over (under) Expenditures	(51,806.80)	573,174.47
OTHER FINANCING SOURCES (USES)		
Capital Leases	-	1,564,154.76
Transfers In	-	400,000.00
Transfers Out	(400,000.00)	(2,738,437.50)
Total Other Financing Sources (Uses)	(400,000.00)	(774,282.74)
Net Change in Fund Balances	(451,806.80)	(201,108.27)
Fund Balances - Beginning	5,405,288.32	4,164,814.04
Fund Balances - Ending	$ 4,953,481.52	$ 3,963,705.77

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

DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL
$ -	$ -	$ 22,759,692.86
-	-	4,652,485.50
-	-	18,368,297.19
-	-	3,294,907.68
-	-	1,195,834.34
9.26	40.33	122,989.79
-	-	828,253.80
9.26	40.33	51,222,461.16
-	-	28,720,459.73
-	-	1,493,509.46
-	-	1,483,046.01
-	-	777,570.24
-	-	1,243,727.67
-	-	2,339,089.14
48.00	-	495,463.89
-	-	4,567,052.61
-	-	4,337,117.35
-	-	20,053.10
-	-	4,685.77
-	-	941,392.56
-	-	-
-	-	2,693,181.72
-	-	1,212,919.74
2,495,000.00	-	2,830,843.15
2,038.75	-	2,038.75
241,575.00	-	277,554.76
2,738,661.75	-	53,439,705.65
(2,738,652.49)	40.33	(2,217,244.49)
-	-	1,564,154.76
2,738,437.50	-	3,138,437.50
-	-	(3,138,437.50)
2,738,437.50	-	1,564,154.76
(214.99)	40.33	(653,089.73)
1,216.96	17,962.47	9,589,281.79
$ 1,001.97	$ 18,002.80	$ 8,936,192.06

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

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")		$ (653,089.73)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	$ 1,763,671.43	
Depreciation expense	(2,487,783.02)	(724,111.59)
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		60,732.85
Capital assets purchased with Universal Service Fund (e-rate) proceeds are not reported in governmental funds. However, in the Statement of Activities, the e-rate proceeds are shown as capital grants and contributions.		306,887.96
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.		
Capital leases issued	$ (1,564,154.76)	
Bond principal retirements	2,495,000.00	
Capital lease payments	179,822.91	
Installment sales agreement payments	156,020.24	
Amortization of bond premium	137,650.40	1,404,338.79
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.		
Pension expense	$ 286,682.04	
OPEB expense	(820,854.00)	(534,171.96)
Change in net position of governmental activities (Exhibit "B")		$ (139,413.68)

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

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

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 98,126.06	$ 123,407.92
LIABILITIES		
Funds Held for Others		$ 123,407.92
NET POSITION		
Held in Trust for Private Purposes	$ 98,126.06	

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

MONROE COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2018

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Investment Earnings	
Interest	$ 121.35
Change in Net Position	121.35
Net Position - Beginning	98,004.71
Net Position - Ending	$ 98,126.06

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

(This page left intentionally blank)

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) 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.

All other governmental funds not meeting the criteria established for major funds are presented in the nonmajor governmental column of the fund financial statements.

The School District reports the following fiduciary fund types:

- Private purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which principal and income benefit individuals, private organizations or other governments.
- Agency funds are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

BASIS OF ACCOUNTING

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be

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

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general resources.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The adoption of this statement has a significant impact on the School District's financial statements. As noted in the Restatement of Net Position note disclosure, the School District restated beginning net position for the cumulative effect of this accounting change.

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

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

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

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

RECEIVABLES

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

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

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

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

		Capitalization Policy	Estimated Useful Life
Land		All	N/A
Land Improvements		All	15 years
Buildings	$	25,000.00	40 years
Portable Buildings	$	25,000.00	10 years
Buildings and Improvements	$	25,000.00	20 to 40 years
Equipment, excluding vehicles	$	25,000.00	5 to 15 years
Buses	$	25,000.00	8 to 14 years
Vehicles	$	25,000.00	5 to 10 years
Intangible Assets	$	25,000.00	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(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then.

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

LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS

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

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

PENSIONS

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees Postemployment Benefit Fund (School OPEB Fund) and additions

to/deductions from School OPEB Fund fiduciary net position have been determined on the same basis as they are reported by School OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FUND BALANCES

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

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

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

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

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

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

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

USE OF ESTIMATES

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

PROPERTY TAXES

The Monroe County Board of Commissioners adopted the property tax levy for the 2017 tax digest year (calendar year) on October 20, 2017 (levy date) based on property values as of January 1, 2017. Taxes were due on December 22, 2017 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. The Monroe County Board of Commissioners bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2018, for maintenance and operations amounted to $21,479,139.44.

