

TURNER COUNTY
BOARD OF EDUCATION
ASHBURN, GEORGIA

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

TURNER COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 28, 2018

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Turner County Board of Education

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the Schedules of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages 28 through 32 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, consisting of Schedules 6 through 8, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2018, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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TURNER COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 954,314.40
Investments	5,511.63
Accounts Receivable, Net	
Taxes	214,828.73
State Government	960,272.21
Federal Government	556,701.97
Inventories	15,254.83
Capital Assets, Non-Depreciable	589,450.73
Capital Assets, Depreciable (Net of Accumulated Depreciation)	11,806,565.50
Total Assets	15,102,900.00
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	1,175,290.00
LIABILITIES	
Accounts Payable	64,051.71
Salaries and Benefits Payable	1,586,855.48
Interest Payable	31,130.00
Net Pension Liability	12,216,504.00
Long-Term Liabilities	
Due Within One Year	202,131.47
Due in More Than One Year	682,543.90
Total Liabilities	14,783,216.56
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	1,511,159.00
NET POSITION	
Net Investment in Capital Assets	11,511,340.86
Restricted for	
Continuation of Federal Programs	286,172.18
Capital Projects	364,123.35
Unrestricted (Deficit)	(12,177,821.95)
Total Net Position	$ (16,185.56)

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

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

EXHIBIT "B"

	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES				
Instruction	$ 9,194,489.66	$ 82,119.38	$ 7,319,968.69	$ (1,792,401.59)
Support Services				
Pupil Services	512,301.32	-	148,769.44	(363,531.88)
Improvement of Instructional Services	730,065.46	-	254,775.68	(475,289.78)
Educational Media Services	174,296.90	-	176,629.00	2,332.10
General Administration	345,821.53	-	479,803.17	133,981.64
School Administration	793,695.00	-	542,613.00	(251,082.00)
Business Administration	264,261.53	-	529.85	(263,731.68)
Maintenance and Operation of Plant	1,311,071.60	975.00	393,131.96	(916,964.64)
Student Transportation Services	774,164.76	-	306,982.74	(467,182.02)
Central Support Services	802.17	-	-	(802.17)
Other Support Services	218,039.74	-	77,071.61	(140,968.13)
Operations of Non-Instructional Services				
Community Services	9,229.88	-	-	(9,229.88)
Food Services	981,111.50	30,114.30	972,564.97	21,567.77
Interest on Short-Term and Long-Term Debt	58,158.57	-	-	(58,158.57)
Total Governmental Activities	$ 15,367,509.62	$ 113,208.68	$ 10,672,840.11	(4,581,460.83)
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				3,246,995.31
Railroad Cars				20,191.85
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Capital Projects				813,221.56
Other Sales Tax				30,875.09
Grants and Contributions not Restricted to Specific Programs				673,265.00
Investment Earnings				3,342.98
Miscellaneous				419,032.96
Total General Revenues				5,206,924.75
Change in Net Position				625,463.92
Net Position - Beginning of Year				(641,649.48)
Net Position - End of Year				$ (16,185.56)

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

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

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 639,937.31	$ 314,377.09	$ 954,314.40
Investments	-	5,511.63	5,511.63
Accounts Receivable, Net			
Taxes	139,464.10	75,364.63	214,828.73
State Government	960,272.21	-	960,272.21
Federal Government	556,701.97	-	556,701.97
Inventories	15,254.83	-	15,254.83
Total Assets	$ 2,311,630.42	$ 395,253.35	$ 2,706,883.77
LIABILITIES			
Accounts Payable	$ 64,051.71	$ -	$ 64,051.71
Salaries and Benefits Payable	1,586,855.48	-	1,586,855.48
Total Liabilities	1,650,907.19	-	1,650,907.19
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	7,021.57	-	7,021.57
FUND BALANCES			
Nonspendable	15,254.83	-	15,254.83
Restricted	270,917.35	395,253.35	666,170.70
Assigned	87,802.56	-	87,802.56
Unassigned	279,726.92	-	279,726.92
Total Fund Balances	653,701.66	395,253.35	1,048,955.01
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,311,630.42	$ 395,253.35	$ 2,706,883.77

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

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

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")		$ 1,048,955.01
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	$ 565,807.00	
Construction in progress	23,643.73	
Buildings and Improvements	17,691,004.00	
Equipment	2,268,633.50	
Land Improvements	2,100,840.00	
Accumulated depreciation	(10,253,912.00)	12,396,016.23
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(12,216,504.00)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		(335,869.00)
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		7,021.57
Long-term liabilites, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	$ (31,130.00)	
Capital leases payable	(884,675.37)	(915,805.37)
Net position of governmental activities (Exhibit "A")		$ (16,185.56)

