

TALBOT COUNTY
BOARD OF EDUCATION
TALBOTTON, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019
(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 4-101
Atlanta, Georgia 30334-8400

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

INDEPENDENT AUDITOR'S REPORT

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

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, 2019, and the related notes to the financial statements. We were unable to opine on the aggregate remaining fund information due to the matters discussed in the Basis for Disclaimer of Opinion paragraph. These financial statements 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. Because of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Remaining Fund Information paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate remaining fund information.

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

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

Except for the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Remaining Fund Information" paragraph, 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	Disclaimer

Basis for Disclaimer of Opinion on the Aggregate Remaining Fund Information

Due to lack of adequate documentation supporting the school activity (Principal and Agency) accounts maintained at the schools and recorded in the fiduciary fund and failure to record any current year activity, we were not able to obtain sufficient appropriate audit evidence to substantiate the balances recorded in the financial statements. As a result of these matters, we were unable to determine whether the fiduciary fund was materially correct.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Remaining Fund Information" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate remaining fund information of the School District. Accordingly, we do not express an opinion on these financial statements.

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 and each major fund of the School District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is

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

Other Information

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

The accompanying supplemental 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 account 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, except for the impact of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Remaining Fund Information" paragraph, the accompanying supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2021 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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A copy of this report has been filed as a permanent record 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 2, 2021

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TALBOT COUNTY BOARD OF EDUCATION

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TALBOT COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 4,115,133.92
Investments	65,000.00
Receivables, Net	
Taxes	619,897.04
State Government	326,444.59
Federal Government	304,425.69
Other	40.20
Inventories	7,137.84
Capital Assets, Non-Depreciable	3,207,545.23
Capital Assets, Depreciable (Net of Accumulated Depreciation)	12,129,217.51
Total Assets	20,774,842.02
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	1,267,054.00
Related to OPEB Plan	1,017,040.00
Total Deferred Outflows of Resources	2,284,094.00
LIABILITIES	
Accounts Payable	105,627.69
Salaries and Benefits Payable	776,321.59
Payroll Withholdings Payable	67,664.80
Interest Payable	34,483.67
Contracts Payable	356,829.07
Retainages Payable	97,006.00
Net Pension Liability	5,422,373.00
Net OPEB Liability	5,481,818.00
Long-Term Liabilities	
Due Within One Year	357,690.00
Due in More Than One Year	3,075,659.00
Total Liabilities	15,775,472.82
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	300,285.00
Related to OPEB Plan	1,053,337.00
Total Deferred Inflows of Resources	1,353,622.00
NET POSITION	
Net Investment in Capital Assets	12,641,775.48
Restricted for	
Continuation of Federal Programs	245,377.63
Debt Service	76,836.19
Capital Projects	1,515,544.13
Unrestricted (Deficit)	(8,549,692.23)
Total Net Position	$ 5,929,841.20

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, 2019

EXHIBIT "B"

	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
Instruction	$ 4,461,226.41	$ -	$ 2,640,398.47	$ (1,820,827.94)
Support Services				
Pupil Services	411,383.75	-	107,546.92	(303,836.83)
Improvement of Instructional Services	288,239.98	-	251,904.26	(36,335.72)
Educational Media Services	99,779.71	-	67,254.00	(32,525.71)
General Administration	463,178.52	-	383,869.91	(79,308.61)
School Administration	523,456.96	-	171,170.00	(352,286.96)
Business Administration	254,151.71	-	2,541.16	(251,610.55)
Maintenance and Operation of Plant	752,920.16	-	137,965.44	(614,954.72)
Student Transportation Services	450,324.01	-	252,655.35	(197,668.66)
Other Support Services	31,278.00	-	-	(31,278.00)
Operations of Non-Instructional Services				
Food Services	447,204.82	37,765.94	516,813.74	107,374.86
Interest on Short-Term and Long-Term Debt	76,325.00	-	-	(76,325.00)
Total Governmental Activities	$ 8,259,469.03	$ 37,765.94	$ 4,532,119.25	(3,689,583.84)
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				3,043,710.15
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Capital Projects				574,555.08
Other Sales Tax				13,394.12
Investment Earnings				70,137.20
Miscellaneous				101,585.31
Transfers				(3.15)
Total General Revenues and Transfers				3,803,378.71
Change in Net Position				113,794.87
Net Position - Beginning of Year				5,816,046.33
Net Position - End of Year				$ 5,929,841.20

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

TALBOT COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 1,594,186.88	$ 2,409,627.18	$ 111,319.86	$ 4,115,133.92
Investments	65,000.00	-	-	65,000.00
Receivables, Net				
Taxes	572,250.58	47,646.46	-	619,897.04
State Government	326,444.59	-	-	326,444.59
Federal Government	304,425.69	-	-	304,425.69
Other	40.20	-	-	40.20
Inventories	7,137.84	-	-	7,137.84
Total Assets	$ 2,869,485.78	$ 2,457,273.64	$ 111,319.86	$ 5,438,079.28
LIABILITIES				
Accounts Payable	$ 105,627.69	$ -	$ -	$ 105,627.69
Salaries and Benefits Payable	776,321.59	-	-	776,321.59
Payroll Withholdings Payable	67,664.80	-	-	67,664.80
Contracts Payable	-	356,829.07	-	356,829.07
Retainages Payable	-	97,006.00	-	97,006.00
Total Liabilities	949,614.08	453,835.07	-	1,403,449.15
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	224,227.50	-	-	224,227.50
FUND BALANCES				
Nonspendable	7,137.84	-	-	7,137.84
Restricted	238,239.79	2,003,438.57	111,319.86	2,352,998.22
Assigned	15,654.36	-	-	15,654.36
Unassigned	1,434,612.21	-	-	1,434,612.21
Total Fund Balances	1,695,644.20	2,003,438.57	111,319.86	3,810,402.63
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,869,485.78	$ 2,457,273.64	$ 111,319.86	$ 5,438,079.28