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

School Operations	15.734 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $1,240,335.57 during fiscal year ended June 30, 2018.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $4,435,796.07 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

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

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

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

NOTE 4: DEPOSITS AND CASH EQUIVALENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

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

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

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

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2018, the School District had deposits with a carrying amount of $2,621,776.52, and a bank balance of $3,915,046.60. The bank balances insured by Federal depository insurance were $679,504.74 and the bank balances collateralized with securities held by the pledging financial institution in the School District's name were $1,119,255.53.

At June 30, 2018, $2,116,308.88 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$	-
Uninsured with collateral held by the pledging financial institution		-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name		2,116,308.88
Total	$	2,116,308.88

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

Cash and cash equivalents		
Statement of Net Position	$	11,243,526.65
Statement of Fiduciary Net Position		221,533.98
Total cash and cash equivalents		11,465,060.63
Add:		
Deposits with original maturity of three months or more reported as investments		92,908.88
Less:		
Cash on hand		13,422.00
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		8,922,770.99
Total carrying value of deposits - June 30, 2018	$	2,621,776.52

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of $8,922,770.99 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share, which approximates fair value. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2018, was 10 days.

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

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2017	Increases	Decreases	Transfers	Balances June 30, 2018
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	$ 3,165,429.20	$ -	$ -	$ -	$ 3,165,429.20
Construction in Progress	48,918.00	299,018.08	-	(60,983.00)	286,953.08
Total Capital Assets Not Being Depreciated	3,214,347.20	299,018.08	-	(60,983.00)	3,452,382.28
Capital Assets Being Depreciated					
Buildings and Improvements	75,021,300.68	-	-	-	75,021,300.68
Equipment	7,916,302.56	988,761.55	481,824.86	60,983.00	8,484,222.25
Land Improvements	3,594,130.28	782,779.76	-	-	4,376,910.04
Less Accumulated Depreciation for:					
Buildings and Improvements	24,890,559.30	1,846,463.83	-	-	26,737,023.13
Equipment	5,302,791.48	571,220.59	481,824.86	-	5,392,187.21
Land Improvements	3,298,642.28	70,098.60	-	-	3,368,740.88
Total Capital Assets, Being Depreciated, Net	53,039,740.46	(716,241.71)	-	60,983.00	52,384,481.75
Governmental Activity Capital Assets - Net	$ 56,254,087.66	$ (417,223.63)	$ -	$ -	$ 55,836,864.03

Current year depreciation expense by function is as follows:

Instruction		$ 1,817,788.72
Support Services		
General Administration	$ 34,489.83	
Business Administration	2,481.08	
Maintenance and Operation of Plant	136,914.80	
Student Transportation Services	488,151.60	662,037.31
Food Services		7,956.99
		$ 2,487,783.02

NOTE 6: INTERFUND TRANSFERS

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018, consisted of the following:

	Transfers From	
Transfers to	General Fund	Capital Projects Fund
Capital projects Fund	$ 400,000.00	-
Debt Service Fund	-	$ 2,738,437.50
Total	$ 400,000.00	$ 2,738,437.50

Transfers are used to move property tax revenue collected in the general fund to the capital projects fund for renovations to the central office and move Education Special Purpose Local Option Sales Tax (ESPLOST) collected in the capital projects fund as needed for repayment of bond debt principal and interest.

NOTE 7: LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds	$ 7,615,000.00	$ -	$ 2,495,000.00	$ 5,120,000.00	$ 2,535,000.00
Unamortized Bond Premiums	412,951.20	-	137,650.40	275,300.80	137,650.40
Installment Sales Agreement	1,497,935.03	-	156,020.24	1,341,914.79	148,578.48
Capital Leases	-	1,564,154.76	179,822.91	1,384,331.85	631,481.62
	$ 9,525,886.23	$ 1,564,154.76	$ 2,968,493.55	$ 8,121,547.44	$ 3,452,710.50

GENERAL OBLIGATION DEBT OUTSTANDING

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

Of the total amount originally authorized, $12,000,000.00 remains unissued. General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2013	2.00%	5/28/2013	8/1/2019	$ 5,005,000.00	$ 2,060,000.00
General Government - Series 2014	4.00 - 5.00%	12/18/2014	8/1/2019	7,495,000.00	3,060,000.00
				$ 12,500,000.00	$ 5,120,000.00

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

Fiscal Year Ended June 30:	General Obligation Debt Principal	General Obligation Debt Interest	Unamortized Bond Premium
2019	$ 2,535,000.00	$ 146,125.00	$ 137,650.40
2020	2,585,000.00	49,025.00	137,650.40
Total Principal and Interest	$ 5,120,000.00	$ 195,150.00	$ 275,300.80

INSTALLMENT SALES AGREEMENT

The Monroe County Board of Education entered into an agreement date October 31, 2016, with the Georgia Municipal Association, Inc. for the acquisition of land as well as financing for the parking lot at the Fine Arts Center with a total of $1,600,000.00. Under the terms of agreement, the School District will purchase the project by making monthly payments through October 30, 2026.

