

# STEWART COUNTY BOARD OF EDUCATION
## LUMPKIN, GEORGIA

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

STEWART COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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


Feruary 11, 2020

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 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 Stewart County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* as amended by GASB Statement No. 85, *Omnibus 2017*. The School District restated beginning net position for the effect of GASB Statement No. 75. Our opinions are not modified with respect to this matter.

### *Other Matters*

*Required Supplementary Information*

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

*Other Information*

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated Feruary 11, 2020 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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

## INTRODUCTION

The discussion and analysis of the Stewart County Board of Education's (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:

- The School District had $8,700,455.20 and $8,166,969.73 million in expenses relating to governmental activities for the fiscal years ended June 30, 2018 and June 30, 2017, respectively. Only $7,833,348.91 and $9,211,655.06 of the above mentioned expenses for 2018 and 2017 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of $3,427,444.15 and $2,924,115.86, respectively, for 2018 and 2017, along with fund balance were adequate to provide for these programs.

## 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 uses many funds or sub-funds to account for a multitude of financial transactions during the fiscal year. The fund financial statements presented in this report provide detail information about the School District's significant or major funds. As discussed previously, the District has no nonmajor Funds as defined by generally accepted accounting principles.

The School District has two kinds of funds as discussed below:

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be 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 differences between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

Fiduciary Funds – The School District is the trustee, or fiduciary, for assets that belong to clubs, organizations and others 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 | $ 3,883,936.05 | $ 8,747,616.57 |
| Capital Assets, Net | 17,441,379.80 | 11,068,337.66 |
| **Total Assets** | 21,325,315.85 | 19,815,954.23 |
| **Deferred Outflows of Resources** | 1,271,325.86 | 1,696,292.26 |
| **Liabilities** | | |
| Current and Other Liabilities | 12,959,204.29 | 8,809,570.87 |
| Long-Term Liabilities | 4,591,142.04 | 4,712,781.10 |
| **Total Liabilities** | 17,550,346.33 | 13,522,351.97 |
| **Deferred Inflows of Resources** | 768,468.00 | 201,082.00 |
| **Net Position** | | |
| Net Investment in Capital Assets | 13,421,011.77 | 9,763,576.01 |
| Restricted | 589,200.42 | 1,513,004.54 |
| Unrestricted (Deficit) | (9,732,384.81) | (3,487,768.03) |
| **Total Net Position** | $ 4,277,827.38 | $ 7,788,812.52 |

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

Total net position decreased by $3.5 million in fiscal year 2018 from the prior year net position. This change in net position is detailed in Table 2 as presented below.

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 | $ 96,356.42 | $ 118,658.66 |
| Operating Grants and Contributions | 4,770,313.35 | 5,003,392.95 |
| Capital Grants and Contributions | 2,966,679.14 | 4,089,603.45 |
| Total Program Revenues | 7,833,348.91 | 9,211,655.06 |
| General Revenues: | | |
| Taxes | | |
| Property Taxes | | |
| For Maintenance and Operations | 2,904,364.54 | 2,447,467.37 |
| Sales Taxes | | |
| Special Purpose Local Option Sales Tax | | |
| For Capital Projects | 83,477.04 | 241,199.68 |
| For Debt Service | 242,650.00 | 83,990.56 |
| Other Taxes | 23,110.40 | 5,221.07 |
| Investment Earnings | 21,135.91 | 35,244.13 |
| Miscellaneous | 152,706.26 | 110,993.05 |
| Total General Revenues | 3,427,444.15 | 2,924,115.86 |
| Total Revenues | 11,260,793.06 | 12,135,770.92 |
| **Program Expenses:** | | |
| Instruction | 4,239,017.05 | 3,948,084.66 |
| Support Services | | |
| Pupil Services | 442,484.24 | 443,041.06 |
| Improvement of Instructional Services | 398,175.43 | 481,605.06 |
| Educational Media Services | 126,513.41 | 135,084.06 |
| General Administration | 394,737.98 | 404,482.28 |
| School Administration | 775,784.71 | 660,245.46 |
| Business Administration | 221,229.79 | 201,392.25 |
| Maintenance and Operation of Plant | 610,084.36 | 499,213.55 |
| Student Transportation Services | 700,472.32 | 614,940.60 |
| Other Support Services | 2,163.19 | 26,600.23 |
| Operations of Non-Instructional Services | | |
| Enterprise Operations | 127,449.74 | 77,887.38 |
| Food Services | 542,207.04 | 532,610.91 |
| Interest on Short-Term and Long-Term Debt | 120,135.94 | 141,782.23 |
| Total Expenses | 8,700,455.20 | 8,166,969.73 |
| Increase in Net Position | $ 2,560,337.86 | $ 3,968,801.19 |

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

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions decreased $1,378,306.15 for governmental activities. This decrease is largely due to and not limited to a decrease in capital grants received from the Georgia State Financing and Investment Commission (GSFIC) to offset certain construction projects.

General revenues increased by $503,328.29 during fiscal year 2018, due to change in millage rate resulting in larger property tax revenue.

## 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, for governmental activities, 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 (1) | Fiscal Year 2018 | Fiscal Year 2017 (1) |
| Instruction | $ 4,239,017.05 | $ 3,948,084.66 | $ (932,402.39) | $ (2,088,628.10) |
| Support Services: | | | | |
| Pupil Services | 442,484.24 | 443,041.06 | 335,446.33 | 342,593.24 |
| Improvement of Instructional Services | 398,175.43 | 481,605.06 | 227,276.49 | 220,280.17 |
| Educational Media Services | 126,513.41 | 135,084.06 | (55,879.15) | (84,054.10) |
| General Administration | 394,737.98 | 404,482.28 | 41,248.98 | 63,428.41 |
| School Administration | 775,784.71 | 660,245.46 | 396,275.78 | 259,473.50 |
| Business Administration | 221,229.79 | 201,392.25 | 204,051.35 | 180,120.71 |
| Maintenance and Operation of Plant | 610,084.36 | 499,213.55 | 294,967.08 | 47,966.14 |
| Student Transportation Services | 700,472.32 | 614,940.60 | 499,976.79 | 299,242.11 |
| Other Support Services | 2,163.19 | 26,600.23 | (49,021.96) | 24,002.71 |
| Operations of Non-Instructional Services: | | | | |
| Enterprise Operations | 127,449.74 | 77,887.38 | 44,704.65 | (16,488.06) |
| Food Services | 542,207.04 | 532,610.91 | (259,673.60) | (434,404.29) |
| Interest on Short-Term and Long-Term Debt | 120,135.94 | 141,782.23 | 120,135.94 | 141,782.23 |
| Total Expenses | $ 8,700,455.20 | $ 8,166,969.73 | $ 867,106.29 | $ (1,044,685.33) |

(1) Fiscal year 2017 balances do not reflect the effects of the Restatement of Net Position.

See Note 13 in the Notes to the Basic Financial Statements for additional information.

Expenses increased $533,485.47 from the prior year, the net costs of providing services increased $1,911,791.62. This situation occurred because capital grants were received from the Georgia State Financing and Investment Commission (GSFIC) to offset certain construction projects.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of $11,248,318.26 and total expenses and other financing uses of $15,105,393.00. There was a decrease in the fund balance totaling $3,857,074.74 for the governmental funds as a whole. This decrease was due to current construction in progress on the Stewart County School District K-12 facility in which more funds were spent then were received for reimbursement from the Georgia State Financing and Investment Commission (GSFIC) to offset construction projects.

### General Fund Budget 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.

During fiscal year 2018 the general fund had final actual revenues and other financing sources totaling $7,890,285.46, which represented an increase from the original budgeted amount of $6,593.521.02 by $1,296,764.44. This difference (final actual vs. original budget) was due to Federal funds received that were not included in the original budget.