TALBOT COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")		$ 3,810,402.63
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	$ 379,857.93	
Construction in progress	2,827,687.30	
Buildings and improvements	14,060,918.30	
Equipment	2,331,018.01	
Land improvements	682,768.02	
Accumulated depreciation	(4,945,486.82)	15,336,762.74
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	$ (5,422,373.00)	
Net OPEB liability	(5,481,818.00)	(10,904,191.00)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Related to pensions	$ 966,769.00	
Related to OPEB	(36,297.00)	930,472.00
Taxes that are not available to pay for current period expenditures are deferred in the funds.		224,227.50
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	$ (3,180,000.00)	
Accrued interest payable	(34,483.67)	
Unamortized bond premiums	(253,349.00)	(3,467,832.67)
Net position of governmental activities (Exhibit "A")		$ 5,929,841.20

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

TALBOT COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 3,390,995.83	$ -	$ -	$ 3,390,995.83
Sales Taxes	13,394.12	574,555.08	-	587,949.20
State Funds	3,169,074.92	-	-	3,169,074.92
Federal Funds	1,357,919.33	-	-	1,357,919.33
Charges for Services	37,765.94	-	-	37,765.94
Investment Earnings	1,173.14	68,865.31	98.75	70,137.20
Miscellaneous	101,585.31	-	-	101,585.31
Total Revenues	8,071,908.59	643,420.39	98.75	8,715,427.73
EXPENDITURES				
Current				
Instruction	4,284,550.88	-	-	4,284,550.88
Support Services				
Pupil Services	422,356.82	-	-	422,356.82
Improvement of Instructional Services	297,096.03	-	-	297,096.03
Educational Media Services	101,224.55	-	-	101,224.55
General Administration	476,819.04	-	-	476,819.04
School Administration	538,866.67	-	-	538,866.67
Business Administration	256,938.36	246.70	-	257,185.06
Maintenance and Operation of Plant	723,060.68	-	-	723,060.68
Student Transportation Services	448,894.95	-	-	448,894.95
Other Support Services	31,278.00	-	-	31,278.00
Food Services Operation	430,969.51	-	-	430,969.51
Capital Outlay	-	2,495,750.62	-	2,495,750.62
Debt Services				
Principal	-	-	730,000.00	730,000.00
Interest	-	-	117,640.00	117,640.00
Total Expenditures	8,012,055.49	2,495,997.32	847,640.00	11,355,692.81
Revenues over (under) Expenditures	59,853.10	(1,852,576.93)	(847,541.25)	(2,640,265.08)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	429,850.00	429,850.00
Transfers Out	(3.15)	(429,850.00)	-	(429,853.15)
Total Other Financing Sources (Uses)	(3.15)	(429,850.00)	429,850.00	(3.15)
Net Change in Fund Balances	59,849.95	(2,282,426.93)	(417,691.25)	(2,640,268.23)
Fund Balances - Beginning	1,635,794.25	4,285,865.50	529,011.11	6,450,670.86
Fund Balances - Ending	$ 1,695,644.20	$ 2,003,438.57	$ 111,319.86	$ 3,810,402.63

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, 2019

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")		$ (2,640,268.23)
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	$ 2,509,741.79	
Depreciation expense	(340,648.59)	2,169,093.20
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(347,285.68)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.		
Bond principal retirements	$ 730,000.00	
Amortization of bond premiums	32,690.00	762,690.00
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/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.		
Pension expense	$ 292,905.58	
OPEB expense	(131,965.00)	160,940.58
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		8,625.00
Change in net position of governmental activities (Exhibit "B")		$ 113,794.87

TALBOT COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 2,814.32	$ -
Receivables, Net		
Other	-	10,976.47
Total Assets	$ 2,814.32	$ 10,976.47
LIABILITIES		
Cash Overdraft		$ 836.14
Funds Held for Others		10,140.33
Total Liabilities		$ 10,976.47
NET POSITION		
Held in Trust for Private Purposes	$ 2,814.32	

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, 2019

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Investment Earnings	
Interest	$ 5.06
DEDUCTIONS	
None reported	-
Change in Net Position	5.06
Net Position - Beginning	2,809.26
Net Position - Ending	$ 2,814.32

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

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The 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 position often has constraints on resources imposed by management which can be removed or modified.

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

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

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

FUND FINANCIAL STATEMENTS

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund 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 60 days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are

recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds.

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 resources 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 2019, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The adoption of this statement did not have an impact on the School District's financial statement.

In fiscal year 2019, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The School District included additional information in the Long-term Liabilities note disclosure.