Installment sales agreement currently outstanding is as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Installment Sales Agreement	2.489%	10/31/2016	10/30/2026	$ 1,600,000.00	$ 1,341,914.79

The following is a schedule of total promissory notes payments:

Fiscal Year Ended June 30:	Principal	Interest
2019	$ 148,578.48	$ 32,621.40
2020	152,293.30	28,906.58
2021	156,259.62	24,940.26
2022	160,248.87	20,951.01
2023	164,339.96	16,859.92
2024 - 2027	560,194.56	25,327.70
Total Principal and Interest	$ 1,341,914.79	$ 149,606.87

CAPITAL LEASES

The School District has acquired buses and technology 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 capital leases and are reflected in the capital asset note at fiscal year-end:

	Governmental Activities
Equipment	$ 908,836.95
Less: Accumulated Depreciation	41,834.41
	$ 867,002.54

During the current fiscal year, the School District entered into lease agreements as lessee for financing the acquisition of buses and technology equipment at a cost of $1,564,154.76 with a down payment of $179,822.91. These leases qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the dates of inception.

Capital leases currently outstanding are as follows:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Buses	2.73%	10/25/2017	10/25/2019	$ 525,227.00	$ 345,404.09
Computer Switches	0.00%	4/10/2018	8/5/2019	96,475.23	96,475.23
Camera and Firewall	0.00%	5/8/2018	8/5/2019	119,438.53	119,438.53
Chromebooks	0.00%	6/7/2018	8/5/2019	379,764.00	379,764.00
Laptops	1.90%	6/21/2018	9/5/2021	443,250.00	443,250.00
				$ 1,564,154.76	$ 1,384,331.85

The following is a schedule of total capital lease payments:

Fiscal Year Ended June 30:	Principal	Interest
2019	$ 621,460.07	$ 10,861.19
2020	508,934.85	11,090.97
2021	141,741.89	4,240.36
2022	112,195.04	2,140.21
Total Principal and Interest	$ 1,384,331.85	$ 28,332.73

NOTE 8: RISK MANAGEMENT

INSURANCE

Commercial Insurance

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

Georgia School Boards Association Risk and Insurance Management System

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

WORKERS' COMPENSATION

Georgia Education Workers' Compensation Trust

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

UNEMPLOYMENT COMPENSATION

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2017	$ -	$ -	$ -	$ -
2018	$ -	$ 2,095.00	$ 2,095.00	$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 50,000.00

NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

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

FUND BALANCES		
Nonspendable		
Inventories	$ 74,536.40	
Permanent funds principal	10,000.00	$ 84,536.40
Restricted		
Capital projects	$ 1,332,607.74	
Debt service	2,632,100.00	
Permanent funds	8,002.80	3,972,710.54
Assigned		
School activity accounts		302,726.12
Unassigned		4,576,219.00
Fund Balance, June 30, 2018		$ 8,936,192.06

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 4% of budgeted expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, net of any Committed Reserve Balance for capital expenditures, 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.

NOTE 10: SIGNIFICANT COMMITMENTS

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

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

Project	Unearned Executed Contracts (1)	Payments through June 30, 2018 (2)
Central Office Renovation	$ 2,063,245.92	$ 254,503.08

(1) The amounts described are not reflected in the basic financial statements.
(2) Payments include Contracts and Retainages Payable at year end.

OPERATING LEASES

The School District leases copiers under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases(s) totaled $30,021.55 for governmental activities for the year ended June 30, 2018. The following future minimum lease payments were required under operating leases at June 30, 2018:

Year Ending		Governmental Funds
2019	$	30,393.36
2020		30,393.36
2021		30,393.36
2022		27,363.94
2023		5,935.77
Total	$	124,479.79

NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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

LITIGATION

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

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description: Certified teachers and non-certified public school employees of the School District as defined in §20-2-875 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

Benefits Provided: The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Contributions: As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were $1,402,911.00 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School District reported a liability of $38,004,298.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the School District's proportion was 0.270494%, which was an increase of 0.000631% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of $2,223,765.00. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 2,893,931.00
Net difference between projected and actual earnings on OPEB plan investments	11,116.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	79,260.00	-
School District contributions subsequents to the measurement date	1,402,911.00	-
Total	$ 1,493,287.00	$ 2,893,931.00

School District contributions subsequent to the measurement date of $1,402,911.00 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB
2019	$ (503,457.00)
2020	$ (503,457.00)
2021	$ (503,457.00)
2022	$ (503,457.00)
2023	$ (506,236.00)
2024	$ (283,491.00)

Actuarial assumptions: The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

OPEB:

Inflation	2.75%
Salary increases	
ERS	3.25% - 7.00%, including inflation
JRS	4.50%, including inflation
LRS	None
TRS	3.25 — 9.00%, including inflation
PSERS	N/A
Long-term expected rate of return	3.88%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.75%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2022

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years or both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement.