Final actual expenditures during fiscal year 2018 totaling $7,754,793.03 represented an increase from the original budgeted amount of $6,762,192.02 by $992,601.01. The increase in actual expenditures versus original budget expenditures was due primarily to Federal fund expenditures not being included the original budget.

### Capital Assets

At the fiscal years ended June 30, 2018 and June 30, 2017, the School District had $17,441,379.80 and $11,068,337.66, 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 | $ 168,769.24 | $ 168,769.24 |
| Construction In Progress | - | 5,802,211.42 |
| Building and Improvements | 16,874,596.56 | 4,755,739.00 |
| Equipment | 368,703.00 | 302,743.00 |
| Land Improvements | 29,311.00 | 38,875.00 |
| Total | $ 17,441,379.80 | $ 11,068,337.66 |

The overall capital assets increased in fiscal year 2018 by $6,373,042.14 due to current year construction of the Stewart County School District K-12 facility.

## DEBT ADMINISTRATION

At June 30, 2018, the School District had $4,591,142.04 in total debt outstanding with $186,639.06 due within one year. Table 5 summarizes bond debt outstanding at June 30, 2018 and 2017.

**Table 5**
**Debt at June 30**

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2018 | Fiscal Year 2017 |
| General Obligation Bonds | $ 4,275,000.00 | $ 4,380,000.00 |
| Unamoritzed Bond Premiums | 316,142.04 | 332,781.10 |
| Total | $ 4,591,142.04 | $ 4,712,781.10 |

## CURRENT ISSUES

In fiscal year 2019, the cost of the employer portion of TRS pension will increase approximately $746,527.96, and an increase in health insurance premiums for non-certified employees is expected to add another $750,000.00 and increase again in fiscal year 2020.

Approximately 77.79% of general fund expenses, the main operating fund for the School District, were related to salaries and employee benefits for the year ended June 30, 2018. More than a third of certified personnel in the School District have 21 years or more of experience resulting in salaries at the highest possible state pay level. With such personnel heavy expenses, it is difficult to offset mandated expense increases such as TRS and health insurance premium expenses. The School District consistently evaluates how funds can be spent smarter and more effectively to ensure that Stewart County students receive a quality education from effective personnel.

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

The School District remains vigilant at controlling costs and maintained general fund expenditures comparable to fiscal year 2017. Year over year spending increases were attributable to state mandated increases for teacher salaries, increased Special Education costs, and increased health insurance costs due to the full implementation of the Affordable Care Act.

Fiscal year 2017 saw the completion of the renovation of the existing Elementary/Middle School. Students started the 2018 school year in the new facilities. The addition of the new High School and the construction of the Gymnasium was completed in the fall of fiscal year 2018.

Another matter which is of concern to the School District is the impact of GASB 68 on the financial statements for fiscal year 2016 and beyond and the impact of GASB 75 on the financial statements for fiscal year 2018 and beyond.

## 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 Janet Walls at the Stewart County Board of Education, PO Box 547 Lumpkin, GA 31815. You may also email your questions to jwalls@stewart.k12.ga.us.

STEWART COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 2,365,476.51 |
| Receivables, Net | |
| Taxes | 260,588.56 |
| State Government | 1,084,564.98 |
| Federal Government | 144,458.15 |
| Other | 5,489.50 |
| Inventories | 23,358.35 |
| Capital Assets, Non-Depreciable | 168,769.24 |
| Capital Assets, Depreciable (Net of Accumulated Depreciation) | 17,272,610.56 |
| Total Assets | 21,325,315.85 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to Defined Benefit Pension Plan | 1,022,888.86 |
| Related to OPEB Plan | 248,437.00 |
| Total Deferred Outflows of Resources | 1,271,325.86 |
| LIABILITIES | |
| Accounts Payable | 17,161.87 |
| Salaries and Benefits Payable | 586,774.15 |
| Interest Payable | 56,916.67 |
| Retainages Payable | 569,030.60 |
| Deposits and Unearned Revenues | 77,220.00 |
| Net Pension Liability | 5,635,065.00 |
| Net OPEB Liability | 6,017,036.00 |
| Long-Term Liabilities | |
| Due Within One Year | 186,639.06 |
| Due in More Than One Year | 4,404,502.98 |
| Total Liabilities | 17,550,346.33 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to Defined Benefit Pension Plan | 310,286.00 |
| Related to OPEB Plan | 458,182.00 |
| Total Deferred Inflows of Resources | 768,468.00 |
| NET POSITION | |
| Net Investment in Capital Assets | 13,421,011.77 |
| Restricted for | |
| Continuation of Federal Programs | 34,573.33 |
| Debt Service | 181,383.33 |
| Capital Projects | 373,243.76 |
| Unrestricted (Deficit) | (9,732,384.81) |
| Total Net Position | $ 4,277,827.38 |

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

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

| | EXPENSES | CHARGES FOR SERVICES |
|---|---|---|
| GOVERNMENTAL ACTIVITIES | | |
| Instruction | $ 4,239,017.05 | $ - |
| Support Services | | |
| Pupil Services | 442,484.24 | - |
| Improvement of Instructional Services | 398,175.43 | - |
| Educational Media Services | 126,513.41 | - |
| General Administration | 394,737.98 | - |
| School Administration | 775,784.71 | - |
| Business Administration | 221,229.79 | - |
| Maintenance and Operation of Plant | 610,084.36 | - |
| Student Transportation Services | 700,472.32 | - |
| Other Support Services | 2,163.19 | - |
| Operations of Non-Instructional Services | | |
| Enterprise Operations | 127,449.74 | 82,745.09 |
| Food Services | 542,207.04 | 13,611.33 |
| Interest on Short-Term and Long-Term Debt | 120,135.94 | - |
| Total Governmental Activities | $ 8,700,455.20 | $ 96,356.42 |
| General Revenues | | |
| Taxes | | |
| Property Taxes | | |
| For Maintenance and Operations | | |
| Sales Taxes | | |
| Special Purpose Local Option Sales Tax | | |
| For Debt Services | | |
| For Capital Projects | | |
| Other Sales Tax | | |
| Investment Earnings | | |
| Miscellaneous | | |
| Total General Revenues | | |
| Change in Net Position | | |
| Net Position - Beginning of Year (Restated) | | |
| Net Position - End of Year | | |

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

EXHIBIT "B"

| PROGRAM REVENUES | | NET (EXPENSES) |
|---|---|---|
| OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | REVENUES AND CHANGES IN NET POSITION |
| $ 2,899,598.42 | $ 2,271,821.02 | $ 932,402.39 |
| 107,037.91 | - | (335,446.33) |
| 170,898.94 | - | (227,276.49) |
| 60,888.00 | 121,504.56 | 55,879.15 |
| 353,489.00 | - | (41,248.98) |
| 313,027.00 | 66,481.93 | (396,275.78) |
| 1,441.40 | 15,737.04 | (204,051.35) |
| 136,421.37 | 178,695.91 | (294,967.08) |
| 200,495.53 | - | (499,976.79) |
| 51,185.15 | - | 49,021.96 |
| - | - | (44,704.65) |
| 475,830.63 | 312,438.68 | 259,673.60 |
| - | - | (120,135.94) |
| $ 4,770,313.35 | $ 2,966,679.14 | (867,106.29) |
| | | 2,904,364.54 |
| | | 242,650.00 |
| | | 83,477.04 |
| | | 23,110.40 |
| | | 21,135.91 |
| | | 152,706.26 |
| | | 3,427,444.15 |
| | | 2,560,337.86 |
| | | 1,717,489.52 |
| | | $ 4,277,827.38 |

