

TALBOT COUNTY
BOARD OF EDUCATION
TALBOTTON, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016
(Including Independent Auditor's Reports)

TALBOT COUNTY BOARD OF EDUCATION

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TALBOT 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

INDEPENDENT AUDITOR'S REPORT

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
Talbot County Board of Education

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Talbot County Board of Education (School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
General Fund	Unmodified
Capital Projects Fund	Unmodified
Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinion on Aggregate Remaining Fund Information

Management has not recorded school activity (principal's) accounts maintained at the individual schools in the governmental activities, general fund or fiduciary fund (which comprise a material portion of the aggregate remaining fund information) as appropriate. Accounting principles generally accepted in the United States of America require that the assets, liabilities, revenues, expense or expenditures, as appropriate, and the respective changes in financial position of these accounts be reflected in these financial statements. The aggregate effect on the financial statements of this variance or omission has not been determined, but is believed to be material.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Remaining Fund information" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Emphasis of Matter

As described in Note 2 to the financial statements, in 2016, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68,* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinions are not modified with respect to this matter.

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Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the Schedules of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, the Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages 29 through 32 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, consisting of Schedules 5 through 8, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 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 to describe the scope of our testing

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of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

September 14, 2020

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TALBOT COUNTY BOARD OF EDUCATION

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TALBOT COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 3,143,868.69
Investments	65,000.00
Receivables, Net	
Taxes	240,115.24
State Government	242,303.52
Federal Government	111,710.50
Inventories	4,938.88
Capital Assets, Non-Depreciable	354,857.93
Capital Assets, Depreciable (Net of Accumulated Depreciation)	12,644,169.22
Total Assets	16,806,963.98
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	446,011.58
LIABILITIES	
Accounts Payable	99,351.77
Salaries and Benefits Payable	608,222.95
Interest Payable	14,820.00
Net Pension Liability	4,526,402.00
Long-Term Liabilities	
Due Within One Year	370,000.00
Due in More Than One Year	800,000.00
Total Liabilities	6,418,796.72
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	748,982.00
NET POSITION	
Net Investment in Capital Assets	11,829,027.15
Restricted for	
Continuation of Federal Programs	338,967.61
Debt Service	377,410.00
Capital Projects	247,723.60
Bus Replacement	39,451.00
Unrestricted (Deficit)	(2,747,382.52)
Total Net Position	$ 10,085,196.84

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

TALBOT COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 3,737,114.47	$ -
Support Services		
Pupil Services	321,858.98	-
Improvement of Instructional Services	232,528.34	-
Educational Media Services	115,879.16	-
General Administration	328,380.75	-
School Administration	331,026.19	-
Business Administration	76,136.88	-
Maintenance and Operation of Plant	604,733.31	-
Student Transportation Services	430,054.01	-
Other Support Services	26,740.00	71,917.35
Operations of Non-Instructional Services		
Enterprise Operations	14,819.37	-
Food Services	473,083.51	29,641.17
Interest on Short-Term and Long-Term Debt	41,879.17	-
Total Governmental Activities	$ 6,734,234.14	$ 101,558.52
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
$ 2,063,728.59	$ 531,475.83	$ (1,141,910.05)
190,229.97	-	(131,629.01)
138,654.65	-	(93,873.69)
68,611.95	-	(47,267.21)
194,023.70	452.97	(133,904.08)
197,955.31	-	(133,070.88)
45,377.46	-	(30,759.42)
345,635.37	1,889.91	(257,208.03)
245,288.19	-	(184,765.82)
15,215.59	-	60,392.94
8,432.51	-	(6,386.86)
267,935.63	16,655.20	(158,851.51)
-	-	(41,879.17)
$ 3,781,088.92	$ 550,473.91	(2,301,112.79)
		3,045,079.43
		448,249.88
		1,771.72
		2,221.96
		72,952.44
		3,570,275.43
		1,269,162.64
		8,816,034.20
		$ 10,085,196.84

TALBOT COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 2,452,405.36	$ 603,112.86	$ 88,350.47	$ 3,143,868.69
Investments	65,000.00	-	-	65,000.00
Receivables, Net				
Taxes	173,492.76	66,622.48	-	240,115.24
State Government	242,303.52	-	-	242,303.52
Federal Government	111,710.50	-	-	111,710.50
Inventories	4,938.88	-	-	4,938.88
Total Assets	$ 3,049,851.02	$ 669,735.34	$ 88,350.47	$ 3,807,936.83
LIABILITIES				
Accounts Payable	$ 56,499.92	$ 42,851.85	$ -	$ 99,351.77
Salaries and Benefits Payable	608,222.95	-	-	608,222.95
Total Liabilities	664,722.87	42,851.85	-	707,574.72
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	117,003.80	-	-	117,003.80
FUND BALANCES				
Nonspendable	4,938.88	-	-	4,938.88
Restricted	373,479.73	551,603.13	88,350.47	1,013,433.33
Assigned	9,448.54	75,280.36	-	84,728.90
Unassigned	1,880,257.20	-	-	1,880,257.20
Total Fund Balances	2,268,124.35	626,883.49	88,350.47	2,983,358.31
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,049,851.02	$ 669,735.34	$ 88,350.47	$ 3,807,936.83

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

TALBOT COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")		$ 2,983,358.31
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	$ 354,857.93	
Buildings and improvements	14,348,890.98	
Equipment	1,940,044.21	
Land improvements	713,295.15	
Accumulated depreciation	(4,358,061.12)	12,999,027.15
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(4,526,402.00)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		(302,970.42)
Taxes that are not available to pay for current period expenditures are deferred in the funds.		117,003.80
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	$ (1,170,000.00)	
Accrued interest payable	(14,820.00)	(1,184,820.00)
Net position of governmental activities (Exhibit "A")		$ 10,085,196.84

EXHIBIT "E"