- For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.

- For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 5 years for both males and females) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

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

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

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

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

Discount rate: In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2115. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2029. Therefore, the calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1 percentage-point higher (4.58%) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	$ 45,123,297.00	$ 38,004,298.00	$ 32,385,967.00

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	$ 31,501,233.00	$ 38,004,298.00	$ 46,471,279.00

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the Comprehensive Annual Financial Report (CAFR) which is publicly available at https://sao.georgia.gov/comprehensive-annual-financial-reports.

NOTE 13: RETIREMENT PLANS

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

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description: All teachers of the School District as defined in O.C.G.A §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers Retirement System of Georgia issues a publicly available separate financial report that can be obtained at www.trsga.com/publications.

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their

annual pay during fiscal year 2018. The School District's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual School District payroll, of which 16.74% of payroll was required from the School District and 0.06% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $3,848,600.70 and $14,565.82 from the School District and the State, respectively.

EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to $4,200.00, plus 6% of annual compensation in excess of $4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's required contribution rate for the year ended June 30, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were $20,233.32 for the current fiscal year.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

Plan description: PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia.

The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

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

Upon retirement, the member will receive a monthly benefit of $14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

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

Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was $117,139.00.

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

At June 30, 2018, the School District reported a liability of $35,744,919.00 for its proportionate share of the net pension liability for TRS ($35,615,769.00) and ERS ($129,150.00).

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

School District's proportionate share of the net pension liability	$	35,615,769.00
State of Georgia's proportionate share of the net pension liability associated with the School District		251,459.00
Total	$	35,867,228.00

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

At June 30, 2017, the School District's TRS proportion was 0.191634%, which was a decrease of 0.000928% from its proportion measured as of June 30, 2016. At June 30, 2017, the School District's ERS proportion was 0.003180%, which was an increase of 0.003180% from its proportion measured as of June 30, 2016.

At June 30, 2018, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is $657,570.00.

The PSERS net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of $3,542,716.00 for TRS, $39,963.00 for ERS and $132,526.00 for PSERS and revenue of $(15,398.00) for TRS and $132,526.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

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

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,332,249.00	$ 134,410.00	$ 1,415.00	$ 1.00
Changes of assumptions	780,742.00	-	294.00	-
Net difference between projected and actual earnings on pension plan investments	-	245,096.00	-	322.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	801,509.00	82,588.00	1,992.00
School District contributions subsequent to the measurement date	3,848,600.70	-	20,233.32	-
Total	$ 5,961,591.70	$ 1,181,015.00	$ 104,530.32	$ 2,315.00

The School District contributions subsequent to the measurement date of $3,848,600.70 for TRS and $20,233.32 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2019	$ (589,593.00)	$ 48,110.00
2020	$ 1,600,241.00	$ 36,085.00
2021	$ 854,291.00	$ 1,450.00
2022	$ (951,364.00)	$ (3,663.00)
2023	$ 18,401.00	$ -

Actuarial assumptions: The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	2.75%
Salary increases	3.25% – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

Employees' Retirement System:

Inflation	2.75%
Salary increases	3.25% - 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP- 2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

Public School Employees Retirement System:

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected

to 2025 with projection scale BB (set forward 5 years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

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

Asset class	TRS Target allocation	ERS/PSERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	-	5.00%	10.50%
Total	100.00%	100.00%	

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

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

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

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 58,449,656.00	$ 35,615,769.00	$ 16,805,779.00

Employees' Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 182,289.00	$ 129,150.00	$ 83,821.00

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

NOTE 14: RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2018, the School District made prior period adjustments due to the adoption of GASB Statement No. 75, as described in "New Accounting Pronouncements", which require the restatement of the June 30, 2017, net position in Governmental Activities. The result is a decrease in net position at July 1, 2017 of $38,584,088.00. This change is in accordance with generally accepted accounting procedures.

Net Position, July 1, 2017 as previously reported	$ 25,768,184.90
Prior Period Adjustment - Implementation of GASB No. 75: Net OPEB Liability (measurement date)	(39,994,468.00)
Deferred Outflows - School District's Contributions made during fiscal year 2017	1,410,380.00
Net Position, July 1, 2017, as restated	$ (12,815,903.10)

NOTE 15: TAX ABATEMENTS

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

For the fiscal year ended June 30, 2018, Monroe County abated property taxes due to the School District that were levied on October 20, 2017 and due on December 22, 2016 totaling $28,732.80.

The amount abated is due to a single tax abatement agreement with the Monroe County Industrial Development Authority and Industrial Developments International (Georgia), LLP.

NOTE 16: SUBSEQUENT EVENTS

On October 9, 2018 the Monroe County Board of Education voted to issue a $3,500,000.00 Tax Anticipation Note with a due date of December 31, 2018.

On November 7, 2017, the voters of Monroe County approved the continuation of the Special Purpose Local Options Sales Tax along with the issuance of $12,000,000.00 in bonds for the SPLOST projects.