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

EXHIBIT "C"

| | GENERAL FUND | CAPITAL PROJECTS FUND | DEBT SERVICE FUND | TOTAL |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | $ 1,825,458.28 | $ 540,018.23 | $ - | $ 2,365,476.51 |
| Receivables, Net | | | | |
| Taxes | 235,631.58 | 24,956.98 | - | 260,588.56 |
| State Government | 340,193.98 | 744,371.00 | - | 1,084,564.98 |
| Federal Government | 144,458.15 | - | - | 144,458.15 |
| Other | 4,985.94 | 503.56 | - | 5,489.50 |
| Inventories | 23,358.35 | - | - | 23,358.35 |
| Total Assets | $ 2,574,086.28 | $ 1,309,849.77 | $ - | 3,883,936.05 |
| LIABILITIES | | | | |
| Accounts Payable | $ 17,161.87 | $ - | $ - | $ 17,161.87 |
| Salaries and Benefits Payable | 586,774.15 | - | - | 586,774.15 |
| Retainages Payable | - | 569,030.60 | - | 569,030.60 |
| Deposits and Unearned Revenue | 77,220.00 | - | - | 77,220.00 |
| Total Liabilities | 681,156.02 | 569,030.60 | - | 1,250,186.62 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue - Property Taxes | 113,237.69 | - | - | 113,237.69 |
| FUND BALANCES | | | | |
| Nonspendable | 23,358.35 | - | - | 23,358.35 |
| Restricted | 11,214.98 | 740,819.17 | - | 752,034.15 |
| Assigned | 12,391.77 | - | - | 12,391.77 |
| Unassigned | 1,732,727.47 | - | - | 1,732,727.47 |
| Total Fund Balances | 1,779,692.57 | 740,819.17 | - | 2,520,511.74 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 2,574,086.28 | $ 1,309,849.77 | $ - | $ 3,883,936.05 |

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

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

EXHIBIT "D"

| | | |
|---|---|---|
| Total fund balances - governmental funds (Exhibit "C") | | $ 2,520,511.74 |
| 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 | $ 168,769.24 | |
| Buildings and improvements | 22,952,939.78 | |
| Equipment | 2,294,735.00 | |
| Land improvements | 495,748.65 | |
| Accumulated depreciation | (8,470,812.87) | 17,441,379.80 |
| Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Net pension liability | $ (5,635,065.00) | |
| Net OPEB liability | (6,017,036.00) | (11,652,101.00) |
| 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 | $ 712,602.86 | |
| Related to OPEB | (209,745.00) | 502,857.86 |
| Taxes that are not available to pay for current period expenditures are deferred in the funds. | | 113,237.69 |
| Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Bonds payable | $ (4,275,000.00) | |
| Accrued interest payable | (56,916.67) | |
| Unamortized bond premiums | (316,142.04) | (4,648,058.71) |
| Net position of governmental activities (Exhibit "A") | | $ 4,277,827.38 |

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

STEWART COUNTY BOARD OF EDUCATION

EXHIBIT "E"

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

| | GENERAL FUND | CAPITAL PROJECTS FUND | DEBT SERVICE FUND | TOTAL |
|---|---|---|---|---|
| REVENUES | | | | |
| Property Taxes | $ 2,889,610.74 | $ - | $ - | $ 2,889,610.74 |
| Sales Taxes | 23,110.40 | 83,477.04 | 242,650.00 | 349,237.44 |
| State Funds | 3,463,038.64 | 2,966,679.13 | - | 6,429,717.77 |
| Federal Funds | 1,309,553.72 | - | - | 1,309,553.72 |
| Charges for Services | 96,356.42 | - | - | 96,356.42 |
| Investment Earnings | 9,606.38 | 11,529.53 | - | 21,135.91 |
| Miscellaneous | 99,009.16 | 53,697.10 | - | 152,706.26 |
| Total Revenues | 7,890,285.46 | 3,115,382.80 | 242,650.00 | 11,248,318.26 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 3,695,209.17 | 41,605.01 | - | 3,736,814.18 |
| Support Services | | | | |
| Pupil Services | 444,622.88 | - | - | 444,622.88 |
| Improvement of Instructional Services | 396,269.99 | - | - | 396,269.99 |
| Educational Media Services | 100,877.00 | - | - | 100,877.00 |
| General Administration | 391,523.90 | 896.11 | - | 392,420.01 |
| School Administration | 757,116.99 | - | - | 757,116.99 |
| Business Administration | 212,141.94 | 4,267.62 | - | 216,409.56 |
| Maintenance and Operation of Plant | 549,391.61 | 32,574.93 | - | 581,966.54 |
| Student Transportation Services | 600,571.83 | 82,531.05 | - | 683,102.88 |
| Other Support Services | 2,855.20 | - | - | 2,855.20 |
| Enterprise Operations | 127,449.74 | - | - | 127,449.74 |
| Food Services Operation | 476,762.78 | - | - | 476,762.78 |
| Capital Outlay | - | 6,946,075.25 | - | 6,946,075.25 |
| Debt Services | | | | |
| Principal | - | - | 105,000.00 | 105,000.00 |
| Interest | - | - | 137,650.00 | 137,650.00 |
| Total Expenditures | 7,754,793.03 | 7,107,949.97 | 242,650.00 | 15,105,393.00 |
| Net Change in Fund Balances | 135,492.43 | (3,992,567.17) | - | (3,857,074.74) |
| Fund Balances - Beginning | 1,644,200.14 | 4,733,386.34 | - | 6,377,586.48 |
| Fund Balances - Ending | $ 1,779,692.57 | $ 740,819.17 | $ - | $ 2,520,511.74 |

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

STEWART 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") | | | $ (3,857,074.74) |
| 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 | $ 6,761,617.36 | | |
| Depreciation expense | (388,575.22) | | 6,373,042.14 |
| Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | | 14,753.80 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities. | | | |
| Bond principal retirements | $ 105,000.00 | | |
| Amortization of bond premuims | 16,639.06 | | 121,639.06 |
| 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 | $ 62,560.60 | | |
| OPEB expense | (155,458.00) | | (92,897.40) |
| Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | | |
| Accrued interest on issuance of bonds | | | 875.00 |
| Change in net position of governmental activities (Exhibit "B") | | | $ 2,560,337.86 |

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

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

EXHIBIT "G"

| | AGENCY FUNDS |
|---|---|
| **ASSETS** | |
| Receivables, Net | |
| Other | $ 15,393.88 |
| **LIABILITIES** | |
| Cash Overdraft | $ 12,751.98 |
| Funds Held for Others | 2,641.90 |
| Total Liabilities | $ 15,393.88 |

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

## NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

### REPORTING ENTITY

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

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### BASIS OF PRESENTATION

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

**GOVERNMENT-WIDE STATEMENTS:**

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

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

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

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

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

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

**FUND FINANCIAL STATEMENTS**

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

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

**BASIS OF ACCOUNTING**

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-

term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities 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.

## 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 statement.

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 statement.

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 statement.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions.

Official Code of Georgia Annotated (O.C.G.A.) §45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

## RECEIVABLES

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

## INVENTORIES

### Food Inventories

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

## CAPITAL ASSETS

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at 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 | $ | 5,000.00 | 15 to 80 years |
| Buildings and Improvements | $ | 5,000.00 | 25 to 80 years |
| Equipment | $ | 5,000.00 | 5 to 30 years |
| Intangible Assets | $ | 100,000.00 | Individually determined |

## 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 Stewart County Board of Commissioners adopted the property tax levy for the 2017 tax digest year (calendar year) on September 5, 2017 (levy date) based on property values as of January 1, 2017. Taxes were due on December 20, 2017 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. The Stewart County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2018, for maintenance and operations amounted to $2,816,949.14.

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 | 15.049 mills |

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $72,661.60 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 $326,127.04 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 and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, 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 permitted by the State of Georgia, but not 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.