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

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 3,180,433.20	$ -	$ -	$ 3,180,433.20
Sales Taxes	1,771.72	448,249.88	-	450,021.60
State Funds	2,607,464.03	550,473.91	-	3,157,937.94
Federal Funds	1,169,488.89	-	-	1,169,488.89
Charges for Services	101,558.52	-	-	101,558.52
Investment Earnings	1,705.56	513.70	2.70	2,221.96
Miscellaneous	72,952.44	-	-	72,952.44
Total Revenues	7,135,374.36	999,237.49	2.70	8,134,614.55
EXPENDITURES				
Current				
Instruction	3,492,983.73	-	-	3,492,983.73
Support Services				
Pupil Services	334,311.76	-	-	334,311.76
Improvement of Instructional Services	243,672.85	-	-	243,672.85
Educational Media Services	120,579.23	-	-	120,579.23
General Administration	340,631.10	-	-	340,631.10
School Administration	347,888.33	-	-	347,888.33
Business Administration	79,746.74	-	-	79,746.74
Maintenance and Operation of Plant	605,971.47	-	-	605,971.47
Student Transportation Services	366,032.59	-	-	366,032.59
Other Support Services	26,740.00	-	-	26,740.00
Enterprise Operations	14,819.37	-	-	14,819.37
Food Services Operation	462,670.02	-	-	462,670.02
Capital Outlay	-	331,286.13	-	331,286.13
Debt Services				
Principal	-	-	355,000.00	355,000.00
Interest	-	-	51,205.00	51,205.00
Total Expenditures	6,436,047.19	331,286.13	406,205.00	7,173,538.32
Revenues over (under) Expenditures	699,327.17	667,951.36	(406,202.30)	961,076.23
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	406,202.30	406,202.30
Transfers Out	-	(406,202.30)	-	(406,202.30)
Total Other Financing Sources (Uses)	-	(406,202.30)	406,202.30	-
Net Change in Fund Balances	699,327.17	261,749.06	-	961,076.23
Fund Balances - Beginning	1,568,797.18	365,134.43	88,350.47	2,022,282.08
Fund Balances - Ending	$ 2,268,124.35	$ 626,883.49	$ 88,350.47	$ 2,983,358.31

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

TALBOT 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, 2016

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")		$ 961,076.23
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	$ 259,492.59	
Depreciation expense	(422,650.24)	(163,157.65)
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(135,353.77)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Bond principal retirements		355,000.00
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Pension expense		242,272.00
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued interest on issuance of bonds		9,325.83
Change in net position of governmental activities (Exhibit "B")		$ 1,269,162.64

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

TALBOT COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 2,792.15	$ 7,001.28
LIABILITIES		
Funds Held for Others		$ 7,001.28
NET POSITION		
Held in Trust for Private Purposes	$ 2,792.15	

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

TALBOT COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Investment Earnings	
Interest	$ 4.01
DEDUCTIONS	
None Reported	-
Change in Net Position	4.01
Net Position - Beginning	2,788.14
Net Position - Ending	$ 2,792.15

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Talbot 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 types:

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

BASIS OF ACCOUNTING

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end.

Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application.* The provisions of this statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District did not have any items that required a reassessment of value for reporting purposes as a result of adoption of this statement.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68*, Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of this statement does not have a significant impact on the School District’s financial statements.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants.* This statement addresses accounting and financial reporting for certain external investment pools and pool participants. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool’s participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The adoption of this statement does not have an impact on the School District’s financial statements.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

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

RECEIVABLES

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

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at 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	$	10,000.00	20 to 70 years
Buildings and Improvements	$	10,000.00	up to 70 years
Equipment	$	5,000.00	5 to 25 years
Intangible Assets	$	100,000.00	15 to 50 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS

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

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

PENSIONS

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

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.

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 Talbot County Board of Commissioners adopted the property tax levy for the 2015 tax digest year (calendar year) on August 13, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on December 20, 2015 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The Talbot County Tax Commissioner bills and collects the property taxes for the School District, withholds 1.25% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations amounted to $3,029,243.63.

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

School Operations	14.109 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $151,189.57 during fiscal year ended June 30, 2016.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $448,249.88 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

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

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

The Superintendent is authorized by the Board to approve adjustments of no more than five percent 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 five percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. 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.

NOTE 4: DEPOSITS

COLLATERALIZATION OF DEPOSITS

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

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

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

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

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

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

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2016, the School District had deposits with a carrying amount of $3,218,662.12, which includes $65,000.00 in Certificates of Deposit that are reported as investments, and a bank balance of $3,529,288.57. The bank balances insured by Federal depository insurance were $595,451.04 and the bank balances collateralized with securities held by the pledging financial institution trust department or agent in the School District's name were $2,933,837.53.

Statement of Net Position	
Cash and cash equivalents	$ 3,143,868.69
Statement of Fiduciary Net Position	
Private Purpose Trust Funds	2,792.15
Agency Funds	7,001.28
Total cash and cash equivalents	3,153,662.12
Add:	
Deposits with original maturity of three months or more reported as investments	65,000.00
Total carrying value of deposits - June 30, 2016	$ 3,218,662.12

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 354,857.93	$ -	$ -	$ 354,857.93
Capital Assets Being Depreciated				
Buildings and Improvements	14,285,080.32	63,810.66	-	14,348,890.98
Equipment	1,887,436.20	52,608.01	-	1,940,044.21
Land Improvements	570,221.23	143,073.92	-	713,295.15
Less Accumulated Depreciation for:				
Buildings and Improvements	2,019,875.67	322,165.85	-	2,342,041.52
Equipment	1,482,822.86	80,206.83	-	1,563,029.69
Land Improvements	432,712.35	20,277.56	-	452,989.91
Total Capital Assets, Being Depreciated, Net	12,807,326.87	(163,157.65)	-	12,644,169.22
Governmental Activity Capital Assets - Net	$ 13,162,184.80	$ (163,157.65)	$ -	$ 12,999,027.15

Current year depreciation expense by function is as follows:

Instruction		$ 343,024.68
Support Services		
General Administration	$ 347.79	
Maintenance and Operation of Plant	1,451.06	
Student Transportation Services	65,038.96	66,837.81
Food Services		12,787.75
		$ 422,650.24

NOTE 6: INTERFUND TRANSFERS

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfers to	Transfers From Capital Projects Fund
Debt Service Fund	$ 406,202.30

Transfers are used to move sales tax revenue collected by the capital projects fund to the debt service fund to pay debt service according to the approved Special Purpose Location Option Sales Tax (SPLOST) referendum.