(This page left intentionally blank)

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

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.191634%	$ 35,615,769.00	$ 251,459.00	$ 35,867,228.00	$ 22,175,353.84	160.61%	79.33%
2017	0.192562%	$ 39,727,688.00	$ 496,385.00	$ 40,224,073.00	$ 21,393,966.39	185.70%	76.06%
2016	0.194108%	$ 29,551,016.00	$ 292,453.00	$ 29,843,469.00	$ 20,821,711.00	141.92%	81.44%
2015	0.198660%	$ 25,098,071.00	$ 323,928.00	$ 25,421,999.00	$ 20,678,210.00	121.37%	84.03%

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

MONROE COUNTY BOARD OF EDUCATION

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 payroll	School District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total net pension liability
2018	0.000000%	$ 129,150.00	$ 78,003.96	165.57%	76.33%
2017	0.000000%	$ -	$ -	0.00%	72.34%
2016	0.000349%	$ 14,139.00	$ 7,984.46	177.08%	76.20%
2015	0.002270%	$ 85,139.00	$ 47,990.46	177.41%	77.99%

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

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

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.00%	$ -	$ 657,570.00	$ 657,570.00	$ 1,234,909.83	N/A	85.69%
2017	0.00%	$ -	$ 854,291.00	$ 854,291.00	$ 1,332,623.23	N/A	81.00%
2016	0.00%	$ -	$ 520,150.00	$ 520,150.00	$ 1,369,387.64	N/A	87.00%
2015	0.00%	$ -	$ 458,285.00	$ 458,285.00	$ 2,064,334.96	N/A	88.29%

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

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

SCHEDULE "4"

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability (asset)	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.270494%	$ 38,004,298.00	$ -	$ 38,004,298.00	$ 21,690,661.74	N/A	1.61%

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

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

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2018	$ 3,848,600.70	$ 3,848,600.70	$ -	$ 22,984,172.62	16.74%
2017	$ 3,139,455.22	$ 3,139,455.22	$ -	$ 22,175,353.84	14.16%
2016	$ 3,013,891.51	$ 3,013,891.51	$ -	$ 21,393,966.39	14.09%
2015	$ 2,738,055.10	$ 2,738,055.10	$ -	$ 20,821,711.00	13.15%
2014	$ 2,539,284.15	$ 2,539,284.15	$ -	$ 20,678,210.00	12.28%
2013	$ 2,372,775.35	$ 2,372,775.35	$ -	$ 20,795,577.00	11.41%
2012	$ 2,149,563.22	$ 2,149,563.22	$ -	$ 20,910,148.05	10.28%
2011	$ 2,114,589.55	$ 2,114,589.55	$ -	$ 20,569,937.26	10.28%
2010	$ 2,051,647.78	$ 2,051,647.78	$ -	$ 21,064,145.59	9.74%
2009	$ 1,929,190.27	$ 1,929,190.27	$ -	$ 20,788,688.25	9.28%

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

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2018	$ 20,233.32	$ 20,233.32	$ -	$ 81,552.96	24.81%
2017	$ 19,352.76	$ 19,352.76	$ -	$ 78,003.96	24.81%
2016	$ -	$ -	$ -	$ -	0.00%
2015	$ 1,753.44	$ 1,753.44	$ -	$ 7,984.46	21.96%

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

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

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2018	$ 1,402,911.00	$ 1,402,911.00	$ -	$ 20,647,717.12	6.79%
2017	$ 1,410,380.00	$ 1,410,380.00	$ -	$ 21,690,661.74	6.50%

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

Teachers Retirement System

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

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

Employees' Retirement System

Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

Public School Employees Retirement System

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

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females).