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	$ 10,000.00	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.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees Postemployment Benefit Fund (School OPEB Fund) and additions to/deductions from School OPEB Fund fiduciary net position have been determined on the same basis as they are reported by School OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FUND BALANCES

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

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

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

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

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

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

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

USE OF ESTIMATES

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

PROPERTY TAXES

The Talbot County Board of Commissioners adopted the property tax levy for the 2018 tax digest year (calendar year) on August 14, 2018 (levy date) based on property values as of January 1, 2018. Taxes were due on December 20, 2018 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2018 tax digest are reported as revenue in the governmental funds for fiscal year 2019. 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, 2019, for maintenance and operations amounted to $3,202,121.17.

The tax millage rate levied for the 2018 tax year (calendar year) for the School District was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	14.05 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $188,874.66 during fiscal year ended June 30, 2019.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $574,555.08 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

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

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

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 AND CASH EQUIVALENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

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

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

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

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2019, the School District had deposits with a carrying amount of $1,990,650.48, and a bank balance of $2,167,275.71. The bank balances insured by Federal depository insurance were $557,327.65 and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name were $1,609,948.06.

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

Cash and cash equivalents		
Statement of Net Position	$	4,115,133.92
Statement of Fiduciary Net Position		1,978.18
Total cash and cash equivalents		4,117,112.10
Add:		
Deposits with original maturity of three months or more reported as investments		65,000.00
Less:		
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		2,191,461.62
Total carrying value of deposits - June 30, 2019	$	1,990,650.48

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of $2,191,461.62 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share, which approximates fair value. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2019 was 39 days.

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Comprehensive Annual Financial Report, which is publicly available at https://www.sao.georgia.gov/comprehensive-annual-financial-reports.

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, 2018	Increases	Decreases	Balances June 30, 2019
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 379,857.93	$ -	$ -	$ 379,857.93
Construction in Progress	385,475.51	2,442,211.79	-	2,827,687.30
Total Capital Assets Not Being Depreciated	765,333.44	2,442,211.79	-	3,207,545.23
Capital Assets Being Depreciated				
Buildings and Improvements	14,060,918.30	-	-	14,060,918.30
Equipment	2,263,488.01	67,530.00	-	2,331,018.01
Land Improvements	682,768.02	-	-	682,768.02
Less Accumulated Depreciation for:				
Buildings and Improvements	2,385,044.15	216,305.25	-	2,601,349.40
Equipment	1,742,425.80	96,102.90	-	1,838,528.70
Land Improvements	477,368.28	28,240.44	-	505,608.72
Total Capital Assets, Being Depreciated, Net	12,402,336.10	(273,118.59)	-	12,129,217.51
Governmental Activities Capital Assets - Net	$ 13,167,669.54	$ 2,169,093.20	$ -	$ 15,336,762.74

Current year depreciation expense by function is as follows:

Instruction		$ 260,352.57
Support Services		
General Administration	$ 347.79	
Maintenance and Operation of Plant	21,341.64	
Student Transportation Services	51,681.02	73,370.45
Food Services		6,925.57
		$ 340,648.59

NOTE 6: INTERFUND TRANSFERS

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfers From	
Transfers to	General Fund	Capital Projects Fund
Debt Service Fund	$ -	$ 429,850.00
Agency Fund	3.15	-
Total	$ 3.15	$ 429,850.00

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 SPLOST referendum. Also, transfers are used to move funds from the general fund to the agency fund to cover deficits for the Family Connection grant.

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, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
General Obligation Bonds	$ 3,910,000.00	$ -	$ 730,000.00	$ 3,180,000.00	$ 325,000.00
Unamortized Bond Premiums	286,039.00	-	32,690.00	253,349.00	32,690.00
	$ 4,196,039.00	$ -	$ 762,690.00	$ 3,433,349.00	$ 357,690.00

GENERAL OBLIGATION DEBT OUTSTANDING

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

The School District had no unused line of credit or outstanding notes from direct borrowings and direct placements related to governmental activities as of June 30, 2019. In the event the entity is unable to make the principal and interest payments using proceeds from the Education Special Purpose Local Option Sales Tax (ESPLOST), the debt will be satisfied from a direct annual ad valorem tax levied upon all taxable property within the School District. Additional security is provided by the State of Georgia Intercept Program which allows for state appropriations entitled to the School District to be transferred to the Debt Service Account Custodian for the payment of debt.

General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2017	2.00% - 4.00%	6/13/2017	3/1/2028	$ 3,500,000.00	$ 3,180,000.00

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

	General Obligation Debt		Unamortized Bond
Fiscal Year Ended June 30:	Principal	Interest	Premium
2020	$ 325,000.00	$ 103,450.00	$ 32,690.00
2021	330,000.00	96,950.00	32,690.00
2022	340,000.00	87,050.00	32,690.00
2023	345,000.00	76,850.00	32,690.00
2024	350,000.00	66,500.00	32,690.00
2025 - 2028	1,490,000.00	147,000.00	89,899.00
Total Principal and Interest	$ 3,180,000.00	$ 577,800.00	$ 253,349.00

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. The School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceed commercial insurance coverage in any of the past three fiscal years.

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.