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

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

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Property Taxes	$ 3,347,104.89	$ -	$ 3,347,104.89
Sales Taxes	30,875.09	813,221.56	844,096.65
State Funds	8,569,529.25	-	8,569,529.25
Federal Funds	2,793,406.86	-	2,793,406.86
Charges for Services	113,208.68	-	113,208.68
Investment Earnings	1,672.75	1,670.23	3,342.98
Miscellaneous	419,032.96	-	419,032.96
Total Revenues	15,274,830.48	814,891.79	16,089,722.27
EXPENDITURES			
Current			
Instruction	8,625,110.35	263,415.56	8,888,525.91
Support Services			
Pupil Services	488,803.38	1,500.00	490,303.38
Improvement of Instructional Services	706,728.16	-	706,728.16
Educational Media Services	229,804.23	8,685.47	238,489.70
General Administration	329,602.31	1,562.97	331,165.28
School Administration	1,074,030.84	6,691.97	1,080,722.81
Business Administration	267,409.93	2,950.32	270,360.25
Maintenance and Operation of Plant	971,839.98	128,768.51	1,100,608.49
Student Transportation Services	649,758.17	42,749.28	692,507.45
Central Support Services	802.17	-	802.17
Other Support Services	379,870.85	35,409.97	415,280.82
Community Services	9,229.88	-	9,229.88
Food Services Operation	958,236.52	601.57	958,838.09
Capital Outlay	-	23,643.73	23,643.73
Debt Services			
Principal	-	190,631.43	190,631.43
Interest	-	64,868.57	64,868.57
Total Expenditures	14,691,226.77	771,479.35	15,462,706.12
Net Change in Fund Balances	583,603.71	43,412.44	627,016.15
Fund Balances - Beginning	70,097.95	351,840.91	421,938.86
Fund Balances - Ending	$ 653,701.66	$ 395,253.35	$ 1,048,955.01

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

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

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")		$ 627,016.15
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	$ 113,803.23	
Depreciation expense	(704,249.00)	(590,445.77)
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(79,917.73)
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Capital lease payments		190,631.43
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Pension expense		471,469.84
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		6,710.00
Change in net position of governmental activities (Exhibit "B")		$ 625,463.92

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

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

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 250.38	$ -
Investments	25,000.00	-
Total Assets	$ 25,250.38	$ -
LIABILITIES		
Cash Overdraft	$ -	$ 48,329.68
Accounts Payable	250.38	-
Salaries and Benefits Payable	-	8,822.12
Funds Held for Others	-	(57,151.80)
Total Liabilities	250.38	$ -
NET POSITION		
Held in Trust for Private Purpose	$ 25,000.00	

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

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

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Investment Earnings	
Interest	$ 250.38
DEDUCTIONS	
Other Deductions	532.70
Change in Net Position	(282.32)
Net Position - Beginning	25,282.32
Net Position - Ending	$ 25,000.00

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The School District reports the following major governmental funds:

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

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 and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants.* This statement addresses accounting and financial reporting for certain external investment pools and pool participants. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

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	Any Amount	N/A
Land Improvements	$ 10,000.00	15 to 40 years
Buildings and Improvements	$ 10,000.00	25 to 60 years
Equipment	$ 10,000.00	5 to 20 years
Construction in Progress	$ 10,000.00	N/A
Intangible Assets	$ 10,000.00	10 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.

PENSIONS

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

FUND BALANCES

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

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

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

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

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

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

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

USE OF ESTIMATES

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

PROPERTY TAXES

The Turner County Board of Commissioners adopted the property tax levy for the 2015 tax digest year (calendar year) on August 13, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on December 20, 2015 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The Turner County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations amounted to $3,150,460.25.

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

School Operations	16.00 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $176,452.79 during fiscal year ended June 30, 2016.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $813,221.56 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

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

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

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

NOTE 4: DEPOSITS AND INVESTMENTS

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. At June 30, 2016, $486,180.66 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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

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

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

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

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

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2016, the School District had deposits with a carrying amount of $979,564.78 and a bank balance of $1,403,638.49. The bank balances insured by Federal depository insurance were $525,000.00 and the bank balances collateralized with securities held by the pledging financial institution in the School District’s name were $392,457.83.

At June 30, 2016, $486,180.66 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$	486,180.66
Uninsured with collateral held by the pledging financial institution		-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name		-
Total	$	486,180.66

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

Statement of Net Position		
Cash and cash equivalents	$	954,314.40
Statement of Fiduciary Net Position		
Cash and cash equivalents		250.38
Total cash and cash equivalents		954,564.78
Add:		
Deposits with original maturity of three months or more reported as investments		25,000.00
Total carrying value of deposits - June 30, 2016	$	979,564.78

CATEGORIZATION OF INVESTMENTS

At June 30, 2016, the School District had the following investments:

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Other Investments		
Federated Government Obligations	$ 5,511.63	$ 5,511.63

The Federated Government Obligations Fund, formerly referred to as Government Obligations Fund, administered by the Federated Investors, Incorporated, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The Federated Government Obligations Fund invests primarily in a portfolio of short-term U.S. Treasury and government agency securities, including repurchase agreements.

The Federated Government Obligations Fund is registered with the SEC as an investment company and operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the fund's share price, $1.00 per share. The funds is AAAm rated investment pool by Standard and Ppor's. The weighted average maturity for Federated Government Obligations Fund on June 30, 2017 was 38 days.