NOTE 7: LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
General Obligation Bonds	$ 1,525,000.00	$ -	$ 355,000.00	$ 1,170,000.00	$ 370,000.00

GENERAL OBLIGATION DEBT OUTSTANDING

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

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2003	3.80%	1/14/2003	8/1/2018	$ 4,500,000.00	$ 1,170,000.00

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

	General Obligation Debt	
Fiscal Year Ended June 30:	Principal	Interest
2017	$ 370,000.00	$ 37,430.00
2018	390,000.00	22,990.00
2019	410,000.00	7,790.00
Total Principal and Interest	$ 1,170,000.00	$ 68,210.00

NOTE 8: RISK MANAGEMENT

INSURANCE

Commercial Insurance

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

The School District has elected to self-insure for losses related to natural disasters. The School District has not experienced any losses related to this risk in the past three years.

WORKERS' COMPENSATION

Georgia Education Workers' Compensation Trust

The School District participates in the Georgia Education Workers' Compensation Trust (the Trust), a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of $1 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of $2 million. The Trust covers the first $1 million of each Employers Liability claim with Safety National providing additional Employers Liability limits up to a $2 million per occurrence maximum. Safety National Casualty Company also provides $2 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

UNEMPLOYMENT COMPENSATION

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2015	$ -	$ 7,458.00	$ 7,458.00	$ -
2016	$ -	$ 6,680.00	$ 6,680.00	$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 30,000.00
Finance Director	$ 10,000.00
Payroll Clerk	$ 10,000.00

NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

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

Nonspendable		
Inventories		$ 4,938.88
Restricted		
Bus Replacement	$ 39,451.00	
Continuation of Federal Programs	334,028.73	
Capital Projects	247,723.60	
Debt Service	392,230.00	1,013,433.33
Assigned		
Local Capital Outlay Projects	$ 75,280.36	
School Activity Accounts	9,448.54	84,728.90
Unassigned		1,880,257.20
Fund Balance, June 30, 2016		$ 2,983,358.31

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

Note 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: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2016:

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

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

For non-certificated school personnel:

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

No additional contribution was required by the Board for fiscal year 2016 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

Fiscal Year	Percentage Contributed	Required Contribution
2016	100%	$ 579,499.33
2015	100%	$ 619,598.88
2014	100%	$ 672,167.60

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 audit report that can be obtained at www.trsga.com/publications.

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual School District payroll. For the current fiscal year, employer contributions to the pension plan were $446,011.58 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 $16,829.00.

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

At June 30, 2016, the School District reported a liability of $4,526,402.00 for its proportionate share of the net pension liability for TRS.

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

At June 30, 2015, the School District's TRS proportion was 0.029732%, which was an decrease of 0.000656% from its proportion measured as of June 30, 2014.

At June 30, 2016, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is $69,353.00.

The PSERS net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2015.

For the year ended June 30, 2016, the School District recognized pension expense of $203,740.00 for TRS and $4,136.00 for PSERS and revenue of $4,136.00 for PSERS. The revenue is support provided by the State of Georgia.

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 39,812.00
Net difference between projected and actual earnings on pension plan investments	-	381,807.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	327,363.00
School District contributions subsequent to the measurement date	446,011.58	-
Total	$ 446,011.58	$ 748,982.00

The School District contributions subsequent to the measurement date of $446,011.58 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2017	$ (278,001.00)
2018	$ (278,001.00)
2019	$ (278,001.00)
2020	$ 91,217.00
2021	$ (6,196.00)

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

Teachers Retirement System:

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

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

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

Public School Employees Retirement System:

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

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

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

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

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

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

Discount rate: The discount rate used to measure the total TRS 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	$ 7,778,279.00	$ 4,526,402.00	$ 1,846,081.00

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: SUBSEQUENT EVENTS

On June 13, 2017, voters authorized the School District to issue general obligation bonds in the amount of $3,500,000.00. The proceeds from these bonds will be used for future construction projects.

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

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	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
2016	0.029732%	$ 4,526,402.00	$ 3,138,384.64	144.23%	81.44%
2015	0.030388%	$ 3,839,123.00	$ 3,100,171.01	123.84%	84.03%

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

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

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2016	$ 446,011.58	$ 446,011.58	$ -	$ 3,125,519.13	14.27%
2015	$ 412,697.58	$ 412,697.58	$ -	$ 3,138,384.64	13.15%
2014	$ 380,692.79	$ 380,692.79	$ -	$ 3,100,171.01	12.28%
2013	$ 383,370.28	$ 383,370.28	$ -	$ 3,359,949.87	11.41%
2012	$ 386,730.40	$ 386,730.40	$ -	$ 3,761,968.87	10.28%
2011	$ 419,130.30	$ 419,130.30	$ -	$ 4,077,143.00	10.28%
2010	$ 444,832.43	$ 444,832.43	$ -	$ 4,567,068.07	9.74%
2009	$ 419,136.12	$ 419,136.12	$ -	$ 4,516,553.02	9.28%
2008	$ 442,548.18	$ 442,548.18	$ -	$ 4,768,838.15	9.28%
2007	$ 406,039.06	$ 406,039.06	$ -	$ 4,375,420.91	9.28%