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
2018	$ -	$ 3,300.00	$ 3,300.00	$ -
2019	$ -	$ 4,551.00	$ 4,551.00	$ -

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, 2019:

Nonspendable		
Inventories		$ 7,137.84
Restricted		
Continuation of Federal Programs	$ 238,239.79	
Capital Projects	2,003,438.57	
Debt Service	111,319.86	2,352,998.22
Assigned		
School Activity Accounts		15,654.36
Unassigned		1,434,612.21
Fund Balance, June 30, 2019		$ 3,810,402.63

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 COMMITMENTS

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2019.

Project	Unearned Executed Contracts (1)	Payments through June 30, 2019 (2)
Athletic Complex	$ 2,021,667.18	$ 2,774,582.82

(1) The amounts described are not reflected in the basic financial statements.
(2) Payments include contracts and retainages payable at year end.

NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

Contributions: As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were $245,062.00 for the year ended June 30, 2019. Active employees are not required to contribute to the School OPEB Fund.

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

At June 30, 2019, the School District reported a liability of $5,481,818.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2018. At June 30, 2018, the School District's proportion was 0.043131%, which was an increase of 0.004541% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized OPEB expense of $377,027.00. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 124,690.00
Changes of assumptions	-	928,647.00
Net difference between projected and actual earnings on OPEB plan investments	7,417.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	764,561.00	-
School District contributions subsequent to the measurement date	245,062.00	-
Total	$ 1,017,040.00	$ 1,053,337.00

School District contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB
2020	$ (57,763.00)
2021	$ (57,763.00)
2022	$ (57,763.00)
2023	$ (58,205.00)
2024	$ (40,893.00)
2025	$ (8,972.00)

Actuarial assumptions: The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

OPEB:

Inflation	2.75%
Salary increases	3.25% - 9.00%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.50%
Medicare Eligible	5.50%
Ultimate trend rate	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2028
Medicare Eligible	2022

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

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

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. During fiscal year 2018, the School OPEB fund updated their investment strategy to a more long-term approach. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return*
Fixed income	30.00%	(0.50)%
Domestic Stocks -- Large Cap	37.20%	9.00%
Domestic Stocks -- Mid Cap	3.40%	12.00%
Domestic Stocks -- Small Cap	1.40%	13.50%
Int'l Stocks - Developed Mkt	17.80%	8.00%
Int'l Stocks - Emerging Mkt	5.20%	12.00%
Alternatives	5.00%	10.50%
Total	100.00%	

*Net of Inflation

Discount rate: The discount rate has changed since the prior measurement date from 3.58% to 3.87%. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.87% was used as the discount rate. This is comprised mainly of the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.87% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2018. Therefore, the calculated discount rate of 3.87% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 3.87%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1 percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
School District's proportionate share of the Net OPEB Liability	$ 6,401,044.00	$ 5,481,818.00	$ 4,740,558.00

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School District's proportionate share of the Net OPEB Liability	$ 4,608,608.00	$ 5,481,818.00	$ 6,597,747.00

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

NOTE 13: RETIREMENT PLANS

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

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2019. The School District's contractually required contribution rate for the year ended June 30, 2019 was 20.90% of annual School District payroll. For the current fiscal year, employer contributions to the pension plan were $748,320.00 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 $15.00, 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 $14,764.00.

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

At June 30, 2019, the School District reported a liability of $5,422,373.00 for its proportionate share of the net pension liability for TRS.

The net pension liability for TRS was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 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, 2018.

At June 30, 2018, the School District's TRS proportion was 0.029212%, which was an increase of 0.000068% from its proportion measured as of June 30, 2017.

At June 30, 2019, 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 $85,902.00.

The PSERS net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 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, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of $454,530.00 for TRS and $19,889.00 for PSERS and revenue of $19,889.00 for PSERS. The revenue is support provided by the State of Georgia.

At June 30, 2019, 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	$ 358,969.00	$ 11,176.00
Changes of assumptions	81,822.00	-
Net difference between projected and actual earnings on pension plan investments	-	148,258.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	77,943.00	140,851.00
School District contributions subsequent to the measurement date	748,320.00	-
Total	$ 1,267,054.00	$ 300,285.00

The School District contributions subsequent to the measurement date 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, 2020. 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
2020	$ 216,851.00
2021	$ 121,931.00
2022	$ (127,900.00)
2023	$ 2,205.00
2024	$ 5,362.00

Actuarial assumptions: The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Public School Employees Retirement System:

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

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

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

Discount rate: The discount rate used to measure the total TRS pension liability was 7.50%. The discount rate used to measure the total PSERS pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 9,051,493.00	$ 5,422,373.00	$ 2,431,793.00

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

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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	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.029212%	$ 5,422,373.00	$ -	$ 5,422,373.00	$ 3,484,577.21	155.61%	80.27%
2018	0.029144%	$ 5,416,502.00	$ -	$ 5,416,502.00	$ 3,346,411.50	161.86%	79.33%
2017	0.028494%	$ 5,878,630.00	$ -	$ 5,878,630.00	$ 3,125,519.13	188.08%	76.06%
2016	0.029732%	$ 4,526,402.00	$ -	$ 4,526,402.00	$ 3,138,384.64	144.23%	81.44%
2015	0.030388%	$ 3,839,123.00	$ -	$ 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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.00%	$ -	$ 85,902.00	$ 85,902.00	$ 214,025.43	N/A	85.26%
2018	0.00%	$ -	$ 77,602.00	$ 77,602.00	$ 227,137.34	N/A	85.69%