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 565,807.00	$ -	$ -	$ 565,807.00
Construction in Progress	-	23,643.73	-	23,643.73
Total Capital Assets Not Being Depreciated	565,807.00	23,643.73	-	589,450.73
Capital Assets Being Depreciated				
Buildings and Improvements	17,691,004.00	-	-	17,691,004.00
Equipment	2,178,474.00	90,159.50	-	2,268,633.50
Land Improvements	2,100,840.00	-	-	2,100,840.00
Less Accumulated Depreciation for:				
Buildings and Improvements	6,038,973.00	494,544.00	-	6,533,517.00
Equipment	1,803,613.00	138,947.00	-	1,942,560.00
Land Improvements	1,707,077.00	70,758.00	-	1,777,835.00
Total Capital Assets, Being Depreciated, Net	12,420,655.00	(614,089.50)	-	11,806,565.50
Governmental Activity Capital Assets - Net	$ 12,986,462.00	$ (590,445.77)	$ -	$ 12,396,016.23

Current year depreciation expense by function is as follows:

Instruction		$ 514,101.77
Support Services		
Pupil Services	$ 42,254.94	
General Administration	2,112.75	
Maintenance and Operation of Plant	21,127.47	
Student Transportation Services	91,552.37	
Other Support Services	1,408.50	158,456.03
Food Services		31,691.20
		$ 704,249.00

NOTE 6: SHORT-TERM DEBT

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

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ 10.00	$ 999,990.00	$ 1,000,000.00	$ -

NOTE 7: LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
Energy Efficiency Leases	$ 1,075,306.80	$ -	$ 190,631.43	$ 884,675.37	$ 202,131.47

OBLIGATIONS UNDER ENERGY EFFICIENCY LEASES

An energy efficiency lease agreement dated April 27, 2010 was executed by and between the School District, the lessee, and Equipment Capital Corp., the lessor. The agreement authorized the borrowing of $1,926,938.00 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the School District's capital projects fund.

Debt currently outstanding is as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Equipment Capital Corp.	5.49%	4/27/2010	11/15/2019	$ 1,926,938.00	$ 884,675.37

The following was acquired through the energy efficiency capital lease:

	Governmental Funds
Buildings and Improvements	$ 1,926,938.00
Less: Accumulated Depreciation	423,926.36
	$ 1,503,011.64

The following is a schedule of total energy efficiency lease payments:

Fiscal Year Ended June 30:	Principal	Interest
2017	$ 202,131.47	$ 53,368.53
2018	214,325.26	41,174.74
2019	227,254.64	28,245.36
2020	240,964.00	14,536.00
Total Principal and Interest	$ 884,675.37	$ 137,324.63

NOTE 8: RISK MANAGEMENT

INSURANCE

Commercial Insurance

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

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
2015	$ -	$ -	$ -	$ -
2016	$ -	$ 660.00	$ 660.00	$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 100,000.00

NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

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

Nonspendable		
Inventories		$ 15,254.83
Restricted		
Continuation of federal programs	$ 270,917.35	
Capital projects	395,253.35	666,170.70
Assigned		
School activity accounts		87,802.56
Unassigned		279,726.92
Fund Balance, June 30, 2016		$ 1,048,955.01

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

It is the goal of the School District to achieve and maintain unassigned, assigned, and committed fund balances in the general fund at fiscal year end of not less than 5% of revenues, not to exceed 15% of the total budget of the subsequent fiscal year, net of any committed reserve balance for capital expenditures and assigned fund balances "to cover unanticipated deficiencies in revenue or unanticipated expenditures", in compliance with O.C.G.A. § 20-2-167(a)5. If the total of the unassigned, assigned, and committed fund balances (net of the previous allowances) at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance. Unbudgeted activity funds shall be excluded from the calculation.

NOTE 10: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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

LITIGATION

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

NOTE 11: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Post-Employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated

(O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). Additional information about the School OPEB Fund is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This report can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

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

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

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

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

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

For non-certificated school personnel:

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

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

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

Fiscal Year	Percentage Contributed		Required Contribution
2016	100%	$	1,783,053.67
2015	100%	$	1,840,489.29
2014	100%	$	1,804,603.80

NOTE 12: RETIREMENT PLANS

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

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual School District payroll, of which 14.21% of payroll was required form the School District and .06% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $1,175,290.00 and $5,606.08 from the School District and the State, respectively.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

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

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

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

Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was $19,889.00.

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

At June 30, 2016, the School District reported a liability of $12,216,504.00 for its proportionate share of the net pension liability for TRS.

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

School District's proportionate share of the net pension liability	$	12,216,504.00
State of Georgia's proportionate share of the net pension liability associated with the School District		67,747.00
Total	$	12,284,251.00

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

At June 30, 2015, the School District's TRS proportion was 0.080245%, which was a decrease of 0.001199% from its proportion measured as of June 30, 2014.

At June 30, 2016, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is $83,224.00.

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

For the year ended June 30, 2016, the School District recognized pension expense of $699,266.00 for TRS and $4,963.00 for PSERS and revenue of $3,701.00 for TRS and $4,963.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

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

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 107,450.00
Net difference between projected and actual earnings on pension plan investments	-	1,030,475.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	373,234.00
School District contributions subsequent to the measurement date	1,175,290.00	-
Total	$ 1,175,290.00	$ 1,511,159.00

The School District contributions subsequent to the measurement date of $1,175,290.00 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2016	$ (604,626.00)
2017	$ (604,626.00)
2018	$ (604,627.00)
2019	$ 315,691.00
2020	$ (12,971.00)

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

Teachers Retirement System:

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

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

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

Public School Employees Retirement System:

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

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

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

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

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

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

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

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

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

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 20,993,139.00	$ 12,216,504.00	$ 4,982,469.00

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

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

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.080245%	$ 12,216,504.00	$ 67,747.00	$ 12,284,251.00	$ 8,533,119.18	143.17%	81.44%
2015	0.081444%	$ 10,289,375.00	$ 58,241.00	$ 10,347,616.00	$ 8,355,950.26	123.14%	84.03%