The Superintendent is authorized by the Board to approve adjustments of no more than 10% of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 10% of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Any position or expenditure not previously approved in the annual budget that exceeds $2,000.00 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

## BUDGETARY/GAAP BASIS RECONCILIATION

In the general fund, accounting principles used in developing budgets on a budgetary basis differ from those used in preparing financial statements in conformity with generally accepted accounting principles (GAAP).

The primary differences between the budget basis and GAAP basis are:

1. The activities for the School Activity Accounts were omitted from the School District's budget.
2. Payments made by the State of Georgia for school district employee retirement benefits are recognized as revenues and expenditures under GAAP but are not included in the Board's Amended Budget.

Thus, there is an accounting basis difference between the budget and actual Statement of Revenues, Expenditures and Changes in Fund Balances in the general fund that is reconciled as follows:

| | | |
|---|---|---|
| Actual Revenues, GAAP Basis | | $ 7,890,285.46 |
| Various Fund Revenues omitted from Budget | $ (173,124.26) | |
| On-Behalf Benefit Contribution | (18,742.00) | (191,866.26) |
| Actual Revenues, Budgetary Basis | | $ 7,698,419.20 |
| Actual Expenditures, GAAP Basis | | $ 7,754,793.03 |
| Various Fund Expenditures omitted from Budget | $ (177,743.62) | |
| On-Behalf Benefits Expenditure | (18,742.00) | (196,485.62) |
| Actual Expenditures, Budgetary Basis | | $ 7,558,307.41 |
| Revenues Over Expenditures, Budgetary Basis | | $ 140,111.79 |
| Revenues Over Expenditures, GAAP Basis | | $ 135,492.43 |

## 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 $2,001,096.28, and a bank balance of $2,302,870.38. The bank balances insured by Federal depository insurance were $250,000.00 and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District’s name were $2,052,870.38.

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

| | |
|---|---|
| Cash and cash equivalents | |
| Statement of Net Position | $ 2,365,476.51 |
| Statement of Fiduciary Net Position | (12,751.98) |
| Total cash and cash equivalents | 2,352,724.53 |
| Less: | |
| Cash on hand | 80.00 |
| Investment pools reported as cash and cash equivalents | |
| Georgia Fund 1 | 351,548.25 |
| Total carrying value of deposits - June 30, 2018 | $ 2,001,096.28 |

## CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of $351,548.25 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share, which approximates fair value. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2018, was 10 days.

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

## NOTE 5: CAPITAL ASSETS

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

| | Balances July 1, 2017 | Increases | Decreases | Balances June 30, 2018 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depareciated: | | | | |
| Land | $ 168,769.24 | $ - | $ - | $ 168,769.24 |
| Construction in Progress | 5,802,211.42 | 6,594,477.36 | 12,396,688.78 | - |
| Total Cpaital Assets Not Being Depreciated | 5,970,980.66 | 6,594,477.36 | 12,396,688.78 | 168,769.24 |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | 10,556,251.00 | 12,396,688.78 | - | 22,952,939.78 |
| Equipment | 2,127,595.00 | 167,140.00 | - | 2,294,735.00 |
| Land Improvements | 495,748.65 | - | - | 495,748.65 |
| Less Accumulated Depreciation for: | | | | |
| Buildlings and Improvements | 5,800,512.00 | 277,831.22 | - | 6,078,343.22 |
| Equipment | 1,824,852.00 | 101,180.00 | - | 1,926,032.00 |
| Land Improvements | 456,873.65 | 9,564.00 | - | 466,437.65 |
| Total Capital Assets, Being Depreciated, Net | 5,097,357.00 | 12,175,253.56 | - | 17,272,610.56 |
| Governmental Activity Capital Assets - Net | $ 11,068,337.66 | $ 18,769,730.92 | $ 12,396,688.78 | $ 17,441,379.80 |

Current year depreciation expense by function is as follows:

| | | |
|---|---|---|
| Instruction | | $ 243,643.53 |
| Support Services | | |
| Educational Media Services | $ 12,947.09 | |
| School Administration | 7,084.08 | |
| Business Administration | 1,676.89 | |
| Maintenance and Operation of Plant | 19,328.79 | |
| Student Transportation Services | 70,445.50 | 111,482.35 |
| Food Services | | 33,449.34 |
| | | $ 388,575.22 |

## NOTE 6: LONG-TERM LIABILITIES

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

| | Governmental Activities | | | | |
|---|---|---|---|---|---|
| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 | Due Within One Year |
| General Obligation (G.O.) Bonds | $ 4,380,000.00 | $ - | $ 105,000.00 | $ 4,275,000.00 | $ 170,000.00 |
| Unamortized Bond Premiums | 332,781.10 | - | 16,639.06 | 316,142.04 | 16,639.06 |
| | $ 4,712,781.10 | $ - | $ 121,639.06 | $ 4,591,142.04 | $ 186,639.06 |

## GENERAL OBLIGATION DEBT OUTSTANDING

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

Of the total amount originally authorized, $120,000.00 remains unissued. General obligation bonds currently outstanding are as follows:

| Description | Interest Rates | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|---|---|---|---|---|---|
| General Government - Series 2016 | 2.0% - 3.5% | 6/23/2016 | 8/1/2036 | $ 4,380,000.00 | $ 4,275,000.00 |

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 | $ 170,000.00 | $ 134,900.00 | $ 16,639.06 |
| 2020 | 175,000.00 | 131,450.00 | 16,639.06 |
| 2021 | 175,000.00 | 127,075.00 | 16,639.06 |
| 2022 | 180,000.00 | 121,750.00 | 16,639.06 |
| 2023 | 185,000.00 | 116,275.00 | 16,639.06 |
| 2024 - 2028 | 1,025,000.00 | 492,450.00 | 83,195.28 |
| 2029 - 2033 | 1,225,000.00 | 309,200.00 | 83,195.28 |
| 2034 - 2037 | 1,140,000.00 | 81,550.00 | 66,556.18 |
| Total Principal and Interest | $ 4,275,000.00 | $ 1,514,650.00 | $ 316,142.04 |

## NOTE 7: RISK MANAGEMENT

### INSURANCE

**Commercial Insurance**

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

### 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 | $ - | $ 10,161.95 | $ 10,161.95 | $ - |
| 2018 | $ - | $ 6,496.38 | $ 6,496.38 | $ - |

## NOTE 8: FUND BALANCE CLASSIFICATION DETAILS

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

| | | |
|---|---|---|
| Nonspendable | | |
| Inventories | | $ 23,358.35 |
| Restricted | | |
| Continuation of Federal Programs | $ 11,214.98 | |
| Capital Projects | 502,519.17 | |
| Debt Service | 238,300.00 | 752,034.15 |
| Assigned | | |
| School Activity Accounts | | 12,391.77 |
| Unassigned | | 1,732,727.47 |
| Fund Balance, June 30, 2018 | | $ 2,520,511.74 |

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, not to exceed 15% of the total budget of the subsequent fiscal year. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

## NOTE 9: SIGNIFICANT COMMITMENTS

### 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 totaled $18,205.92 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 | $ 1,142.16 |

## NOTE 10: SIGNIFICANT CONTINGENT LIABILITIES

### FEDERAL GRANTS

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

### LITIGATION

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

## NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

### GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

***Contributions:*** As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were $202,336.00 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

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

At June 30, 2018, the School District reported a liability of $6,017,036.00 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 0.042826%, which was an increase of 0.000353% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of $357,794.00. 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 | $ - | $ 458,182.00 |
| Net difference between projected and actual earnings on OPEB plan investments | 1,760.00 | - |
| Changes in proportion and differences between School District contributions and proportionate share of contributions | 44,341.00 | - |
| School District contributions subsequent to the measurement date | 202,336.00 | - |
| Total | $ 248,437.00 | $ 458,182.00 |

School District contributions subsequent to the measurement date of $202,336.00 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 | $ (73,992.00) |
| 2020 | $ (73,992.00) |
| 2021 | $ (73,992.00) |
| 2022 | $ (73,992.00) |
| 2023 | $ (74,432.00) |
| 2024 | $ (41,681.00) |

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

***OPEB:***

| | |
|---|---|
| Inflation | 2.75% |
| Salary increases | |
| ERS | 3.25% - 7.00%, including inflation |
| JRS | 4.50%, including inflation |
| LRS | None |
| TRS | 3.25 — 9.00%, including inflation |
| PSERS | N/A |

| | |
|---|---|
| Long-term expected rate of return | 3.88%, compounded annually, net of investment expense, and including inflation |
| Healthcare cost trend rate | |
| Pre-Medicare Eligible | 7.75% |
| Medicare Eligible | 5.75% |
| Ultimate trend rate | |
| Pre-Medicare Eligible | 5.00% |
| Medicare Eligible | 5.00% |
| Year of Ultimate trend rate | 2022 |

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

- For ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years or both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement.
- For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.
- For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 5 years for both males and females) is used for the period after disability retirement.