School OPEB Fund

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

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

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

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

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

SCHEDULE "9"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 21,160,088.00	$ 21,160,088.00	$ 22,759,692.86	$ 1,599,604.86
Sales Taxes	201,680.00	201,680.00	216,689.43	15,009.43
State Funds	16,830,414.00	16,841,004.00	18,368,297.19	1,527,293.19
Federal Funds	60,000.00	68,000.00	3,294,907.68	3,226,907.68
Charges for Services	16,000.00	16,000.00	1,195,834.34	1,179,834.34
Investment Earnings	20,000.00	20,000.00	99,034.85	79,034.85
Miscellaneous	215,000.00	215,000.00	747,253.80	532,253.80
Total Revenues	38,503,182.00	38,521,772.00	46,681,710.15	8,159,938.15
EXPENDITURES				
Current				
Instruction	24,748,654.00	26,023,406.40	27,096,751.29	(1,073,344.89)
Support Services				
Pupil Services	1,245,420.00	1,341,006.00	1,493,509.46	(152,503.46)
Improvement of Instructional Services	1,038,831.00	1,588,312.11	1,483,046.01	105,266.10
Educational Media Services	766,698.00	764,134.65	777,570.24	(13,435.59)
General Administration	1,054,374.00	1,073,275.00	1,243,727.67	(170,452.67)
School Administration	2,305,578.00	2,238,282.84	2,339,089.14	(100,806.30)
Business Administration	549,396.00	549,396.00	495,415.89	53,980.11
Maintenance and Operation of Plant	3,917,169.00	3,917,169.00	4,355,798.75	(438,629.75)
Student Transportation Services	3,027,700.00	3,043,713.00	3,811,890.35	(768,177.35)
Central Support Services	25,700.00	28,900.00	20,053.10	8,846.90
Other Support Services	-	-	4,685.77	(4,685.77)
Enterprise Operations	-	-	941,392.56	(941,392.56)
Food Services Operation	-	-	2,670,586.72	(2,670,586.72)
Total Expenditures	38,679,520.00	40,567,595.00	46,733,516.95	(6,165,921.95)
Excess of Revenues over (under) Expenditures	(176,338.00)	(2,045,823.00)	(51,806.80)	1,994,016.20
OTHER FINANCING USES				
Other Uses	-	-	(400,000.00)	(400,000.00)
Net Change in Fund Balances	(176,338.00)	(2,045,823.00)	(451,806.80)	1,594,016.20
Fund Balances - Beginning	5,485,197.99	5,423,250.79	5,405,288.32	(17,962.47)
Adjustments	-	18,014.82	-	(18,014.82)
Fund Balances - Ending	$ 5,308,859.99	$ 3,395,442.61	$ 4,953,481.52	$ 1,558,038.91

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 of the various principal accounts. The actual revenues and expenditures of the various principal accounts are $941,967.68 and $938,909.97, 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.

MONROE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	18185GA324N1099	$ 365,598.30
National School Lunch Program	10.555	18185GA324N1100	1,716,831.30
Total Child Nutrition Cluster			2,082,429.60
Pass-Through From Georiga Department of Education			
Food Services			
Child Nutrition Discretinary Grants Limited Availability	10.579	18GA350N8103	4,826.76
Total U. S. Department of Agriculture			2,087,256.36
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	131,639.00
Grants to States	84.027	H027A170073	665,461.52
Preschool Grants	84.173	H173A170081	29,362.00
Total Special Education Cluster			826,462.52
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A170010	32,693.00
Supporting Effective Instruction State Grant	84.367	S367A160001	32,972.00
Supporting Effective Instruction State Grant	84.367	S367A170001	80,012.55
Student Support and Academic Enrichment Program	84.424A	S424A170011	17,959.00
Title I Grants to Local Educational Agencies	84.010	S010A170010	670,877.00
Total Other Programs			834,513.55
Total U. S. Department of Education			1,660,976.07
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		52,302.72
Total Expenditures of Federal Awards			$ 3,800,535.15

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Monroe County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

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

MONROE COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2018

SCHEDULE "11"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 775,213.76
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	999,087.00
Kindergarten Program - Early Intervention Program	124,029.00
Primary Grades (1-3) Program	2,393,961.00
Primary Grades - Early Intervention (1-3) Program	345,832.00
Upper Elementary Grades (4-5) Program	1,102,090.00
Upper Elementary Grades - Early Intervention (4-5) Program	284,912.00
Middle School (6-8) Program	2,095,080.00
High School General Education (9-12) Program	2,086,623.00
Vocational Laboratory (9-12) Program	605,243.00
Students with Disabilities	2,921,748.00
Gifted Student - Category VI	939,387.00
Remedial Education Program	78,013.00
Alternative Education Program	158,818.00
English Speakers of Other Languages (ESOL)	33,356.00
Media Center Program	372,210.00
20 Days Additional Instruction	113,706.00
Staff and Professional Development	62,194.00
Principal Staff and Professional Development	1,085.00
Indirect Cost	
Central Administration	541,640.00
School Administration	728,260.00
Facility Maintenance and Operations	821,539.00
Amended Formula Adjustment	(275,971.00)
Categorical Grants	
Pupil Transportation	
Regular	656,910.00
Nursing Services	78,287.00
Other State Programs	
Food Services	56,748.00
Math and Science Supplements	40,729.36
Preschool Disability Services	39,124.00
Teacher of the Year	507.25
Teachers Retirement	14,565.82
Vocational Education	56,231.00
Office of the State Treasurer	
Public School Employees Retirement	117,139.00
	$ 18,368,297.19

See notes to the basic financial statements.