Teachers Retirement System

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

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

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

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

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 2,971,805.40	$ 2,971,805.40	$ 3,180,433.20	$ 208,627.80
Sales Taxes	10,140.00	10,140.00	1,771.72	(8,368.28)
State Funds	2,709,088.99	2,709,088.99	2,607,464.03	(101,624.96)
Federal Funds	1,120,924.00	1,301,845.00	1,169,488.89	(132,356.11)
Charges for Services	60,000.00	60,000.00	101,558.52	41,558.52
Investment Earnings	1,700.00	1,700.00	1,705.56	5.56
Miscellaneous	95,500.00	95,500.00	72,952.44	(22,547.56)
Total Revenues	6,969,158.39	7,150,079.39	7,135,374.36	(14,705.03)
EXPENDITURES				
Current				
Instruction	3,969,045.99	4,102,051.75	3,492,983.73	609,068.02
Support Services				
Pupil Services	353,293.00	363,293.00	334,311.76	28,981.24
Improvement of Instructional Services	236,850.00	302,505.88	243,672.85	58,833.03
Educational Media Services	124,221.75	127,182.00	120,579.23	6,602.77
General Administration	352,671.07	352,575.00	340,631.10	11,943.90
School Administration	389,592.94	399,113.00	347,888.33	51,224.67
Business Administration	84,942.00	84,942.00	79,746.74	5,195.26
Maintenance and Operation of Plant	522,059.64	544,559.64	605,971.47	(61,411.83)
Student Transportation Services	393,482.00	393,082.00	366,032.59	27,049.41
Other Support Services	30,000.00	30,000.00	26,740.00	3,260.00
Enterprise Operations	-	-	14,819.37	(14,819.37)
Food Services Operation	513,000.00	510,589.00	462,670.02	47,918.98
Total Expenditures	6,969,158.39	7,209,893.27	6,436,047.19	773,846.08
Excess of Revenues over (under) Expenditures	-	(59,813.88)	699,327.17	759,141.05
OTHER FINANCING SOURCES (USES)				
Other Sources	106,056.00	106,056.00	72,746.49	(33,309.51)
Other Uses	(106,056.00)	(106,056.00)	(72,746.49)	33,309.51
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	(59,813.88)	699,327.17	759,141.05
Fund Balances - Beginning	-	1,318,840.56	1,568,797.18	249,956.62
Adjustments	-	(4,585.43)	-	4,585.43
Fund Balances - Ending	$ -	$ 1,254,441.25	$ 2,268,124.35	$ 1,013,683.10

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 and expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are $97,155.32 and $85,825.75, respectively.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

TALBOT COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

SCHEDULE "5"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	16165GA324N1099	$ 137,075.18
National School Lunch Program	10.555	16165GA324N1099	282,172.77
Total Child Nutrition Cluster			419,247.95
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Child Nutrition Discretionary Grants Limited Availability	10.579	15155GA350N8103	1,103.02
Fresh Fruit and Vegetable Program	10.582	16145GA324L1603	12,897.70
Total Other Programs			14,000.72
Total U. S. Department of Agriculture			433,248.67
Education, U.S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	137,606.27
Preschool Grants	84.173	H173A150081	18,162.00
Total Special Education Cluster			155,768.27
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A150010	11,001.07
Improving Teacher Quality State Grants	84.367	S367A150001	84,606.26
Title I Grants to Local Educational Agencies	84.010	S010A150010	448,722.62
Total Other Programs			544,329.95
Total U. S. Department of Education			700,098.22
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program			66,898.45
Total Expenditures of Federal Awards			$ 1,200,245.34

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

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, 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.

TALBOT COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2016

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	$ 65,003.10	$ -	$ 65,003.10
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	127,948.00	-	127,948.00
Kindergarten Program - Early Intervention Program	(4,632.00)	-	(4,632.00)
Primary Grades (1-3) Program	399,918.00	-	399,918.00
Primary Grades - Early Intervention (1-3) Program	22,675.00	-	22,675.00
Upper Elementary Grades (4-5) Program	123,745.00	-	123,745.00
Upper Elementary Grades - Early Intervention (4-5) Program	10,883.00	-	10,883.00
Middle School (6-8) Program	269,275.00	-	269,275.00
High School General Education (9-12) Program	281,021.00	-	281,021.00
Vocational Laboratory (9-12) Program	95,665.00	-	95,665.00
Students with Disabilities	267,946.00	-	267,946.00
Remedial Education Program	(6,081.00)	-	(6,081.00)
Alternative Education Program	19,901.00	-	19,901.00
Media Center Program	45,398.00	-	45,398.00
20 Days Additional Instruction	15,104.00	-	15,104.00
Staff and Professional Development	6,969.00	-	6,969.00
Principal Staff and Professional Development	202.00	-	202.00
Indirect Cost			
Central Administration	218,469.00	-	218,469.00
School Administration	109,011.00	-	109,011.00
Facility Maintenance and Operations	99,508.00	-	99,508.00
Mid-term Adjustment Hold-Harmless	70,308.00	-	70,308.00
Amended Formula Adjustment	(145,850.00)	-	(145,850.00)
Categorical Grants			
Pupil Transportation			
Regular	143,821.00	-	143,821.00
Nursing Services	45,000.00	-	45,000.00
Sparsity	268,253.00	-	268,253.00
Other State Programs			
Food Services	10,590.00	-	10,590.00
Math and Science Supplements	5,807.99	-	5,807.99
Preschool Disability Services	2,404.00	-	2,404.00
Vocational Education	22,372.94	-	22,372.94
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	550,473.91	550,473.91
Office of the State Treasurer			
Public School Employees Retirement	16,829.00	-	16,829.00
	$ 2,607,464.03	$ 550,473.91	$ 3,157,937.94

See notes to the basic financial statements.

TALBOT COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2016

SCHEDULE "7"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
Acquiring, constructing and equipping one new elementary school, adding to, renovating, repairing, improving and equipping existing school building and other buildings and facilities useful or desireable in connection therewith payment of capitalized interest to the bonds through and including August 1, 2003; and the costs of issuing the bonds.	$ 2,500,000.00	$ 14,801,615.10	$ 382,491.13	$ 14,084,458.27	$ -	$ -	

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

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

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

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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
Talbot County Board of Education

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited Talbot County Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Chrld Nutrition Cluster (CFDA 10.553 & 10.555) and Title I Grants to Local Education Agencies (CFDA 84.010)

As described in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding Child Nutrition Cluster (CFDA 10.553 & 10.555) and Title I Grants to Local Education Agencies (CFDA 84.010) as described in item FA 2016-001 for Cash Management and FA 2016-002 for Activities Allowed or Unallowed and Allowable Cost/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to those programs.

Qualified Opinion on Chrld Nutrition Cluster (CFDA 10.553 & 10.555) and Title I Grants to Local Education Agencies (CFDA 84.010)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster (CFDA 10.533 & 10.555) and Title I Grants to Local Education Agencies (CFDA 84.010) for the year ended June 30, 2016.