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

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

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

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

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

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

* Rate shown is net of hte 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 School 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 School 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 | $ 7,144,152.00 | $ 6,017,036.00 | $ 5,127,513.00 |

***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 | $ 4,987,437.00 | $ 6,017,036.00 | $ 7,357,572.00 |

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

## NOTE 12: RETIREMENT PLANS

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

### TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

***Plan Description:*** All teachers of the School District as defined in O.C.G.A §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is

administered by the TRS Board of Trustees (TRS Board). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers Retirement System of Georgia issues a publicly available separate financial report that can be obtained at www.trsga.com/publications.

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

***Contributions:*** Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. 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. For the current fiscal year, employer contributions to the pension plan were $601,113.86 from the School District.

## 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 $18,742.00.

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

At June 30, 2018, the School District reported a liability of $5,635,065.00 for its proportionate share of the net pension liability for TRS.

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

At June 30, 2017, the School District's TRS proportion was 0.030320%, which was a decrease of 0.001090% 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 $81,686.00.

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 $538,132.00 for TRS and $16,463.00 for PSERS and revenue of $16,463.00 for PSERS. The revenue is support provided by the State of Georgia.

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

| | TRS | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 210,786.00 | $ 21,266.00 |
| Changes of assumptions | 123,528.00 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 38,779.00 |
| Changes in proportion and differences between School District contributions and proportionate share of contributions | 87,461.00 | 250,241.00 |
| School District contributions subsequent to the measurement date | 601,113.86 | - |
| Total | $ 1,022,888.86 | $ 310,286.00 |

The School District contributions subsequent to the measurement date of $601,113.86 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | TRS |
|---|---|
| 2019 | $ (115,678.00) |
| 2020 | $ 259,937.00 |
| 2021 | $ 142,963.00 |
| 2022 | $ (175,448.00) |
| 2023 | $ (285.00) |

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

*Teachers Retirement System:*

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

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

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

*Public School Employees Retirement System:*

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

Post-retirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

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

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

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

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

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

| **Teachers Retirement System:** | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| School District's proportionate share of the net pension liability | $ 9,247,803.00 | $ 5,635,065.00 | $ 2,658,981.00 |

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

## NOTE 13: RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2018, the School District made prior period adjustments due to the adoption of GASB Statement No. 75, as described in "New Accounting Pronouncements", which require the restatement of the June 30, 2017, net position in Governmental Activities. The result is a decrease in net position at July 1, 2017 of $6,071,323.00. This change is in accordance with generally accepted accounting procedures.

| | | |
|---|---|---|
| Net Position, July 1, 2017 as previously reported | $ | 7,788,812.52 |
| Prior Period Adjustment - Implementation of GASB No. 75: Net OPEB Liability (measurement date) | | (6,294,620.00) |
| Deferred Outflows - School District's Contributions made during fiscal year 2017 | | 223,297.00 |
| Net Position, July 1, 2017, as restated | $ | 1,717,489.52 |

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

SCHEDULE "1"

| Year Ended | School District's proportion of the net pension liability | School District's proportionate share of the net pension liability | State of Georgia's proportionate share of the net pension liability associated with the School District | Total | School District's covered payroll | School District's proportionate share of the net pension liability as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---|---|---|---|---|---|---|---|
| 2018 | 0.030320% | $ 5,635,065.00 | $ - | $ 5,635,065.00 | $ 3,484,423.70 | 161.72% | 79.33% |
| 2017 | 0.031410% | $ 6,480,233.00 | $ - | $ 6,480,233.00 | $ 3,445,724.21 | 188.07% | 76.06% |
| 2016 | 0.030556% | $ 4,651,848.00 | $ - | $ 4,651,848.00 | $ 3,248,559.05 | 143.20% | 81.44% |
| 2015 | 0.030575% | $ 3,862,748.00 | $ - | $ 3,862,748.00 | $ 3,120,621.23 | 123.78% | 84.03% |

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

STEWART 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% | $ - | $ 81,686.00 | $ 81,686.00 | $ 189,477.54 | N/A | 85.69% |
| 2017 | 0.00% | $ - | $ 108,137.00 | $ 108,137.00 | $ 235,764.14 | N/A | 81.00% |
| 2016 | 0.00% | $ - | $ 86,691.00 | $ 86,691.00 | $ 266,408.12 | N/A | 87.00% |
| 2015 | 0.00% | $ - | $ 71,888.00 | $ 71,888.00 | $ 209,555.15 | N/A | 88.29% |

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

STEWART 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

| Year Ended | School District's proportion of the net OPEB liability | School District's proportionate share of the net OPEB liability | State of Georgia's proportionate share of the net OPEB liability associated with the School District | Total | School District's covered-employee payroll | School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total OPEB liability |
|---|---|---|---|---|---|---|---|
| 2018 | 0.042826% | $ 6,017,036.00 | $ - | $ 6,017,036.00 | $ 1,910,134.28 | 315.01% | 1.61% |

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

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

SCHEDULE "4"

| 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 | $ 601,113.86 | $ 601,113.86 | $ - | $ 3,571,904.10 | 16.81% |
| 2017 | $ 497,227.26 | $ 497,227.26 | $ - | $ 3,484,423.70 | 14.27% |
| 2016 | $ 491,704.54 | $ 491,704.54 | $ - | $ 3,445,724.21 | 14.27% |
| 2015 | $ 427,038.04 | $ 427,038.04 | $ - | $ 3,248,559.05 | 13.15% |
| 2014 | $ 383,352.15 | $ 383,352.15 | $ - | $ 3,120,621.23 | 12.28% |
| 2013 | $ 384,670.91 | $ 384,670.91 | $ - | $ 3,371,348.91 | 11.41% |
| 2012 | $ 371,321.35 | $ 371,321.35 | $ - | $ 3,612,075.39 | 10.28% |
| 2011 | $ 378,170.48 | $ 378,170.48 | $ - | $ 3,678,701.17 | 10.28% |
| 2010 | $ 382,630.09 | $ 382,630.09 | $ - | $ 3,928,440.35 | 9.74% |
| 2009 | $ 380,873.80 | $ 380,873.80 | $ - | $ 4,104,235.97 | 9.28% |

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

SCHEDULE "5"

| Year Ended | Contractually required contribution | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | School District's covered-employee payroll | Contribution as a percentage of covered-employee payroll |
|---|---|---|---|---|---|
| 2018 | $ 202,336.00 | $ 202,336.00 | $ - | $ 3,076,103.86 | 6.58% |