(This page left intentionally blank)

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

SCHEDULE "12"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
(ii) Constructing & Equipping new fine arts;	$ 8,435,000.00	$ 8,976,549.63	$ -	$ 8,976,549.63	$ 8,976,549.63	$ -	Completed
(iii) Adding to, renovating, repairing, improving and equipping existing school buildings and school system facilities including athletic facilities;	8,255,000.00	11,750,000.00	267,371.76	4,633,979.67	-	-	April 2019
(iv) Acquiring miscellaneous new equipment, fixtures, and furnishings for the school system, including technology equipment and safety and security equipment;	3,525,000.00	3,525,000.00	385,777.29	1,961,073.13	-	-	April 2019
(v) Acquiring school buses, vehicles and transportation and maintenece equipment;	2,375,000.00	2,375,000.00	194,990.91	1,908,726.61	-	-	April 2019
(vi) Acquiring band instrments and equipment, text books and library books for the School District;	537,500.00	1,826,634.33	392,230.61	1,356,179.93	-	-	April 2019
(vii) Acquiring land for future schools and facilities, with the maximum cost of the projects described in items (i)-(vii) payable from said tax being $27,800,000.00;	1,000,000.00	1,000,000.00	-	874,098.95	-	-	April 2019
(viii) Paying any general obligation debt of the School District issued in conjunction with the continuation of such sales and use tax including associated interest;	17,893,882.98	17,893,882.98	2,930,442.90	9,988,679.67	-	-	April 2019
(ix) Paying expenses incidental to accomplishing the foregoing.	1,200,000.00	912,500.00	6,985.00	81,375.87	-	-	April 2019
	$ 43,221,382.98	$ 48,259,566.94	$ 4,177,798.47	$ 29,780,663.46	$ 8,976,549.63	$ -	

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

See notes to the basic financial statements.

(This page left intentionally blank)

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

(This page left intentionally blank)

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

November 4, 2019

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroe County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 4, 2019.

Internal Control Over Financial Reporting

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

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

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

(This page left intentionally blank)

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

(This page left intentionally blank)

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

November 4, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited the Monroe County Board of Education (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

(This page left intentionally blank)

Basis for Qualified Opinion on Child Nutrition Cluster (CFDA 10.553 AND 10.555)

As described in the accompanying *Schedule of Findings and Questioned Costs*, the School District did not comply with requirements regarding Child Nutrition Cluster as described in item FA-2018-001 for Equipment and Real Propoperty Management. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster (10.553 and 10.555) for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs* for the year ended June 30, 2018.

Other Matters

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

Report on Internal Control over Compliance

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

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

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.

(This page left intentionally blank)

We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as item FA-2018-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as item FA-2018-002 to be a significant deficiency.

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

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

(This page left intentionally blank)

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

(This page left intentionally blank)

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-001	Controls over Financial Reporting
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Further Action Not Warranted (1)

(1) Finding/internal control deficiencies of this nature, that are deemed significant deficiencies or material weaknesses and do not require reporting in the audit report in accordance with *Statements on Auditing Standards* (SAS) 122 or *Governmental Auditing Standards* (Yellow Book) will be communicated in a management letter.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(This page left intentionally blank)

SECTION IV

FINDINGS AND QUESTIONED COSTS

(This page left intentionally blank)

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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

Noncompliance material to financial statements noted: — No

Federal Awards

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

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

Unmodified for all major programs except for Child Nutrition Cluster which was qualified.

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
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

None were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2018-001	Inadequate Controls over Equipment
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Number:	18185GA324N1099 - School Breakfast Program 18185GA324N1100 - National School Lunch Program
Questioned Costs:	None Identified

Description:
The policies and procedures of the School District did not provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster.

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

Condition:
The following deficiencies were noted when reviewing the Child Nutrition Cluster equipment listing:

- Property records did not include the Federal Award Identification Number (FAIN) for any equipment items and a serial number or other identification number for numerous equipment items.
- Discrepancies were noted between the equipment listing maintained in the current year and the handwritten results of the physical inventory performed in the prior year. Management was to reconcile these differences.
- An appropriate physical inventory was not performed and reconciled with the Child Nutrition Cluster Equipment listing in the current year or the previous year.

Cause:
In discussing this deficiency with the School District, they stated that the physical inventory was performed in the prior year. However, the physical inventory was not performed from the Child Nutrition Cluster equipment listing. The inventory was based on assets actually located onsite at the school lunchrooms. The physical inventory was never reconciled back to the Child Nutrition equipment listing. In addition, a lack of resources and inadequate policies and procedures over equipment maintenance contributed to the issues noted.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:
The School District should develop and maintain an equipment listing that reflects all required information, including a description, an identifying number, the source of funding, the title holder, the acquisition date, the cost, the percentage of Federal participation in the project costs, the location, the use and condition, and any ultimate disposal data for each piece of equipment. In addition, management should implement controls to ensure that an updated listing is maintained and a complete physical inventory of equipment is performed at least once every two years.

Views of Responsible Officials:
We concur with this finding.