Other Matters

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

Report on Internal Control over Compliance

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

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

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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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items FA 2016-001 and FA 2016-002, to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item FA 2016-003 to be a significant deficiency.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

September 14, 2020

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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

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

INDEPENDENT AUDITOR'S REPORT

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
Talbot County Board of Education

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Talbot County Board of Education (School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 14, 2020.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and

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corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2016-001, FS 2016-002, FS 2016-004, and FS 2016-006, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2016-003 and FS 2016-005, to be significant deficiencies.

Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

September 14, 2020

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-7301-13-01 **Inadequate Internal Controls Procedures**

Control Category: Cash and Cash Equivalents
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved

FS 2014-001 **Inadequate Internal Controls Procedures**

Control Category: Cash and Cash Equivalents
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved

FS 2015-001 **Inadequate Internal Controls Procedures**

Control Category: Cash and Cash Equivalents
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved

The Board will implement controls over cash to ensure that cash is properly reconciled to general ledger and cash activity.

FS-7301-13-02 **Inadequate Internal Controls over School Activity Accounts**

Control Category: Cash and Cash Equivalents
Revenues/Receivables/Receipts
Expenditures/Liabilities/Disbursements
Accounting Controls (Overall)
General Ledger
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-002	**Inadequate Internal Controls over School Activity Accounts**
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Accounting Controls (Overall) General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

FS 2015-002	**Inadequate Internal Controls over School Activity Accounts**
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Accounting Controls (Overall) General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

Management will ensure that transactions are processed according to procedures and accurately monitored and reconciled to the general ledger.

FS-7301-13-04	**Inadequate Controls over Financial Reporting**
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Previous Corrective Action Plan Implemented

FS 2014-003	**Inadequate Controls over Financial Reporting**
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Previous Corrective Action Plan Implemented

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-003 **Inadequate Controls over Financial Reporting**

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

Finding Status: Previous Corrective Action Plan Implemented

FS-7301-13-05 **Inadequate Internal Controls over Employee Compensation**

Control Category: Employee Compensation
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

FS 2014-004 **Inadequate Internal Controls over Employee Compensation**

Control Category: Employee Compensation
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

FS 2015-004 **Inadequate Internal Controls over Employee Compensation**

Control Category: Employee Compensation
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

The Board will implement policies and procedures to ensure that business procedures are followed for all salaries, ensuring that salaries are paid according to approved salary schedules and adequate documentation will be maintained to support the salary payments.

FS-7301-13-06 **Failure to Adequately Maintain Capital Assets**

Control Category: Capital Assets
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-005 **Failure to Adequately Maintain Capital Assets**

Control Category: Capital Assets
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved

FS 2015-005 **Failure to Adequately Maintain Capital Assets**

Control Category: Capital Assets
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved

The Board will implement procedures to ensure capital asset records conform to the approved capital assets policy.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2014-002 **Failure to Refund Unexpended Grants**

Compliance Requirement: Reporting
Internal Control Impact: Material Weakness
Compliance Impact: Material Noncompliance
Federal Awarding Agency: U.S. Department of Education
Pass-Through Entity: None
CFDA Number and Title: Early Reading First (CFDA 84.359)
Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: Child Care and development Block Grant (CFDA 93.575)
Federal Awarding Agency: U.S. Department of Justice
Pass-Through Entity: Children and Youth Coordinating Council
CFDA Number and Title: Juvenile Justice and Delinquency Prevention (CFDA 16.540)
Federal Awarding Agency: U.S. Department of Education
Pass-Through Entity: Georgia Department of Education
CFDA Number and Title: Title I Grants to Local Education Agencies (CFDA 84.010)
Improving Teacher Quality State Grants (CFDA 84.367)

Finding Status: Unresolved

Management is working to determine what happened with these grants. We are trying to determine what caused these errors and correct them appropriately.

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

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2015-001 **Refund Unexpended Grants**

Compliance Requirement:	Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	Early Reading First (CFDA 84.359)
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Children and Youth Coordinating Council
CFDA Number and Title:	Child Care and development Block Grant (CFDA 93.575)
Federal Awarding Agency:	U.S. Department of Justice
Pass-Through Entity:	Children and Youth Coordinating Council
CFDA Number and Title:	Juvenile Justice and Delinquency Prevention (CFDA 16.540)
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I Grants to Local Education Agencies (CFDA 84.010)

Finding Status: Unresolved

This is a long ongoing finding that we wish to work with the Georgia Department of Education's federal program division for conclusion for these long standing findings.

FA 2014-003 **Inadequate Control Over the Cash Management Process**

Compliance Requirement:	Cash Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I Grants to Local Education Agencies (CFDA 84.010)

Finding Status: Unresolved

Management is working on procedures to control cash management.

FA 2015-002 **Controls Over the Cash Management Process**

Compliance Requirement:	Cash Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I Grants to Local Education Agencies (CFDA 84.010)

Finding Status: Unresolved

Management has implemented procedures to monitor the cash monthly balances for all programs when requesting reimbursement for federal and state programs.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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TALBOT COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified? Yes

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

- Material weaknesses identified? Yes
- Significant deficiency identified? Yes

Type of auditor's report issued on compliance for major programs:
Unmodified for all major programs except for Child Nutrition Cluster and Title I Grants to Local Educational Agencies, which was qualified.

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
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 2016-001	Internal Control Procedures
Control Category:	Cash and Cash Equivalents
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-001, FS 2014-001, FS-7301-13-01, FS-7301-12-02

Description:
The accounting procedures of the School District were insufficient to provide adequate internal controls over the Cash and Cash Equivalents functions.

Criteria:
The School District's management is responsible for designing and maintaining internal controls over Cash and Cash Equivalents.

Condition:
The following Cash and Cash Equivalents related deficiencies were noted:

- Bank reconciliations were not performed by someone independent of the general ledger function.
- Misstatements were noted on Note Disclosure 4 for the carrying amount and the bank balance amount.
- Five bank accounts were not properly reconciled to the June 30, 2016 general ledger balance.
- Reconciliations, including bank statements and supporting documentation, were not provided for two accounts.
- Ten reconciliations lacked evidence of timely completion through completion dates for both the preparer and approver.
- One reconciliation lacked the preparers signature.