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 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL OPEB FUND
FOR THE YEAR ENDED JUNE 30

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.043131%	$ 5,481,818.00	$ -	$ 5,481,818.00	$ 3,374,356.11	162.46%	2.93%
2018	0.038590%	$ 5,421,880.00	$ -	$ 5,421,880.00	$ 3,174,208.92	170.81%	1.61%

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
2019	$ 748,320.00	$ 748,320.00	$ -	$ 3,580,476.69	20.90%
2018	$ 585,757.42	$ 585,757.42	$ -	$ 3,484,577.21	16.81%
2017	$ 477,541.23	$ 477,541.23	$ -	$ 3,346,411.50	14.27%
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%

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

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2019	$ 245,062.00	$ 245,062.00	$ -	$ 3,402,237.58	7.20%
2018	$ 223,544.00	$ 223,544.00	$ -	$ 3,374,356.11	6.62%

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

Teachers Retirement System

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

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.

Public School Employees Retirement System

Changes of assumptions: On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date.

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

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.

School OPEB Fund

Changes of benefit terms: There have been no changes in benefit terms.

Changes of assumptions: The June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are now assigned to the State OPEB fund based on their last employer payroll location: irrespective of retirement affiliation.

The discount rate was updated from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

TALBOT COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

SCHEDULE "7"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 3,158,942.00	$ 3,317,322.54	$ 3,390,995.83	$ 73,673.29
Sales Taxes	-	20,642.30	13,394.12	(7,248.18)
State Funds	3,238,378.00	3,360,389.00	3,169,074.92	(191,314.08)
Federal Funds	562,053.00	1,207,238.00	1,357,919.33	150,681.33
Charges for Services	51,500.00	51,500.00	37,765.94	(13,734.06)
Investment Earnings	1,000.00	1,000.00	1,173.14	173.14
Miscellaneous	125,193.00	128,193.00	101,585.31	(26,607.69)
Total Revenues	7,137,066.00	8,086,284.84	8,071,908.59	(14,376.25)
EXPENDITURES				
Current				
Instruction	4,460,784.69	4,559,045.00	4,284,550.88	274,494.12
Support Services				
Pupil Services	495,562.00	501,263.00	422,356.82	78,906.18
Improvement of Instructional Services	318,192.00	375,102.00	297,096.03	78,005.97
Educational Media Services	95,188.00	95,188.00	101,224.55	(6,036.55)
General Administration	422,341.00	425,841.00	476,819.04	(50,978.04)
School Administration	442,994.00	442,994.00	538,866.67	(95,872.67)
Business Administration	373,135.00	375,021.35	256,938.36	118,082.99
Maintenance and Operation of Plant	723,993.00	742,932.72	723,060.68	19,872.04
Student Transportation Services	494,502.00	507,836.84	448,894.95	58,941.89
Other Support Services	27,000.00	27,000.00	31,278.00	(4,278.00)
Food Services Operation	554,000.00	556,974.09	430,969.51	126,004.58
Total Expenditures	8,407,691.69	8,609,198.00	8,012,055.49	597,142.51
Excess of Revenues over (under) Expenditures	(1,270,625.69)	(522,913.16)	59,853.10	582,766.26
OTHER FINANCING USES				
Other Uses	-	-	(3.15)	(3.15)
Net Change in Fund Balances	(1,270,625.69)	(522,913.16)	59,849.95	582,763.11
Fund Balances - Beginning	-	2,261,496.72	1,635,794.25	(625,702.47)
Adjustments	-	22,558.57	-	(22,558.57)
Fund Balances - Ending	$ (1,270,625.69)	$ 1,761,142.13	$ 1,695,644.20	$ (65,497.93)

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

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, 2019

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	195GA324N1099	$ 130,480.08
National School Lunch Program	10.555	195GA324N1099	274,206.04
Total Child Nutrition Cluster			404,686.12
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Fresh Fruit and Vegetable Program	10.582	195GA324L1603	12,057.30
Total U. S. Department of Agriculture			416,743.42
Education, U.S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A170073	46,783.79
Grants to States	84.027	H027A180073	107,052.62
Preschool Grants	84.173	H173A180081	18,391.00
Total Special Education Cluster			172,227.41
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A180010	10,956.62
Rural Education	84.358	S365B170010	4,568.14
Student Support and Academic Enrichment Program	84.424A	S424A170011	2,949.02
Student Support and Academic Enrichment Program	84.424A	S424A180011	1,814.61
Supporting Effective Instruction State Grants	84.367	S367A170001	4,908.17
Supporting Effective Instruction State Grants	84.367	S367A180001	35,413.67
Title I Grants to Local Educational Agencies	84.010	S010A170010	64,337.03
Title I Grants to Local Educational Agencies	84.010	S010A180010	354,585.04
Total Other Programs			479,532.30
Total U. S. Department of Education			651,759.71
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		58,370.75
Total Expenditures of Federal Awards			$ 1,126,873.88

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, 2019. 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.