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

***Teachers Retirement System***

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

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

***Public School Employees Retirement System***

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

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

School OPEB Fund

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

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

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

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

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

SCHEDULE "7"

| | NONAPPROPRIATED BUDGETS | | ACTUAL | VARIANCE |
|---|---|---|---|---|
| | ORIGINAL (1) | FINAL (1) | AMOUNTS | OVER/UNDER |
| REVENUES | | | | |
| Property Taxes | $ 2,504,446.00 | $ 2,504,446.00 | $ 2,889,610.74 | $ 385,164.74 |
| Sales Taxes | 13,000.00 | 13,000.00 | 23,110.40 | 10,110.40 |
| State Funds | 3,291,126.99 | 3,476,782.06 | 3,463,038.64 | (13,743.42) |
| Federal Funds | 697,448.03 | 1,473,564.03 | 1,309,553.72 | (164,010.31) |
| Charges for Services | 21,500.00 | 21,500.00 | 96,356.42 | 74,856.42 |
| Investment Earnings | 6,000.00 | 6,000.00 | 9,606.38 | 3,606.38 |
| Miscellaneous | 60,000.00 | 60,000.00 | 99,009.16 | 39,009.16 |
| Total Revenues | 6,593,521.02 | 7,555,292.09 | 7,890,285.46 | 334,993.37 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 3,021,810.97 | 3,691,103.79 | 3,695,209.17 | (4,105.38) |
| Support Services | | | | |
| Pupil Services | 371,009.00 | 459,608.00 | 444,622.88 | 14,985.12 |
| Improvement of Instructional Services | 185,074.39 | 379,016.48 | 396,269.99 | (17,253.51) |
| Educational Media Services | 144,549.00 | 144,549.00 | 100,877.00 | 43,672.00 |
| General Administration | 380,470.16 | 389,328.16 | 391,523.90 | (2,195.74) |
| School Administration | 773,486.50 | 773,486.50 | 757,116.99 | 16,369.51 |
| Business Administration | 206,333.00 | 206,333.00 | 212,141.94 | (5,808.94) |
| Maintenance and Operation of Plant | 511,994.00 | 511,994.00 | 549,391.61 | (37,397.61) |
| Student Transportation Services | 620,900.00 | 706,681.00 | 600,571.83 | 106,109.17 |
| Central Support Services | 100.00 | 200.00 | - | 200.00 |
| Other Support Services | 48,500.00 | 53,500.00 | 2,855.20 | 50,644.80 |
| Enterprise Operations | - | - | 127,449.74 | (127,449.74) |
| Food Services Operation | 497,965.00 | 497,965.00 | 476,762.78 | 21,202.22 |
| Total Expenditures | 6,762,192.02 | 7,813,764.93 | 7,754,793.03 | 58,971.90 |
| Net Change in Fund Balances | (168,671.00) | (258,472.84) | 135,492.43 | 393,965.27 |
| Fund Balances - Beginning | 1,430,474.57 | 1,430,474.57 | 1,644,200.14 | 213,725.57 |
| Adjustments | - | 6,180.37 | - | (6,180.37) |
| Fund Balances - Ending | $ 1,261,803.57 | $ 1,178,182.10 | $ 1,779,692.57 | $ 601,510.47 |

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are $173,124.26 and $177,743.62, respectively.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual includes the Original and Final Budget that is presented on a basis other than accounting principles generally accepted in the United States of America (GAAP) as allowed by the State of Georgia. The primary differences between the budget basis and GAAP for fund financial statements include benefit revenues and expenditures paid on-behalf of the School District and revenues and expenditures of the School Activity Accounts.

| FUNDING AGENCY<br>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 | 18185GA324N1009 | $ 150,643.02 |
| National School Lunch Program | 10.555 | 18185GA324N1100 | 330,391.08 |
| Total U. S. Department of Agriculture | | | 481,034.10 |
| Education, U. S. Department of | | | |
| Special Education Cluster | | | |
| Pass-Through From Georgia Department of Education | | | |
| Special Education | | | |
| Grants to States | 84.027 | H027A170073 | 111,886.83 |
| Preschool Grants | 84.173 | H173A170081 | 7,592.00 |
| Total Special Education Cluster | | | 119,478.83 |
| Other Programs | | | |
| Pass-Through From Georgia Department of Education | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | V048A170010 | 7,471.13 |
| Rural Education | 84.358 | S358B170010 | 6,160.42 |
| Striving Readers | 84.371 | S371C110049 | 5,403.09 |
| Student Support and Academic Enrichment Program | 84.424A | S424A170011 | 9,318.15 |
| Supporting Effective Instruction State Grants | 84.367 | S367A170001 | 19,166.10 |
| Supporting Effective Instruction State Grants | 84.367 | S367A160001 | 4,685.26 |
| Title I Grants to Local Educational Agencies | 84.010 | S010A170010 | 310,628.95 |
| Title I Grants to Local Educational Agencies | 84.010 | S010A160010 | 28,355.93 |
| Twenty-First Century Community Learning Centers | 84.287 | S287C170010 | 274,675.14 |
| Total Other Programs | | | 665,864.17 |
| Total U. S. Department of Education | | | 785,343.00 |
| Defense, U. S. Department of | | | |
| Direct | | | |
| Department of the Army | | | |
| R.O.T.C. Program | 12.UNKNOWN | | 62,077.49 |
| Total Expenditures of Federal Awards | | | $ 1,328,454.59 |

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 Stewart County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

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

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

| AGENCY/FUNDING | GOVERNMENTAL FUND TYPES: GENERAL FUND | GOVERNMENTAL FUND TYPES: CAPITAL PROJECTS FUND | TOTAL |
|---|---|---|---|
| GRANTS | | | |
| Bright From the Start: | | | |
| Georgia Department of Early Care and Learning | | | |
| Pre-Kindergarten Program | $ 186,043.10 | $ - | $ 186,043.10 |
| Education, Georgia Department of | | | |
| Quality Basic Education | | | |
| Direct Instructional Cost | | | |
| Kindergarten Program | 108,668.00 | - | 108,668.00 |
| Kindergarten Program - Early Intervention Program | 46,034.00 | - | 46,034.00 |
| Primary Grades (1-3) Program | 243,525.00 | - | 243,525.00 |
| Primary Grades - Early Intervention (1-3) Program | 241,845.00 | - | 241,845.00 |
| Upper Elementary Grades (4-5) Program | 174,416.00 | - | 174,416.00 |
| Upper Elementary Grades - Early Intervention (4-5) Program | 114,139.00 | - | 114,139.00 |
| Middle School (6-8) Program | 244,121.00 | - | 244,121.00 |
| High School General Education (9-12) Program | 198,172.00 | - | 198,172.00 |
| Vocational Laboratory (9-12) Program | 68,493.00 | - | 68,493.00 |
| Students with Disabilities | 309,288.00 | - | 309,288.00 |
| Gifted Student - Category VI | 4,185.00 | - | 4,185.00 |
| Remedial Education Program | 82,441.00 | - | 82,441.00 |
| Alternative Education Program | 15,690.00 | - | 15,690.00 |
| Media Center Program | 50,162.00 | - | 50,162.00 |
| 20 Days Additional Instruction | 15,598.00 | - | 15,598.00 |
| Staff and Professional Development | 8,465.00 | - | 8,465.00 |
| Principal Staff and Professional Development | 753.00 | - | 753.00 |
| Indirect Cost | | | |
| Central Administration | 281,021.00 | - | 281,021.00 |
| School Administration | 257,279.00 | - | 257,279.00 |
| Facility Maintenance and Operations | 108,689.00 | - | 108,689.00 |
| Mid-term Adjustment Hold-Harmless | 119,842.00 | - | 119,842.00 |
| Amended Formula Adjustment | (4,215.00) | - | (4,215.00) |
| Categorical Grants | | | |
| Pupil Transportation | | | |
| Regular | 201,393.00 | - | 201,393.00 |
| Nursing Services | 45,000.00 | - | 45,000.00 |
| Sparsity | 286,249.00 | - | 286,249.00 |
| Other State Programs | | | |
| Food Services | 9,580.00 | - | 9,580.00 |
| Math and Science Supplements | 4,934.99 | - | 4,934.99 |
| Teacher of the Year | 507.25 | - | 507.25 |
| Technology to Support Digital Learning Bonds | 13,741.15 | - | 13,741.15 |
| Vocational Supervisors | 8,237.15 | - | 8,237.15 |
| Georgia State Financing and Investment Commission | | | |
| Reimbursement on Construction Projects | - | 2,966,679.13 | 2,966,679.13 |
| Office of the State Treasurer | | | |
| Public School Employees Retirement | 18,742.00 | - | 18,742.00 |
| | $ 3,463,038.64 | $ 2,966,679.13 | $ 6,429,717.77 |

See notes to the basic financial statements.