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

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

SCHEDULE "2"

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 proprotionate share of the net pension liaibility associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.00%	$ -	$ 83,224.00	$ 83,224.00	$ 201,337.50	N/A	87.00%
2015	0.00%	$ -	$ 83,869.21	$ 83,869.21	$ 194,206.39	N/A	88.29%

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

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

SCHEDULE "3"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2016	$ 1,175,290.00	$ 1,175,290.00	$ -	$ 8,272,266.73	14.21%
2015	$ 1,115,924.72	$ 1,115,924.72	$ -	$ 8,533,119.18	13.08%

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

Teachers Retirement System

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

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

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

Public School Employees Retirement System

Changes of assumptions: The last experience investigation was prepared for the five-year period ending June 30, 2009, and based on the results of the investigation various assumptions and methods were revised and adopted by the board on December 16,2010. The next experience investigation will be prepared for the period July 1, 2009 through June 30, 2014.

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

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

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

SCHEDULE "5"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 3,409,380.00	$ 3,409,380.00	$ 3,347,104.89	$ (62,275.11)
Sales Taxes	6,000.00	6,000.00	30,875.09	24,875.09
State Funds	8,143,621.00	8,442,919.84	8,569,529.25	126,609.41
Federal Funds	945,593.80	2,732,232.80	2,793,406.86	61,174.06
Charges for Services	30,500.00	30,500.00	113,208.68	82,708.68
Investment Earnings	1,700.00	1,700.00	1,672.75	(27.25)
Miscellaneous	141,000.00	141,000.00	419,032.96	278,032.96
Total Revenues	12,677,794.80	14,763,732.64	15,274,830.48	511,097.84
EXPENDITURES				
Current				
Instruction	7,270,119.00	9,079,701.62	8,625,110.35	454,591.27
Support Services				
Pupil Services	454,421.49	519,795.49	488,803.38	30,992.11
Improvement of Instructional Services	565,983.21	785,529.71	706,728.16	78,801.55
Educational Media Services	224,558.06	224,558.06	229,804.23	(5,246.17)
General Administration	211,987.12	223,029.12	329,602.31	(106,573.19)
School Administration	839,529.55	839,529.55	1,074,030.84	(234,501.29)
Business Administration	271,738.61	271,738.61	267,409.93	4,328.68
Maintenance and Operation of Plant	991,336.35	991,336.35	971,839.98	19,496.37
Student Transportation Services	678,208.62	737,298.32	649,758.17	87,540.15
Central Support Services	5,500.00	5,500.00	802.17	4,697.83
Other Support Services	152,821.71	252,272.71	379,870.85	(127,598.14)
Community Services	8,400.00	8,400.00	9,229.88	(829.88)
Food Services Operation	1,001,349.00	1,001,349.00	958,236.52	43,112.48
Total Expenditures	12,675,952.72	14,940,038.54	14,691,226.77	248,811.77
Excess of Revenues over (under) Expenditures	1,842.08	(176,305.90)	583,603.71	759,909.61
OTHER FINANCING SOURCES (USES)				
Operating Transfers From Other Funds	102,614.95	102,614.95	-	(102,614.95)
Operating Transfers To Other Funds	(102,614.95)	(102,614.95)	-	102,614.95
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	1,842.08	(176,305.90)	583,603.71	759,909.61
Fund Balances - Beginning	72,783.32	72,783.32	70,097.95	(2,685.37)
Adjustments	(315.30)	(223.10)	-	223.10
Fund Balances - Ending	$ 74,310.10	$ (103,745.68)	$ 653,701.66	$ 757,447.34

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

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are $273,731.33 and $237,664.40, respectively.

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

See notes to the basic financial statements.

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

SCHEDULE "6"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	16165GA324N1099	$ 225,584.47
National School Lunch Program	10.555	16165GA324N1099	704,404.67
Total U.S. Department of Agriculture			929,989.14
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	301,793.56
Preschool Grants	84.173	H173A150081	92.20
Total Special Education Cluster			301,885.76
Other Programs			
Direct			
Safe and Drug-Free Schools and Communitities - National Programs	84.184		5,905.34
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A150010	22,082.93
Improving Teacher Quality State Grants	84.367	S367A150001	111,250.89
Migrant Education - State Grant Program	84.011	S011A150011	19,055.08
Rural Education	84.358	S358B150010	22,019.73
Title I Grants to Local Educational Agencies	84.010	S010A150010	875,072.53
Twenty-First Century Community Learning Centers	84.287	S287C150010	342,313.41
Pass-Through From Bleckley County Board of Education			
Rural Health Development Grant	93.912	DC6RH27765	41,405.68
Total Other Programs			1,439,105.59
Total U. S. Department of Education			1,740,991.35
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		71,114.95
Total Expenditures of Federal Awards			$ 2,742,095.44