FA-2018-002	Improve Internal Controls
Compliance Requirement:	Activities Allowed or Unallowed
	Allowable Costs/Cost Principles
	Eligibility
	Period of Performance
	Procurement, Debarment and Suspension
	Program Income
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Numbers:	18185GA324N1099 - School Breakfast Program
	18185GA324N1100 - National School Lunch Program
Questioned Costs:	$8,182.00

Description:
A review of expenditures, journal entries, free and reduced meal applications and program income receipts charged to, recorded in and/or related to the Child Nutrition Cluster (CFDA 10.533 and 10.555) revealed that the School District's internal control procedures were not operating appropriately to ensure that appropriate reviews and approvals occurred and adequate documentation was maintained.

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

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:

Internal controls over various compliance requirements associated with the Child Nutrition Cluster were reviewed by the auditors. The following deficiencies were noted upon performing these tests.

- A sample of 46 expenditures was randomly selected for testing using a non-statistical sampling approach. Supporting documentation could not be provided for four expenditures, and evidence of review and approval was not reflected for one expenditure.
- A sample of eight employees was randomly selected for testing using a non-statistical sampling approach. Six employees' timesheets did not contain evidence of review or approval by management personnel.
- A sample of 25 free and reduced meal applications was selected for testing using a non-statistical sampling approach. Six applications did not contain evidence of review of the eligibility determination for free and reduced meals.
- A sample of 17 journal entries was randomly selected for testing using a non-statistical sampling approach. Evidence of review to ensure that the activity occurred during the period of performance was not reflected for 14 journal entries.
- A sample of 40 program income receipts was selected for testing using a non-statistical sampling approach. Evidence of review or approval of the weekly sales report and/or deposit slip was not reflected for 35 of the weekly meal sales receipts.

Questioned Cost:

Questioned costs of $8,182.00, with likely questioned costs of $22,650.71, were identified for expenditures that were not adequately documented.

Cause:

In discussing these deficiencies with the School District, they indicated that internal control procedures were not adequately designed to ensure that online free and reduced meal applications, timesheets, journal entries and program income receipts contain evidence of review and approval. In addition, the School District indicated that an oversight occurred in the approval process for the one expenditure that did not contain evidence of review and approval.

Effect or Potential Effect:

Failure to review expenditures for allowability and appropriate documentation, online free and reduced meal applications for appropriate eligibility requirements, journal entries for period of performance compliance, and program income receipts for completeness exposes the School District to unnecessary risk of error and misuse of Federal funds. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:

The School District should review current internal control procedures related to the Child Nutrition Cluster. Where vulnerable, the School District should develop and/or modify its policies and procedures to ensure that all of expenditures, student free and reduce meal applications, timesheets, journal entries and program income receipts reflect evidence of review for associated compliance requirements. In addition all expenditure voucher packages should be maintained on-file according to the School District's record retention policy. Furthermore, management should develop and implement a monitoring process to ensure that controls are properly implemented.

Views of Responsible Officials:

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

(This page left intentionally blank)

MONROE COUNTY SCHOOLS

Committed to Excellence • Focused on Success

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

FA 2018-001	Inadequate Controls over Equipment
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Number:	18185GA324N1099-School Breakfast Program 18185GA324N1100-National School Lunch Program
Questioned Costs:	None Identified

The policies and procedures of the School District did not provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster.

Corrective Action Plan:
An equipment inventory spreadsheet has been created to include all required information, including a description, an identifying number, the source of funding, the title holder, the acquisition date, the cost, the percentage of Federal participation in the project cost, the location, the use and condition, and any ultimate disposal data for each piece of equipment. In addition, a physical inventory was conducted using the newly created listing.

Estimated Completion Date: July 31, 2019

Contact Person: Chris Johnson, CGFM
Telephone: 478-994-2031; E-mail: chris.johnson@mcschools.org

Superintendent's Signature

MONROE COUNTY SCHOOLS

Committed to Excellence • Focused on Success

CORRECTIVE ACTION PLANS-FEDERAL AWARD FINDINGS

FA-2018-002	
Compliance Requirement:	Improve Internal Controls Activities Allowed or Unallowed Allowable Costs/Cost Principles Eligibility Period of Performance Procurement, Debarment and Suspension Program Income
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Number:	18185GA324N1099-School Breakfast Program 18185GA324N1100-National School Lunch Program
Questioned Costs:	$8,182.00

A review of expenditures, journal entries, free and reduced meal applications and program income receipts charged to, recorded in and/or related to the Child Nutrition Cluster (CFDA 10.533 and 10.555) revealed that the School District's internal control procedures were not operating appropriately to ensure that appropriate reviews and approvals occurred and adequate documentation was maintained.

Corrective Action Plan:
Management has reviewed procedures to ensure the Child Nutrition Cluster is in compliance with Federal Regulations. The Child Nutrition program has procedures in place to ensure that appropriate reviews and approvals occur and adequate documentation is maintained.

Estimated Completion Date: July 31, 2019

Contact Person: Chris Johnson, CGFM
Telephone: 478-994-2031; E-mail: chris.johnson@mcschools.org

Superintendent's Signature