Cause:
In discussing these deficiencies with the School District, they stated that the cause was a direct result of the lack of time and resources to fully separate duties to ensure that internal controls were effective.

Effect or Potential Effect:
Failure to maintain adequate internal controls over cash activity increases the risk significant misstatements could occur in the financial statements due to error or fraud.

Recommendation:
Management should take appropriate steps to ensure the time and resources are made available to implement controls over cash to ensure monthly bank reconciliations are preformed accurately by someone independent of the general ledger.

Views of Responsible Officials:
We concur with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-002	Internal Controls over School Activity Accounts
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Accounting Controls (Overall) General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-002, FS 2014-002, FS-7301-13-02, FS-7301-12-03

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

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

Condition:
The following errors were noted with the School District's school activity accounts:
Cash and Cash Equivalents

- Reconciliation including bank statement and supporting documentation was not provided for the CSS Internal School Funds account.

Revenues/Receivables/Receipts

- The deposit preparation function was not separated from the bank reconciliations and general ledger functions.
- The depositing of funds in the bank was not a standard process for all school activity accounts.
- No receipt documentation was provided for one receipt selected for review.

Expenditures/Liabilities/Disbursements
A review of eight vouchers revealed the following deficiencies:

- None of the vouchers had evidence of review or approval;
- Four expenditures were not supported by an invoice or any other applicable documentation;
- Two expenditures lacked evidence of receipt of the purchase.

Accounting Controls (Overall)

- An administrative review of the bank reconciliation process, cash receipt process, and cash disbursement process to determine if established procedures were being followed was not performed.
- The School District did not have a formal process for documenting agency fund sponsors, purpose of accounts, allowable activities of accounts, source of funds, and final disposition of funds related to individual agency fund accounts.

General Ledger

- The year-end General Ledger balance did not agree to the school activity ledger reports. Additionally, per the school activity ledger reports, five accounts were misclassified between governmental and agency, four accounts had beginning balances that did not agree to prior year ending balances, and four accounts had deficit balances.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:
In discussing these deficiencies with the School District, they stated that the internal control deficiencies related to school activity accounts occurred due to a shortage of personnel at the school and a failure of those personnel to follow the established policies and procedures.

Effect or Potential Effect:
Failure to maintain adequate internal controls over school activity accounts increases the risk that misstatements could occur in the financial statements due to error or fraud.

Recommendation:
Management should take appropriate steps to ensure the time and resources are made available to ensure proper separation of duties is established, proper approval process for disbursements is followed, safe keeping of receipt documentation is implemented, accounting processes are adequately monitored, school activity accounts are properly classified, financial statement amounts are reconciled to the schools' general ledger balances and bank statement balance, standard procedures are implemented over the depositing of funds, amounts reported in consolidation spreadsheet for school activity accounts is accurate, and agency fund accounts are properly documented.

Views of Responsible Officials:
We concur with this finding.

FS 2016-003	Internal Controls over Employee Compensation
Control Category:	Employee Compensation
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-004,FS 2014-004, FS-7301-13-05, FS-7301-12-04

Description:
The accounting procedures of the School District were insufficient to provide adequate internal controls over employee compensation.

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance employees are paid according to approved salary schedules and documentation is maintained to support the salary payments.

Condition:
Based on a review of employees' payroll records, the following deficiencies were noted:

- A review of employee compensation revealed instances where salaries and/or hourly payments were not properly supported by signed contracts and/or Board approved salary schedules.
- One employee selected for review was overpaid $4,500.00 due to receiving a supplement twice.

Cause:
In discussing these deficiencies with the School District, they indicated that appropriate procedures to ensure salary amounts are supported by adequate documentation had not been implemented.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:
The failure to maintain adequate internal controls over employee compensation increases the risk that misstatements could occur in the financial statements due to error or fraud.

Recommendation:
The School District should implement policies and procedures to ensure normal business procedures are followed for all salaries, which includes ensuring salaries are paid according to approved salary schedules and adequate documentation is maintained to support the salary payments.

Views of Responsible Officials:
We concur with this finding.

FS 2016-004	Internal Controls over Capital Assets
Control Category:	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-005, FS 2014-005, FS-7301-13-06, FS-7301-12-05

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

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that capital assets inventory reports are properly maintained. Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration provides that School Districts must establish capital asset policies, define system requirements, implement a capital asset system and maintain capital asset inventory reports.

Condition:
The following School District's capital asset records revealed the following exceptions:

- The entity was unable to provide a capital asset listing that was accurate or complete. The listing did not contain all items reported on the prior year listing nor had it been updated to include items noted by auditors in the previous audit.
- Documentation of a physical inventory of capital assets was not provided.
- A fiscal year 2016 equipment expenditure totaling $42,851.85 was incorrectly recorded in the subsequent period. The School District did not record current year activity; therefore a material adjustment was noted.
- The capital asset note disclosure reports depreciation expense that does not agree to the capital asset listing.

Cause:
In discussing these deficiencies with the School District, they stated that the cause was a direct result of the lack of time and resources to fully monitor and implement procedures over Capital Assets which follow Board policy.

Effect or Potential Effect:
Failure to maintain adequate internal controls over capital assets can lead to inaccurate internal and external reporting, as well as, noncompliance with generally accepted accounting principles.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:
Management should take appropriate steps to ensure the time and resources are made available to implement controls over capital assets to ensure records are accurate and conform to the School District's approved capital asset policy.

Views of Responsible Officials:
We concur with this finding.

FS 2016-005	Internal Controls at the Central Office
Control Category:	Accounting Controls (Overall)
	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

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

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

Condition:
Accounting Controls (Overall)

- The School District does not have adequate logical access controls in place to ensure only appropriate users have access to significant financial applications and supporting infrastructure. We noted several users with access rights that exceeded their need to complete their assigned job functions. Further, the access granted did not adequately separate the functions of initiating, authorizing, and recording transactions, reconciliations, and maintaining the custody of assets.
- Inadequate physical access controls are in place over the server rooms. It was noted that both the main server room and supplementary server room were unlocked and in high traffic areas.
- Proper anti-virus protection was not in place at the workstation level. For efficiency, IT personnel performs a full memory wipe and restore for any workstation that becomes compromised. This exposes the entity to unnecessary risk from cyber threats.
- There are no established written organizational standards or procedures over IT functions and key processes. Considering the School District has only one full time IT personnel, formal written procedures such as back-up policies, job scheduling, and IT risk assessment is crucial.
- Back-ups over the point of sale system are not properly documented or maintained in a separate location from the main sever.