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

Note 2. Summary of Significant Accounting Policies

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

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 353,377.54
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	400,909.00
Kindergarten Program - Early Intervention Program	14,492.00
Primary Grades (1-3) Program	991,133.00
Primary Grades - Early Intervention (1-3) Program	118,120.00
Upper Elementary Grades (4-5) Program	488,971.00
Upper Elementary Grades - Early Intervention (4-5) Program	72,760.00
Middle School (6-8) Program	897,283.00
High School General Education (9-12) Program	774,964.00
Vocational Laboratory (9-12) Program	317,794.00
Students with Disabilities	1,118,487.00
Gifted Student - Category VI	539,679.00
Remedial Education Program	40,913.00
Alternative Education Program	67,767.00
Media Center Program	154,730.00
20 Days Additional Instruction	46,705.00
Staff and Professional Development	25,647.00
Indirect Cost	
Central Administration	383,225.00
School Administration	475,538.00
Facility Maintenance and Operations	343,835.00
Amended Formula Adjustment	(390,240.00)
Categorical Grants	
Pupil Transportation	
Regular	253,502.00
Nursing Services	45,000.00
Sparsity	66,264.00
Mid-term Adjustment Hold Harmless	84,851.00
Principal Staff and Professional Development	1,056.00
Education Equalization Funding Grant	673,265.00
Other State Programs	
Food Services	24,820.00
Math and Science Supplements	9,478.63
Preschool Handicapped Program	43,347.00
Teachers Retirement	5,606.08
Vocational Education	106,361.00
Office of the State Treasurer	
Public School Employees Retirement	19,889.00
	$ 8,569,529.25

See notes to the basic financial statements.

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

SCHEDULE "8"

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
Lease/Purchase ABM/Linc Mechanical HVAC/Lighting Upgrade	$ 1,275,500.00	$ 1,275,500.00	$ 255,500.00	$ 340,165.01	$ -	$ -	6/30/2017
Textbooks	700,000.00	700,000.00	77,594.34	104,421.00	-	-	6/30/2017
Facility Repairs, Renovations, Improvement Acquisitions	1,924,500.00	1,924,500.00	182,131.41	1,202,484.58	-	-	6/30/2017
Technology Improvements	1,100,000.00	1,100,000.00	213,951.68	605,290.00	-	-	6/30/2017
Vocational Equipment	50,000.00	50,000.00	-	-	-	-	6/30/2017
Rolling Stock	250,000.00	250,000.00	42,301.92	164,862.00	-	-	6/30/2017
	$ 5,300,000.00	$ 5,300,000.00	$ 771,479.35	$ 2,417,222.59	$ -	$ -	

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

See notes to the basic financial statements.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 28, 2018

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Turner County Board of Education

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

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Turner County Board of Education (School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 28, 2018.

Internal Control Over Financial Reporting

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

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

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material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2016-002, FS 2016-003 and FS 2016-004, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2016-001 and FS 2016-005, to be significant deficiencies.

Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 28, 2018

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Turner County Board of Education

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

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item FA 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item FA 2016-001, that we consider to be a significant deficiency.

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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

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-7421-12-01 **Inadequate Controls over Financial Reporting**

Control Category: Financial Reporting
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

Entity's Response The school district will try to ensure that all required activity is included in the financial statement information.

FS-7421-13-01 **Internal Control Procedures over School Activity Accounts**

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

Finding Status: Unresolved

Entity's Response School District staff will implement and retrain school personnel on key accounting functions and record keeping. School District staff will also review transaction samples to provide reasonable assurance that transactions are processed according to established procedures.

FS-7421-13-02 **Inadequate Controls over Financial Reporting Process**

Control Category: Financial Reporting
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

Entity's Response The School Bookkeeper transferred designated expenditures and revenues from Agency Funds to Governmental Funds. Management will classify entries correctly in the financial statements to avoid the necessity of auditor revision. Management will check schedule preparation to avoid the necessity of auditor revision.

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-7421-13-03	**Improper Use of SPLOST Proceeds**
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	None
Compliance Impact:	Material Noncompliance
Finding Status:	Unresolved
Entity's Response	The School District has repaid a portion of the expenditures in SPLOST. The School District will use discretion in the future when paying expenditures out of SPLOST funds and refer to the SPLOST referendum for approved expenditures.
FS 2014-001	**Inadequate Internal Control Procedures over School Activity Accounts**
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved
Entity's Response	The principal will oversee the athletic accounts. Procurement procedures are in place that require appropriate signatures, purchase orders, and documentation with every purchase.
FS 2014-002	**Inadequate Internal Control Procedures**
Control Category:	Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Employee Compensation General Ledger Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved
Entity's Response	Budgets will be reconciled in a timely manner. Employee compensation will be approved by the CFO. Procurement policy is in place.

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-003 **Inadequate Controls over Financial Reporting Process**

Control Category: Financial Reporting
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

Entity's Response All budgets will be reconciled on a monthly basis. An outside CPA firm will help with the yearly closeout of the budgets. All financial reports will be completed in a timely manner involving internal and external agencies.

FS 2014-004 **Undocumented SPLOST Expenditures**

Control Category: Expenditures/Liabilities/Disbursements
Internal Control Impact: None
Compliance Impact: Material Noncompliance

Finding Status: Unresolved

Entity's Response Appropriate procurement policies and procedures are in place and have been approved by the Board. The SPLOST expenditures will follow the guidelines outlined in the procurement plan.

FS 2014-005 **Inappropriate Payroll Advances**

Control Category: Employee Compensation
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Previously Reported Corrective Action Implemented

FS 2015-001 **Inadequate Internal Control Procedures over School Activity Accounts**

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

Finding Status: Unresolved

Entity's Response The principal will oversee the school accounts. Procurement procedures are in place that require appropriate signatures, purchase orders, and documentation with every purchase. The School District will ensure proper separation of duties. Training will occur with the school bookkeepers on proper documentation and retention of records.