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

SCHEDULE "10"

| PROJECT | ORIGINAL ESTIMATED COST (1) | CURRENT ESTIMATED COST (2) | AMOUNT EXPENDED IN CURRENT YEAR (3) | AMOUNT EXPENDED IN PRIOR YEARS (3) | TOTAL COMPLETION COST | EXCESS PROCEEDS NOT EXPENDED | COMPLETION DATE |
|---|---|---|---|---|---|---|---|
| SPLOST III | | | | | | | |
| Rehabilitating, repairing, renovating, extending and improving the Stewart County Elementary School to include without limitation, parking lot upgrade and expansion, mechanical system upgrade and replacements, landscape and drainage improvements and recreational facility upgrade, expansion and improvements, rehabilitating, repairing, renovating, extending and improving the Stewart-Quitman Middle/High School to include without limitation, parking lot upgrade and expansion, mechanical system upgrade and replacement, roof replacement and repairs, landscape improvements and recreational facility upgrade, expansion and improvements, acquiring, constructing and equipping a community education center to share with the community, rehabilitating, repairing, renovating, equipping and extending the central office, acquiring, installing, improving and upgrading system-wide instructional and administrative technology, safety and security equipment, to include without limitation, school and bus surveillance equipment and cameras; acquiring school furnishings, signage, textbooks, music, educational and vocational equipment, acquiring new school buses, maintenance vehicles and equipment and improving transportation and maintenance facilities; acquiring any necessary property, both real and personal. | $ 2,300,000.00 | $ 1,539,836.66 | $ 636,760.30 | $ 903,076.36 | $ 1,539,836.66 | $ - | 6/30/2018 |
| SPLOST IV | | | | | | | |
| (i) Rehabilitating, repairing, renovating, extending, expanding, upgrading, and improving the Stewart County Elementary, Middle, and High Schools; | 500,000.00 | 500,000.00 | 194,985.82 | 147,701.32 | - | - | 6/30/2019 |
| (ii) Rehabilitating, repairing, renovating, equipping,extending, and improving the Central Office; | 100,000.00 | 9,000.00 | - | 8,735.01 | - | - | 6/30/2019 |
| (iii) Acquiring, installing, improving, and upgrading system wide instructional and administrative technology, saftey and security equipment, to include without limitation, school and bus surveillance equipment and cameras; | 300,000.00 | 346,000.00 | 20,065.38 | 124,624.48 | - | - | 6/30/2019 |
| (iv) Acquiring school furnishings, singage, textbooks, music, educational and vocational equipment; | 90,000.00 | 140,000.00 | 34,550.00 | 101,972.27 | - | - | 6/30/2019 |
| (v) Acquiring new school buses, maintenance and instructional vehicles and equipment and improving transportation and maintenance facilities; | 200,000.00 | 100,000.00 | 83,570.00 | 15,318.60 | - | - | 6/30/2019 |
| (vi) Acquiring any necessary property, both real and personal; | 10,000.00 | 105,000.00 | - | 104,853.24 | - | - | 6/30/2019 |
| (vii) Payment of capitalized interest through 2017 (if necessary) | - | - | - | - | - | - | |
| (viii) Paying costs incident to accomplishing the foregoing | - | 3.00 | 3.00 | - | - | - | 6/30/2019 |
| Totals SPLOST IV | 1,200,000.00 | 1,200,003.00 | 333,174.20 | 503,204.92 | - | - | |
| SPLOST V | | | | | | | |
| (i) (a) acquiring, constructing, furnishing, and equipping a new middle/high school on the current campus of Stewart County Elementary School, including a new gymnasium | 950,000.00 | 8,054,203.76 | 6,075,338.66 | 1,978,865.40 | - | - | 6/30/2019 |
| (i) (b) modernizing, repairing, and renovating existing schools, support facilities, and athletic facilities within the School District including Stewart Elementary School. | 626,000.00 | 3,821,423.26 | - | 3,821,423.26 | - | - | 6/30/2019 |
| (i) -c) acquiring, installing, improving, and upgrading system wide instructional and administrative technology, safety, and security equipment to include without limitation, school and bus surveillance equipment and cameras | - | 17,764.98 | 17,764.98 | - | - | - | 6/30/2019 |
| (ii) Capitalized interest on the Bonds | 90,000.00 | 137,650.00 | 137,650.00 | - | - | - | 6/30/2019 |
| (iii) issuing the Bonds | 134,000.00 | 133,073.98 | 3.00 | 133,070.98 | - | - | 6/30/2019 |
| Totals SPLOST V | 1,800,000.00 | 12,164,115.98 | 6,230,756.64 | 5,933,359.64 | - | - | |
| | $ 5,300,000.00 | $ 14,903,955.64 | $ 7,200,691.14 | $ 7,339,640.92 | $ 1,539,836.66 | $ - | |

(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 the project inception to completion.

(3) The voters of Stewart 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 fund over the life of the projects.

See notes to the basic financial statements.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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


February 11, 2020

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Stewart 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 Stewart 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 February 11, 2020.

### Internal Control Over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item FS 2018-001, that we consider to be a material weakness.

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## Compliance and Other Matters

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

## School District's Response to Findings

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

## Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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


February 11, 2020

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Stewart 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 Stewart County Board of Education (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

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

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

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*Opinion on Each Major Federal Program*

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

*Other Matters*

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

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

## Report on Internal Control over Compliance

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

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

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

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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STEWART 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-7281-12-01** **Inadequate Internal Controls over School Activity Accounts**

**Control Category:** Cash and Cash Equivalents
Revenues/Receivables/Receipts
Expenditures/Liabilities/Disbursements
**Internal Control Impact:** Significant Deficiency
**Compliance Impact:** None

**Finding Status:** Partially Resolved

We will implement procedures to create separation of duties related to the expenditure processes during fiscal year 2019. Additionally, we will ensure that all receipts and expenditures are adequately documented with supporting documentation and processed within the correct fiscal year. These new procedures will be implemented during fiscal year 2019.

**FS-7281-13-01** **Inadequate Internal Controls over School Activity Accounts**

**Control Category:** Cash and Cash Equivalents
Revenues/Receivables/Receipts
Expenditures/Liabilities/Disbursements
**Internal Control Impact:** Significant Deficiency
**Compliance Impact:** None

**Finding Status:** Partially Resolved

We will implement procedures to create separation of duties related to the expenditure processes during fiscal year 2019. Additionally, we will ensure that all receipts and expenditures are adequately documented with supporting documentation and processed within the correct fiscal year. These new procedures will be implemented during fiscal year 2020.

**FS 2014-001** **Inadequate Internal Controls over School Activity Accounts**

**Control Category:** Cash and Cash Equivalents
Revenues/Receivables/Receipts
Expenditures/Liabilities/Disbursements
**Internal Control Impact:** Significant Deficiency
**Compliance Impact:** None

**Finding Status:** Partially Resolved

We will implement procedures to create separation of duties related to the expenditure processes during fiscal year 2019. Additionally, we will ensure that all receipts and expenditures are adequately documented with supporting documentation and processed within the correct fiscal year. These new procedures will be implemented during fiscal year 2020.