Expenditures/Liabilities/Disbursements
Our examination of twenty-six expenditures revealed the following deficiencies:

- Supporting documentation for six expenditure transactions selected for review could not be provided by the School District.
- One expenditure selected for review lacked evidence of proper review and approval.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

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

Recommendation:
The School District should implement procedures to ensure that key accounting functions are appropriately separated and/or utilize management oversight for these incompatible activities. In addition, the School District should ensure server rooms are properly safeguarded and monitored, and adequate protection from cyber threats exists on all workstations. The School District should review accounting procedures in place and design and implement procedures relative to expenditures to strengthen the internal controls over the accounting function.

Views of Responsible Officials:
We concur with this finding.

FS 2016-006	Internal Controls over Financial Reporting
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None

Description:
The School District did not have adequate controls in place over the financial statement reporting process to ensure all required activity was correctly included in the financial statement information presented for audit. The original financial statements, as presented for audit, contained numerous material and significant errors and omissions.

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 summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total changes 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 11–2, 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.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Condition:

The following errors and omissions were noted in the School District's financial statement presented for audit:

- A material audit reclassification was proposed and accepted by the School District to correctly report restricted for continuation of federal programs net position and unrestricted net position. Restricted for continuation of federal programs was understated by $187,882.77 and unrestricted was overstated by $169,661.90.
- A material audit adjustment of $42,851.85 was proposed and accepted by the School District to correctly report Capital Projects Fund expenditures in the proper period.
- Material errors were noted for the SPLOST schedule due to expenditures already reported in the prior year being included in the current year expenditure total. Audit adjustments were proposed by the auditor and accepted by the School District to properly report the SPLOST schedule.
- A review of federal grant fund balances revealed that several grants were not properly closed out at year-end. Federal programs should be reviewed each year to determine if funds should be refunded to the grantor or if a transfer or receivable is necessary to cover a deficit balance.
- Several other audit adjustments and reclassifications were proposed by auditors and accepted by the School District to properly present the financial statement and note disclosures.

Cause:

In discussing this deficiency with the School District, they stated that the cause was a direct result of the lack of review of the financial statements and note disclosures as prepared by their consultant.

Effect or Potential Effect:

Material and significant misstatements and misclassifications were included in the financial statements presented for audit. Numerous adjustments were necessary for the School District's financial statements to be in conformity with GAAP. The lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations.

Recommendation:

The School District should strengthen their internal controls and preparation and review procedures over financial reporting to ensure that the financial statements, including disclosures, presented for audit are complete and accurate. These procedures should be performed by a properly trained individual(s) 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 implementing the use of a review checklist to assist in the review process over the financial statements.

Views of Responsible Officials:

We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2016-001	Improve Controls Over the Cash Management Process
Compliance Requirement:	Cash Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I Grants to Local Education Agencies (CFDA 84.010)
Federal Award Numbers:	S010A150010
Repeat of Prior Year Finding:	FA 2015-002, FA 2014-003

Description:
The School District made cash drawdowns in excess of immediate cash needs for the Title I program.

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

Condition:
Upon review of cash drawdowns and disbursements related to the Title I program, cash balances in excess of Title I program materiality were observed for a quarter of the fiscal year. Additionally, it was noted that the School District did not have appropriate controls in place over the cash drawdown process.

Questioned Cost:
N/A

Cause:
In discussing the issues with management, they indicated that the failure to reverse the prior year salary accruals until the end of the fiscal year resulted in excess cash drawdown requests.

Effect or Potential Effect:
The School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance. In addition, the School District could potentially accrue a Federal interest liability that would be owed to the Federal government.

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

Views of Responsible Officials:
We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2016-002	Controls Over Expenditures
Compliance Requirement:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I Grants to Local Education Agencies (CFDA 84.010) Child Nutrition Cluster (CFDA 10.553 & 10.555)
Federal Award Numbers:	S010A150010 16165GA324N1099
Questioned Costs:	$104,652.88

Description:
A review of expenditures charged to the Special Education Cluster (CFDA 84.173 and 84.027) program and Child Nutrition Cluster (CFDA 10.553 and 10.555) revealed that the School District's internal control procedures were not operating appropriately to ensure that expenditures were properly approved.

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

2 CFR 200.430(h)(8)(i)(1) states in part that "charges to federal awards must be based on records that accurately reflect the work performed… (i) Be supported by a system of internal control which provides reasonable assurance that charges are accurate, allowable, and properly allocated."

2 CFR 200.303(a) states that the non-Federal entity must "establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award."

Condition:
Our review of expenditures paid from the Child Nutrition Cluster program revealed the following:

- One out of seventeen expenditure transactions lacked supporting documentation.
- Timesheets for the three employees lacked evidence of review and approval.

Our review of expenditures paid from the Title I program revealed the following:

- Six out of thirteen expenditure transactions lacked supporting documentation.

Questioned Cost:
$90,994.93 in Title I Grants to Local Education Agencies
$13,657.95 in Child Nutrition Cluster

Cause:
In discussing this deficiency with the School District, they stated these issues were a result of poor record retention of previous central office employees.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:
Failure to ensure that supporting documentation of expenditures is properly maintained and that evidence of proper review and approval is noted resulted in noncompliance with the requirements of the federal grant awards.

Recommendation:
The School District should implement procedures to ensure that all supporting documentation is maintained and that proper review and approval is well documented.

Views of Responsible Officials:
We concur with this finding.

FA 2016-003	Improve Controls over Equipment
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 & 10.555)
Federal Award Number:	16165GA324N1099
Questioned Costs:	None Identified

Description:
The policies and procedures of the School District were insufficient to provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster.

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

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

- Property records did not include the following required components: (1) Percentage of Federal participation in the project costs for the Federal award under which the property was acquired (2) who holds the title and (3) condition of property.
- There was no evidence that a physical inventory has been performed in either the current year or the previous year.