Note 3. Indirect Cost Rate

The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 79,811.10
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	79,428.00
Kindergarten Program - Early Intervention Program	21,215.00
Primary Grades (1-3) Program	356,811.00
Primary Grades - Early Intervention (1-3) Program	53,865.00
Upper Elementary Grades (4-5) Program	184,019.00
Upper Elementary Grades - Early Intervention (4-5) Program	38,896.00
Middle Grades (6-8) Program	288,745.00
High School General Education (9-12) Program	267,139.00
Vocational Laboratory (9-12) Program	62,486.00
Students with Disabilities	441,310.00
Remedial Education Program	26,264.00
Alternative Education Program	20,920.00
Media Center Program	48,760.00
20 Days Additional Instruction	15,636.00
Staff and Professional Development	7,232.00
Principal Staff and Professional Development	222.00
Indirect Cost	
Central Administration	277,237.00
School Administration	123,970.00
Facility Maintenance and Operations	94,691.00
Mid-term Adjustment Hold-Harmless	78,720.00
Amended Formula Adjustment	(39,690.00)
Categorical Grants	
Pupil Transportation	
Regular	225,481.00
Nursing Services	45,000.00
Sparsity	284,698.00
Food Services	11,252.00
Math and Science Supplements	2,097.08
Vocational Education	27,438.02
Governor's Office of Student Achievement	
GRASP Counselor Grant	30,657.72
Office of the State Treasurer	
Public School Employees Retirement	14,764.00
	$ 3,169,074.92

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TALBOT COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2019

SCHEDULE "10"

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
(1) Adding to, constructing, renovating, furnishing, and/or equipping an athletic complex and related facilities, including a stadium, a track, softball field and any related lighting; (2) acquiring equipment for physical education and the athletic departments; (3) acquiring safety, security and/or fire protection equipment; (4) acquiring buses, vehicles, and/or transportation equipment; and/or (5) acquiring property.	$ 2,800,000.00	$ 3,500,000.00	$ 2,495,750.62	$ 433,195.51	$ -	$ -	6/30/2022

(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 4-101
Atlanta, Georgia 30334-8400

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Talbot County Board of Education (School District), as of and for the year ended June 30, 2019, 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 2, 2021. We were unable to obtain sufficient appropriate audit evidence to substantiate the balances for the aggregate remaining fund information and, therefore, we did not express an opinion on this information.

Internal Control Over Financial Reporting

In planning and performing our audit the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing 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 have not been identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we did identify 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 corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items FS 2019-002 and FS 2019-005 to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items FS 2019-001, FS 2019-003 and FS 2019-004 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 misstatements, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our engagement, 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 engagement to 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 engagement to perform 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 2, 2021

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the 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, 2019. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Basis for Qualified Opinion on Title I Grants Local Educational Agencies (CFDA 84.010)

As described in the accompanying *Schedule of Findings and Questioned Costs*, the School District did not comply with requirements regarding Title I Grants to Local Educational Agencies (CFDA 84.010) as described in item FA 2019-001 for Cash Management and FA 2019-002 for Financial Reporting. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

Qualified Opinion on Title I Grants Local Educational 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 compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies (CFDA 84.010) for the year ended June 30, 2019.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs* for the year ended June 30, 2019.

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.

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

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Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying *Schedule of Findings and Questioned Costs* as items FA 2019-001 and FA 2019-002, that we consider to be material weaknesses.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

September 2, 2021

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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, 2019

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

FS 2016-001	Internal Control Procedures
Control Category:	Cash and Cash Equivalents
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

FS 2017-001	Internal Control Procedures
Control Category:	Cash and Cash Equivalents
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

FS 2018-001	Internal Control Procedures
Control Category:	Cash and Cash Equivalents
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

The Finance Director will meet with all parties involved to discuss the findings, examine our current procedure, and seek ways to diminish all 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.

TALBOT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

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

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
Finding Status:	Unresolved

TALBOT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-002	**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
Finding Status:	Unresolved

FS 2018-002	**Internal Controls over Agency 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

The School District has hired a new Finance/Business Director that will review the current accounting procedures 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 account that has features to eliminate issues with school level purchases. The Business/Finance Director will meet periodically to share ideas, discuss adjustments to procedures (if any), and provide additional training, if needed.

FS-7301-13-05	**Inadequate Internal Controls over Employee Compensation**
Control Category:	Employee Compensation
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented

FS 2014-004	**Inadequate Internal Controls over Employee Compensation**
Control Category:	Employee Compensation
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented

TALBOT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-004	**Inadequate Internal Controls over Employee Compensation**
Control Category:	Employee Compensation
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented

FS 2016-003	**Internal Controls over Employee Compensation**
Control Category:	Employee Compensation
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented

FS 2017-003	**Internal Controls over Employee Compensation**
Control Category:	Employee Compensation
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented

FS 2018-003	**Internal Controls over Employee Compensation**
Control Category:	Employee Compensation
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented

FS-7301-13-06	**Failure to Adequately Maintain Capital Assets**
Control Category:	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

FS 2014-005	**Failure to Adequately Maintain Capital Assets**
Control Category:	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

TALBOT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-005	**Failure to Adequately Maintain Capital Assets**
Control Category:	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

FS 2016-004	**Internal Controls over Capital Assets**
Control Category:	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

FS 2017-004	**Internal Controls over Capital Assets**
Control Category:	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

FS 2018-004	**Internal Controls over Capital Assets**
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

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
Finding Status:	Partially Resolved

FS 2017-005	**Internal Controls at the Central Office**
Control Category:	Accounting Controls (Overall) Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

TALBOT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2018-005	**Internal Controls at the Central Office**
Control Category:	Accounting Controls (Overall) Expenditures/Liabilities/Disbursements General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

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
Finding Status:	Partially Resolved

FS 2017-006	**Internal Controls over Financial Reporting**
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

FS 2018-006	**Internal Controls over Financial Reporting**
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

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.