STEWART 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 2015-001** **Inadequate Internal Controls over School Activity Accounts**

**Control Category:** Cash and Cash Equivalents
Revenues/Receivables/Receipts
Expenditures/Liabilities/Disbursements
**Internal Control Impact:** Significant Deficiency
**Compliance Impact:** None

**Finding Status:** Partially Resolved

We will implement procedures to create separation of duties related to the expenditure processes during fiscal year 2019. Additionally, we will ensure that all receipts and expenditures are adequately documented with supporting documentation and processed within the correct fiscal year. These new procedures will be implemented during fiscal year 2020.

**FS 2016-001** **Inadequate Internal Controls over School Activity Accounts**

**Control Category:** Cash and Cash Equivalents
Revenues/Receivables/Receipts
Expenditures/Liabilities/Disbursements
General Ledger
**Internal Control Impact:** Material Weakness
**Compliance Impact:** None

**Finding Status:** Partially Resolved

We will implement procedures to create separation of duties related to the expenditure processes during fiscal year 2019. Additionally, we will ensure that all receipts and expenditures are adequately documented with supporting documentation and processed within the correct fiscal year. These new procedures will be implemented during fiscal year 2020

**FS 2016-002** **Financial Reporting Process**

**Control Category:** Financial Reporting
**Internal Control Impact:** Material Weakness
**Compliance Impact:** None

**Finding Status:** Unresolved

The Finance Director will complete a review of the financial statements and complete the Final Analytical Checksheet to ensure transactions are recorded correctly starting with the fiscal year 2019 financial statements.

STEWART 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 Process**

**Control Category:** Financial Reporting
**Internal Control Impact:** Material Weakness
**Compliance Impact:** None

**Finding Status:** Unresolved

The Finance Director will complete a review of the financial statements and complete the Final Analytical Checksheet to ensure transactions are recorded correctly starting with the fiscal year 2019 financial statements.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**FA 2017-001** **Improve Controls over Equipment**

**Compliance Requirement:** Equipment and Real Property Management
**Internal Control Impact:** Significant Deficiency
**Compliance Impact:** Nonmaterial Noncompliance
**Federal Awarding Agency:** U.S. Department of Agriculture
**Pass-Through Entity:** Georgia Department of Education
**CFDA Number and Title:** 10.553 and 10.555 Child Nutrition Cluster
**Federal Award Numbers:** 16165GA324N1099

**Finding Status:** Unresolved

We will implement new policies and procedures for equipment and real property management as it relates to Child Nutrition Cluster for fiscal year 2020.

**FA 2017-002** **Strengthen Controls over Procurement and Suspension and Debarment**

**Compliance Requirement:** Procurement and Suspension and Debarment
**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:** 10.553 and 10.555 Child Nutrition Cluster
**Federal Award Numbers:** 16165GA324N1099

**Finding Status:** Previously Reported Corrective Action Implemented

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

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

| | |
|---|---|
| FA 2017-003 | Improve Controls over Special Reporting |
| **Compliance Requirement:** | Reporting |
| **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:** | 10.553 and 10.555 Child Nutrition Cluster |
| **Federal Award Numbers:** | 16165GA324N1099 |
| **Finding Status:** | Previously Reported Corrective Action Implemented |

SECTION IV

FINDINGS AND QUESTIONED COSTS

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STEWART 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? — Yes
- Significant deficiency identified? — None Reported

Noncompliance material to financial statements noted: — No

### Federal Awards

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? — No

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

| | |
|---|---|
| FS 2018-001 | Controls over Financial Reporting Process |
| Control Category: | Financial Reporting |
| Internal Control Impact: | Material Weakness |
| Compliance Impact: | None |
| Repeat of Prior Year Finding: | FS 2017-001; FS 2016-002 |

### Description:

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

### Criteria:

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

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

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

### Condition:

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

- A material reclassification audit adjustment totaling $7,207,322.83 was proposed and accepted by the client to correctly record net position on the government-wide financial statements.
- The following audit adjustments were proposed and accepted by the client to correctly record capital assets:
    - Construction in progress was materially increased by $6,539,523.38 for expenses not capitalized by the School District.
    - Equipment was increased by $167,140.00 for expenses not capitalized by the School District.
    - A material reclassification entry of $487,363.11 was needed to correct capital assets, non-depreciable and capital assets, depreciable on the government-wide financial statements .
- A significant reclassification audit adjustment totaling $221,615.40 was proposed and accepted by the client to correctly record Georgia State Financing and Investment Commission (GSFIC) revenue in the government-wide financial statements.
- Numerous other audit adjustments and reclassification entries were proposed and accepted by management to properly present the School District's financial statements, notes to the financial statements, and schedules.

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:
The errors and omissions occurred due to a lack of knowledge and training in preparing and reviewing the financial statements.

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

Recommendation:
As part of internal control over the preparation of financial statements, including disclosures, the School District should continue to implement comprehensive preparation and/or review procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the School District's activities and operations. The School District should also consider the use of a review checklist in the review process over the financial statements.

Views of Responsible Officials:
We concur with this finding.

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

| | |
|---|---|
| FA 2018-001 | Improve Controls over Equipment |
| Compliance Requirement: | Equipment and Real Property Management |
| Internal Control Impact: | Significant Deficiency |
| Compliance Impact: | Nonmaterial Noncompliance |
| Federal Awarding Agency: | U.S. Department of 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<br>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, serial number or other identification number, the source of funding for the property (including the FAIN), who holds the 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 the 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."

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Condition:

The School District did not maintain an adequate equipment listing for the Child Nutrition Cluster including location, use and condition of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, and source of funding for the property (including the FAIN). In addition, a physical inventory has not been performed in either the current year or the previous year.

### Cause:

In discussion with management their deficiencies are due to turn over within School Food Service and new personnel not receiving training on all Federal regulations.

### 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 or Georgia Department of Education guidance.

### 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 projects 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.

# SECTION V

# MANAGEMENT'S CORRECTIVE ACTION

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# Stewart County School System

*7168 Green Grove Road - P.O. Box 547*
*Lumpkin, Georgia 31815*
*(229) 838-4329 – (229) 838-6984 Fax*

*Dr. Valerie Roberts, Superintendent*


CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

| | |
|---|---|
| **FS 2018-001** | Financial Reporting Process |
| **Control Category:** | Financial Reporting |
| **Internal Control Impact:** | Material Weakness |
| **Compliance Impact:** | None |
| **Repeat of Prior Year Finding:** | FS 2016-002, FS 2017-001 |

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

**Corrective Action Plans:**
*The Finance Director will do a check of the financial statements and work closely with the consultant to ensure accuracy of financial statements.*

Estimated Completion Date: 6/30/19

Contact Person: Janet Walls
Telephone: 229-838-4329; E-mail: jwalls@stewart.k12.ga.us

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

| | |
|---|---|
| **FA 2018-001** | Internal Controls over Equipment |
| **Compliance Requirement:** | Equipment and Real Property Management |
| **Internal Control Impact:** | Significant Deficiency |
| **Compliance Impact:** | Nonmaterial Noncompliance |
| **Federal Awarding Agency:** | U.S. Department of Agriculture |
| **Pass-Through Entity:** | Georgia Department of Education |
| **CFDA Number and Title:** | CFDA 10.553 and 10.555 Child Nutrition Cluster |
| **Federal Award Number:** | 16165GA324N1099 |
| **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 Plans:**
*We have put equipment listing procedure in place to create and maintain equipment list for Child Nutrition Cluster.*

Estimated Completion Date: 6/30/19

Contact Person: Janet Walls
Telephone: 229-838-4329; E-mail: jwalls@stewart.k12.ga.us

Valerie Roberts

Superintendent