Cause:
The internal control process by which equipment items get aggregated and reported does not appear fully effective. In discussing the deficiency with management, they state that communication difficulties exist between the responsible parties of purchasing equipment, labeling equipment, performance of the annual inventory, and recording equipment items on the listings.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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.

Recommendation:

The School District should strengthen controls over Child Nutrition Cluster equipment to ensure that the equipment records are complete and accurate. Management should update the equipment listing to reflect all required information, including a description, an identifying number, the source of funding, the title holder, the acquisition date, the cost, the percentage of federal participation in the project costs, the location, the use and condition, and any ultimate disposal data for each piece of equipment. Management should perform a physical inventory of equipment at least once every two years and reconcile the results of the physical inventory to the Head Start equipment listing.

Views of Responsible Officials:

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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Talbot County Board of Education
Dr. James Catrett, Superintendent

Cynthia Epps
Assistant Superintendent & Director of Curriculum

Board Members
Quintella Carter, Vice Chairman District 1
James Stevenson, District 2
Sharleta Hall, Chairman District 3
Carlton Mahone, District 4
Harrison Couch, District 5

CORRECTIVE ACTION PLAN: FINANCIAL AUDIT FINDINGS

Finding: FS 2016-001 Internal Control Procedures
Control Category: Cash and Cash Equivalents
Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: FS 2015-001, FS 2014-001, FS-7301-13-01, FS-7301-12-02

Response: The Finance Director will meet with all parties involved to discuss the findings, examine our current procedure and seek ways to diminish the risks. We will make adjustments to procedures as needed. We will meet periodically to share ideas, discuss adjustments to procedures and provide additional training.

FS 2016-002 Internal Controls over School Activity Accounts
Control Category: Cash and Cash Equivalents
Revenues/Receivables/Receipts
Expenditures/Liabilities/Disbursements
Accounting Controls (Overall)
General Ledger
Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: FS 2015-002, FS 2014-002, FS-7301-13-02, FS-7301-12-03

Response: The school district has hired a new Finance/Business Director that will review the current accounting procedure and ensure that internal controls are in place. In addition, the school district has received quotes in reference to purchasing a new software that will be implemented for school accounting that has features to eliminate issues with school level purchases. The Business/Finance Director will meeting periodically to share ideas, discuss adjustments to procedures (if any), and provide additional training, if needed.

FS 2016-003 Internal Controls over Employee Compensation
Control Category: Employee Compensation
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Finding: FS 2015-004, FS 2014-004, FS-7301-13-05, FS-7301-12-04

Response: The Board will ensure that internal controls are establish, implemented and functioning at the system level to adequately address controls over employee compensation procedures and ensure that all said employee compensation is properly calculated.

FS 2016-004 Internal Controls over Capital Assets
Control Category: Capital Assets
Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: FS 2015-005, FS 2014-005, FS-7301-13-06, FS-7301-12-05

Response: Management concurs with this finding; Additional resources will be committed as well as controls designed and implemented to the capital asset inventory management process to ensure records are properly maintained. Further, the School District is in the process of implementing a better control system to assist with the capital asset activity.

FS 2016-005 Internal Controls at the Central Office
Control Category: Accounting Controls (Overall)
Expenditures/Liabilities/Disbursements
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Response: The School District has hired a new Chief Financial Officer to oversee the accounting procedures and ensure that internal controls are in place. In addition, the School District will review the current accounting procedures and controls and will implement procedures to help strengthen the internal controls.

FS 2016-006 Internal Controls over Financial Reporting
Control Category: Financial Reporting
Internal Control Impact: Material Weakness
Compliance Impact: None

Response: The School District has hired a new Chief Financial Officer to oversee the accounting procedures and ensure that internal controls are in place. In addition, the School District will review the current accounting procedures and controls and will implement procedures to help strengthen the internal controls.

FA 2016-001 Improve Controls Over the Cash Management Process
Compliance Requirement: Cash Management
Internal Control Impact: Material Weakness
Compliance Impact: Material Noncompliance
Federal Awarding Agency: U.S. Department of Education
Pass-Through Entity: Georgia Department of Education
CFDA Number and Title: Title I Grants to Local Education Agencies (CFDA 84.010)
Federal Award Numbers: S010A150010
Repeat of Prior Year Finding: FA 2015-002, FA 2014-003

Response: In discussing the issues with management, they indicated that the failure to reverse the prior year salary accruals until the end of the fiscal year resulted in excess cash drawdown requests.

FA 2016-002 Controls Over Expenditures
Compliance Requirement: Activities Allowed or Unallowed
Allowable Costs/Cost Principles
Internal Control Impact: Material Weakness
Compliance Impact: Material Noncompliance
Federal Awarding Agency: U.S. Department of Education
Pass-Through Entity: Georgia Department of Education
CFDA Number and Title: Title I Grants to Local Education Agencies (CFDA 84.010)
Child Nutrition Cluster (CFDA 10.553 & 10.555)
Federal Award Numbers: S010A150010
16165GA324N1099
Questioned Costs: $104,652.88

Response: In discussing this deficiency with the School District, they stated these issues were a result of poor record retention of previous central employees. The School District has hired a new Chief Financial Officer to oversee the accounting procedure and ensure that internal controls are in place. In addition, the School District has implemented purchasing and approval procedures to ensure that expenditures are reviewed appropriately.

FA 2016-003 Improve Controls over Equipment
Compliance Requirement: Equipment and Real Property Management
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance
Federal Awarding Agency: U.S. Department of Education
Pass-Through Entity: Georgia Department of Education
CFDA Number and Title: Child Nutrition Cluster (CFDA 10.553 & 10.555)
Federal Award Number: 16165GA324N1099
Questioned Costs: None Identified

Response: Management concurs with this finding. Controls will be designed and implemented to ensure complete and accurate tracking of equipment to include physical inventory audits in accordance with federal regulations, 2 CFR 200.313. In addition, the School District will review the current procedure and control to ensure this control is properly maintained and communicate the difficulties (if any) that exists between the responsible parties of purchasing equipment, labeling equipment, performance of annual inventory, and recording equipment items on listings.

Estimated Completion Date tentatively scheduled for: June 30, 2020

Dr. James Catrett, Superintendent
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