TALBOT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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:	84.010 Title I Grants to Local Education Agencies
Finding Status:	Unresolved

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:	84.010 Title I Grants to Local Education Agencies
Finding Status:	Unresolved

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:	84.010 Title I Grants to Local Education Agencies
Finding Status:	Unresolved

FA 2017-002	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:	84.010 Title I Grants to Local Education Agencies
Finding Status:	Unresolved

TALBOT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2018-001	**Improve Controls Over the Cash Management**
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:	84.010 Title I Grants to Local Education Agencies
Federal Award Numbers:	S010A160010, S010A170010
Finding Status:	Unresolved

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

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:	10.553 and 10.555 Child Nutrition Cluster
Finding Status:	Previously Reported Corrective Action Implemented

FA 2017-003	**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:	10.553 and 10.555 Child Nutrition Cluster
Finding Status:	Previously Reported Corrective Action Implemented

FA 2018-002	**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:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Numbers:	181856A324N1099 – School Breakfast Program 181856A324N1100 – National School Lunch Program
Finding Status:	Previously Reported Corrective Action Implemented

TALBOT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2018-003	Strengthen Controls over Maintenance of Effort Requirements
Compliance Requirement:	Matching, Level of Effort, Earmarking
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:	84.010 Title I Grants to Local Education Agencies
Federal Award Numbers:	S010A160010, S010A170010
Finding Status:	Previously Reported Corrective Action Implemented

FA 2017-005	Improve Controls over the Schoolwide Program
Compliance Requirement:	Special Tests and Provisions
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:	84.010 Title I Grants to Local Education Agencies
Finding Status:	Unresolved

The School District will evaluate and implement their internal control processes regarding operation of a schoolwide program and formation of the schoolwide plan. The School District will then modify or develop procedures to ensure that an annual evaluation of results achieved by the schoolwide program is performed and the schoolwide plan is revised appropriately based upon these results. Management will develop and implement a monitoring process to ensure that these procedures are properly implemented.

FA 2017-006	Strengthen Controls over Consultation with Private School Officials
Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Education Agencies
Finding Status:	Previously Reported Corrective Action Implemented

FA 2018-004	Strengthen Controls over Consultation with Private School Officials
Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Education Agencies
Federal Award Numbers:	S010A160010, S010A170010
Finding Status:	Previously Reported Corrective Action Implemented

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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, 2019

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

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

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? None Reported

Type of auditor's report issued on compliance for major programs:
Unmodified for all major programs except for 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 2019-001	Internal Control Procedures
Control Category:	Cash and Cash Equivalents
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2018-001, FS 2017-001, FS 2016-001, FS 2015-001, FS 2014-001, FS 7301-13-01

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, the bank balance amount, the amount insured by Federal depository insurance, and the amount collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.
- One bank account was not properly reconciled to the June 30, 2019 general ledger balance in the amount of $12,937.14.
- One reconciliation lacked the preparers and approvers 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 sufficient.

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 performed accurately and in a timely manner by someone independent of the general ledger function.

Views of Responsible Officials:
We concur with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2019-002	Internal Controls over Agency Fund 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 2018-002, FS 2017-002, FS 2016-002, FS 2015-002, FS 2014-002, FS 7301-13-02,

Description:
The accounting procedures of the School District were not followed resulting in internal control weaknesses over Agency Fund 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 deficiencies were noted with the School District's Agency Fund accounts:

Cash and Cash Equivalents

- The CSS Internal School Funds account was not reconciled to the general ledger nor to the school activity ledger reports at June 30, 2019.

Revenues/Receivables/Receipts

- The deposit preparation function was not separated from the bank reconciliation and general ledger functions for school activity accounts.
- No supporting receipt documentation was provided for the three school activity receipts selected for review.

Expenditures/Liabilities/Disbursements

- None of the three school activity account expenditures reviewed had evidence of review or approval.
- One of the three school activity account expenditures reviewed was not supported by an invoice.
- None of the three school activity account expenditures had evidence of receipt of purchase.
- No supporting expenditure documentation was provided for the twelve Family Connection grant expenditures selected for review.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Accounting Controls (Overall)

- For school activity accounts, 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 School District did not record any fiscal year 2019 school activity account transactions on the general ledger or the financial statements. Supporting documentation provided by the School District to record school activity accounts was unreliable and inaccurate; therefore, it was not possible to determine if the balances at June 30, 2019 were materially correct.

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 due to lack of understanding. That resulted in necessary information not being recorded and located.

Effect or Potential Effect:

The lack of adequate controls increases the risk of theft, fraud, or misuse of School District resources that may result in errors and/or irregularities not being detected in a timely manner. Also, agency funds could be materially misstated.

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.

In addition, the School District should ensure that balances are properly reflected in the general ledger and financial statements.