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-2015-002	**Inadequate Internal Control Procedures**
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Employee Compensation Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved
Entity's Response	Procurement Plan has been put in place to help with internal control procedures. Employee compensation will be reviewed by the CFO and payroll clerk for accuracy. The system has secured the services of an outside CPA firm to prepare the system's financials. The CFO will begin to work with the banking entities to ensure only authorized personnel can open or close accounts and eliminate outside parties from holding accounts that utilize the Turner County Board of Education FEI number.
FS 2015-003	**Inadequate Controls over Financial Reporting Process**
Control Category:	Financial Reporting
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved
Entity's Response	The School District will be more involved in the financial reporting process and will be more diligent in checking over the notes for accuracy. The School District will also make sure that the CPA firm understands that financial statement reporting must follow the Financial Management for Georgia Local Units of Administration guidelines.
FS 2015-004	**Undocumented/Unallowable SPLOST Expenditures**
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Finding Status:	Unresolved
Entity's Response	The School District has put protocols, practices, and procedures in place through procurement policy to safeguard against unallowable costs to SPLOST.

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-005	**Inappropriate Payroll Advances**
Control Category:	Employee Compensation
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented
FS 2015-006	**Deficit Fund Balance**
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Finding Status:	Previously Reported Corrective Action Implemented

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2015-001	**Inadequate Internal Control Procedures**
Compliance Requirement:	Activities Allowed/Unallowed Allowable Costs/Cost Principles
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:	CFDA 84.173 and 84.027 Special Education Cluster CFDA 84.287 Twenty-First Century Learning Centers
Finding Status:	Unresolved
Entity's Response	The School District has put protocols, practices, and procedures in place through procurement policy to safeguard against unallowable costs to Federal Programs. Management is now monitoring all programs for allowable and unallowable costs.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

Governmental Activities; General Fund; Capital Projects Fund; Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted:	Yes

Federal Awards

Internal Control over major programs:

▪ Material weakness identified?	No
▪ Significant deficiency identified?	Yes

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

All major programs	Unmodified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000.00
Auditee qualified as low-risk auditee?	No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-001	Internal Control Procedures over School Activity Accounts
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-001, FS 2014-001, FS-7421-13-01

Description:
Our review of the accounting procedures of the School District revealed weaknesses in internal controls related to school activity accounts.

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

Condition:
The following deficiencies were noted with the School District's school activity accounts:

Cash and Cash Equivalents

- The School District did not have adequate internal controls in place to ensure that the bank reconciliation function was separate from the record keeping function.

Revenues/Receivables/Receipts

- The School District did not have adequate internal controls in place to ensure proper separation of duties and proper documentation of receipts.
- During a review of ten receipts, the auditor could not determine if the receipts occurred, were credited to the correct revenue account, or were recorded in the correct amounts due to lack of documentation.

Expenditures/Liabilities/Disbursements:

- During a review of ten disbursements, the following deficiencies were noted:
  - Two expenditures lacked receipts or invoices to support the amount paid, to determine what was purchased, and to determine if they were correctly recorded.
  - Eight expenditures did not have documentation of prior approval before purchase.
  - Three expenditures lacked evidence that that goods or services were received.
- One account on the Funds Held for Others listing had a deficit balance. Agency accounts are used to account for assets belonging to private organizations, other governments, or individuals, therefore balances should not be negative.

Cause:
High turnover in the high school and middle school bookkeeping position is part of the cause for Finding 2016-001. The Turner County Finance Office has determined that school personnel had inadequate training on key accounting functions and proper recordkeeping procedures. Also, turnover in the board of education finance department caused a failure to provide adequate independent review to assure that transactions are processed according to established procedures.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:
Failure to maintain adequate internal controls over school activity accounts increases the risk that misstatements could occur in the financial statements due to errors and/or irregularities and not be detected in a timely manner.

Recommendation:
The School District should implement necessary procedures to ensure that the key accounting functions of custody and record keeping are separated. In addition, the School District should implement procedures to ensure that disbursements and receipts of funds within the school activity accounts are adequately documented and recorded in the financial records. The School District should also establish a monitoring process to provide reasonable assurance that transactions are processed according to established procedures, as well as, provide training to employees on proper recordkeeping procedures.

Views of Responsible Officials:
We concur with this finding.

FS-2016-002	Internal Control Procedures
Control Category:	Cash and Cash Equivalents
	Revenues/Receivables/Receipts
	Expenditures/Liabilities/Disbursements
	Employee Compensation
	Journal Entries
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-002, FS 2014-002

Description:
The accounting procedures of the School District were insufficient to provide for adequate internal controls over numerous control categories.

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

Condition:
Cash and Cash Equivalents

- During a review of 18 bank reconciliations, the following deficiencies were noted:
  - One bank account did not have a reconciliation prepared for four months, and two bank accounts did not have a reconciliation prepared for June.
  - Four bank accounts, lacked evidence of both a preparer and an approver for a total of seven months.
- Four bank accounts exist under the Board's Federal Employer Identification number over which the entity is not a custodian.

Revenues/Receivables/Receipts

- The School District did not have adequate separation of duties in the receipting, record keeping, and bank reconciliation functions.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Expenditures/Liabilities/Disbursements

- During a review of 21 expenditures, the following issues were noted:
  - Two expenditures lacked proper approval before the purchases.
  - Two expenditures were not properly classified.