Views of Responsible Officials:

We concur with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2019-003	Internal Controls over Capital Assets
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2018-004, FS 2017-004, FS 2016-004, FS 2015-005, FS 2014-005, FS 7301-13-06

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 IV-7 *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 School District's capital asset records revealed the following exceptions:

- A physical inventory of capital assets has not been performed since fiscal year 2015.
- An entry was proposed by auditors and accepted by the School District to record expenditures related to construction in progress totaling $428,426.24.

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.

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. In addition, management should ensure that expenditures that meet the capitalization threshold are properly capitalized and included in capital assets.

Views of Responsible Officials:
We concur with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2019-004	Internal Controls at the Central Office
Control Category:	Accounting Controls (Overall) General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2018-005, FS 2017-005, FS 2016-005

Description:
The accounting procedures of the School District did not 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 appropriately.

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 the server room is unlocked during working hours.
- 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.
- Backup and recovery procedures for the student information system and school food service point of sale system are not adequate.
- There is no formal policy for managing user access to the financial application, student information system, and school food service point of sale system.
- The School District did not have adequate password policies over the network, student information system, and school food service point of sale system.

General Ledger
Our examination of seven journal entries revealed the following deficiencies:

- Supporting documentation for six journal entries selected for review could not be provided by the School District.
- All of the journal entries lacked evidence of supervisory review and approval.

Cause:
In discussing these deficiencies 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.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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 and journal entries to strengthen the internal controls over the accounting function.

Views of Responsible Officials:
We concur with this finding.

FS 2019-005	Internal Controls over Financial Reporting
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2018-006, FS 2017-006, FS 2016-006

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 II–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:

Agency fund cash and funds held for others was overstated and accounts receivable was understated by $10,976.47 due to the Family Connections grant being incorrectly recorded in the general fund. Adjustments to the financial statements were proposed by the auditors and accepted by the School District. These misstatements were material to the agency fund.

- 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 2019-001	Improve Controls over Cash Management
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:	84.010 Title I Grants to Local Education Agencies
Federal Award Numbers:	S010A170010, S010A180010
Questioned Costs:	None Identified
Repeat of Prior Year Findings:	FA 2018-001; FA 2017-002, FA 2016-001, 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.

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

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

Cause:
In discussing the issues with management, they indicated that the lack of review of federal grants 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 2019-002	Strengthen Controls over Financial Reporting
Compliance Requirement:	Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	84.010 Title I Grants to Local Educational Agencies
Federal Award Numbers:	S010A170010, S010A180010
Questioned Costs:	$59,268.45

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

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

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

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

1. The Title I-A, Improving Academic Achievement completion report for the period ending June 30, 2019 was over reported by $55,268.45.
2. The Title I-A, School Improvement completion report for the period ending June 30, 2019 was over reported by $4,000.00.

Questioned Costs:
Questioned costs of $59,268.45 were identified for cash drawdowns in excess of reimbursable expenditures.

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

Effect or Potential Effect:
The School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance. Failure to accurately report Federal award expenditures through the completion report process lead to the filing of reimbursement requests that do not agree to actual expenditures. Therefore, the School District obtained more Federal funding than they were eligible to receive. Additionally, this funding must be returned to the Georgia Department of Education.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

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

Views of Responsible Officials:

We concur with this finding.

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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
Anton Turner, District 1
James Stevenson, Vice Chairperson, District 2
Sharleta Hall, Chairperson District 3
Carlton Mahone, District 4
Mildred Biggs, District 5

CORRECTIVE ACTION PLAN: FINANCIAL AND FEDERAL AUDIT FINDINGS

Finding: FS 2019-001	Internal Control Procedures
Control Category:	Cash and Cash Equivalents
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2018-001, FS 2017-001, FS 2016-001, FS 2015-001, FS 2014-001, FS-7301-13-01

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 2019-002	Internal Controls over Agency Fund 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 2018-002, FS 2017-002, FS 2016-002, FS 2015-002, FS 2014-002, FS-7301-13-02

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 Finance/Business Director will meet periodically to share ideas, discuss adjustments to procedures (if any), and provide additional training, if needed.

FS 2019-003	Internal Controls over Capital Assets
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2018-04, FS 2017-004, FS 2016-004, FS 2015-005, FS 2014-005, FS-7301-13-06

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 2019-004	Internal Controls at the Central Office
Control Category:	Accounting Controls (Overall) General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2018-005, FS 2017-005, FS 2016-005

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 2019-005	Internal Controls over Financial Reporting
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2018-06, FS 2017-006, FS 2016-006

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 2019-001	Improve Controls over the Cash Management
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:	84.010 Title I Grants to Local Education Agencies
Federal Award Numbers:	S010A170010, S010A180010
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA 2018-001, FA 2017-002, FA 2016-001, FA 2015-002, FA 2014-003

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

FA 2019-002	Strengthen Controls over Financial Reporting
Compliance Requirement:	Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title I Grants to Local Education Agencies (CFDA 84.010)
Federal Award Numbers:	S010A170010, S010A180010
Questioned Costs:	$59,268.45

Response: The School District has hired a new Chief Financial Officer to oversee the accounting procedures. The Chief Financial Officer will monitor monthly/yearly expenditures to ensure that the completion reports are both in agreement at the end of each grant period.

Estimated Completion Date: June 30, 2022

Dr. James Catrett, Superintendent
Contact Information: JCatrett@talbot.k12.ga.us
(706) 665-8528