Employee Compensation

- During review of 37 employee's salaries, the following issues were noted:
  - The local salary and supplements schedules were not approved by the board.
  - There was no evidence that four furlough days were approved by the board, and the furloughs were not applied consistently.
  - One employee was paid without a contract for five months.
  - A portion of one employee's pay was documented by an unsigned contract.
  - A few instances were noted of employees' salaries not being based on the pay scales.
  - A few instances were noted of employees' salaries not being paid correctly, resulting in immaterial overpayments and underpayments.
  - A portion of one employee's pay was recorded to the wrong function.

Journal Entries

- During a review of 22 journal entries recorded in the general ledger, the following issues were noted:
  - Twenty-two lacked the signature of a preparer.
  - Eighteen lacked the signature of an approver.
  - Ten lacked supporting documentation. These ten appeared to be invalid, which resulted in misstated account balances.

Cause:

Turnover is part of the cause for Finding FS-2016-002. Other issues discussed by management are as follows:

- Management was not diligent in ensuring that bank reconciliations were completed in a timely fashion and documenting the date reconciliations were reviewed. The employee who carried out these duties did not have the skill set to adequately complete the reconciliations.
- No review of Turner County Board of Education accounts at banks was performed during fiscal year 2016.
- The absence of adequate separation of duties was caused by the prior year turnover and lack of training for personnel.
- Errors noted in revenue were the result of lack of proper review to ensure the proper accounts were used in the recordkeeping process.
- Expenditure errors were the result of lack of training for personnel on the new procurement policy.
- Employees were incorrectly compensated and salary expense was misclassified due to management not having someone independent of the payroll function rechecking salary calculations periodically throughout the year.
- Supplements and off-scale salaries were not approved because approval protocol was not in place.
- Other issues with salary and benefits payable were a result of turnover in the finance department the prior year and lack of training due to time constraints.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Employee's pay recorded to the wrong function is a result of lack of training for the payroll clerk on the chart of accounts.
- Issues with journal entries were due to a lack of control and procedures regarding journal entries.

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

Recommendation:
The School District should review accounting procedures in place and design and implement monitoring controls to provide reasonable assurance that transactions are processed according to established controls.

Views of Responsible Officials:
We concur with this finding.

FS 2016-003	Internal Controls over Financial Reporting Process
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-003, FS 2014-003, FS-7421-13-02, FS-7421-12-01

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

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

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

- Capital projects fund investment earnings revenue was overstated by $77,676.01, expenditures were understated by $77,676.12, and fund balance was understated by $0.11 due to recording errors. These misstatements were material to the capital projects fund. These errors also caused immaterial misstatements to the government-wide financial statements. Adjustments to the financial statements were proposed by the auditors and accepted by the School District.
- Capital projects fund cash was overstated and expenditures were understated by $74,522.03 due to invalid general ledger journal entries. These misstatements were material to the capital projects fund. These errors also caused immaterial misstatements to the government-wide financial statements. Adjustments to the financial statements were proposed by the auditors and accepted by the School District.
- Capital projects fund cash was understated and expenditures were overstated by $24,522.38 due to transactions being recorded twice in error. These misstatements were material to the capital projects fund. These errors also caused immaterial misstatements to the general fund and government-wide financial statements. Adjustments to the financial statements were proposed by the auditors and accepted by the School District.
- Investments were understated by $5,511.63, investment earnings were understated by $961.41, and expenditures were overstated by $4,550.22 due to an investment account and the related revenue not being recorded. These errors caused immaterial misstatements to the capital projects fund and government-wide financial statements. Adjustments to the financial statements were proposed by the auditors and accepted by the School District.
- Agency fund cash was overstated and funds held for others was overstated by $87,807.56 due to governmental school activity accounts being incorrectly recorded as agency funds. These misstatements were material to the agency fund. These errors also caused immaterial misstatements to the general fund and the government-wide financial statements. Adjustments to the financial statements were proposed by the auditors and accepted by the School District.
- Agency fund cash and funds held for others were overstated by $17,672.02 due to a grant being incorrectly recorded in the general fund. These misstatements were material to the agency fund. These errors also caused immaterial misstatements to the general fund and the government-wide financial statements. Adjustments to the financial statements were proposed by the auditors and accepted by the School District.
- Agency fund cash overdraft was understated and funds held for others was overstated by $48,329.68 due to two grants being incorrectly recorded in the general fund. These misstatements were material to the agency fund. These errors also caused immaterial misstatements to the general fund and the government-wide financial statements. Adjustments to the financial statements were proposed by the auditors and accepted by the School District.
- Property tax and charges for services revenue were understated by $165,671.12 and $21,131.15, respectively. Expenditures were overstated by $186,802.27. These misstatements were significant to the general fund and government-wide financial statements. Adjustments to the financial statements were proposed by the auditors and accepted by the School District.
- Four bank accounts in the amount of $18,279.90 were not recorded. These errors caused immaterial misstatements to the general fund and the government-wide financial statements. Adjustments to the financial statements were proposed by the auditors and accepted by the School District.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- The amount reported as expended in prior years on the Schedule of Approved Local Option Sales Tax Projects was understated by $209,238.22. An adjustment to the financial statements was proposed by the auditors and accepted by the School District.
- Several other audit adjustments and reclassifications were proposed by auditors and accepted by the School District to properly present the financial statements and note disclosures.

Cause:
It has been determined that the cause of Finding FS-2016-003 is lack of School Financial Reporting training.

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

Recommendation:
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 GAAP, the applicable 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

FS 2016-004	Improper Use of SPLOST Proceeds
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Repeat of Prior Year Finding:	FS 2015-004, FS 2014-004, FS-7421-13-03

Description:
The School District failed to document expenditures for salaries and benefits paid from Special Purpose Local Option Sales Tax (SPLOST) funds. In addition, SPLOST funds were spent on goods and services that were not specifically identified in the SPLOST referendum.

Criteria:
According to Paragraph IV, Section VI, Article VIII of the Constitution of the State of Georgia, "the purpose or purposes for which the proceeds of the tax are to be used and may be expended include (1) Capital Outlay projects for educational purposes; (2) the retirement of previously incurred general obligation debt with respect only to capital outlay projects of the school system…"Official Code of Georgia Annotated (O.C.G.A.) §48-8-121 states, "The proceeds received from the tax authorized by this part shall be used…exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax".

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

Condition:
During the year under review, the School District charged $167,434.20 for technology personnel salaries and benefits to SPLOST, but could not provide documentation of which SPLOST project the work was performed on and how much time was spent.

Additionally, the School District charged $67,825.13 in unallowable expenditures for bus repairs, pest control, supplies, and late charges for an equipment lease.

Questioned Cost:
$235,259.33

Cause:
Prior management was unaware that SPLOST salaries and benefits were to be documented as to the amount of time allocated to approved SPLOST technology projects and time spent on system-wide administrative technology projects. The other unallowable expenditures were the result of management not being diligent in ensuring that SPLOST expenditures were allowable per the SPLOST referendum.

Effect or Potential Effect:
Improper use of SPLOST proceeds.

Recommendation:
The School District should research this issue, consult with legal counsel and verify if expenditures of this nature are an appropriate use of SPLOST funds in accordance with State law and the SPLOST referendum as approved by the voters of Turner County.

Views of Responsible Officials:
We concur with this finding.

FS-2016-005	Internal Controls over Agency Funds
Control Category:	Accounting Controls
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

Description:
The accounting procedures of the School District were insufficient to provide for adequate internal controls over agency funds.

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that agency funds, in which they are the custodian, are self-supporting.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Condition:
The School District's agency fund expenditures exceeded resources available. The lack of internal controls resulted in the Statement of Fiduciary Net Position for agency funds consisting of only liabilities, with no assets being reported at June 30, 2016.

Cause:
Management should have been more involved in tracking the finances of the agency funds. The lack of training for personnel handling the agency funds also contributed to this cause.

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

Recommendation:
The School District should review accounting procedures in place and design and implement monitoring controls to provide reasonable assurance that transactions are processed according to established controls to ensure that all agency funds are self-supporting.

Views of Responsible Officials:
We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2016-001	Internal Control Procedures
Compliance Requirement:	Activities Allowed/Unallowed
	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Special Education Cluster (CFDA 84.173 and 84.027)
	Twenty-First Century Community Learning Centers (CFDA 84.287)
	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Numbers:	H027A150073,H173A150081, S287C150010,16165GA324N1099,
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA 2015-001

Description:
A review of expenditures charged to the Special Education Cluster (CFDA 84.173 and 84.027) program, Twenty-First Century Community Learning Centers (CFDA 84.287), and the Child Nutrition Cluster (CFDA 10.553 and 10.555) revealed that the School District did not implement internal control procedures to ensure that expenditures were properly documented and authorized.

Criteria:
2 CFR Part 200.403 states in part that "costs must meet the following general criteria in order to be allowable under Federal Awards: … (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity… (g) Be adequately documented…"

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Condition:

A review of federal expenditures noted the following deficiencies:

- A review of eleven expenditures for the Special Education Cluster revealed that three lacked proper approval before the purchase.
- A review of twelve expenditures for the Twenty-First Century Community Learning Centers program revealed the following deficiencies:
  - Two expenditures lacked adequate documentation to support the purchases.
  - One expenditure lacked proper approval before the purchase.
- A review of twenty-five expenditures for the Child Nutrition Cluster revealed that seventeen lacked proper approval before the purchase.

Questioned Cost:

None Identified

Cause:

Prior to August of 2016, Turner County Board of Education had a lack of internal controls over procurement.

Effect or Potential Effect:

Failure to ensure that expenditures are approved and properly documented resulted in noncompliance with the requirements of the Federal grant. The lack of proper approval could result in unallowable costs.

Recommendation:

The School District should implement procedures to ensure that all expenditures are properly documented under 2 CFR Part 200, and approved by appropriate personnel.

Views of Responsible Officials:

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2016-001	Internal Control Procedures over School Activity Accounts
Control Category:	Cash and Cash Equivalents
	Revenues/Receivables/Receipts
	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-001, FS 2014-001, FS-7441-13-01

Our review of the accounting procedures of the School District revealed weaknesses in internal controls related to school activity accounts.

Corrective Action Plans:
Policy will enforce that all expenditures must have a purchase order attached and contain legible content descriptors, exact product prices, appropriate signatures of approval, dates, addresses and appropriate filings. This will eliminate 95% of the audit findings associated with school activity accounts. In addition, the CFO and her department will conduct random visits to the school each year examining the accounting procedures and practices. Continuing, the finance department will hold annual trainings for school bookkeepers to assure revenue collection, recordkeeping, and bank reconciliations are being done in a timely and efficient manner. Last, separation of duties will be established as much as possible given the school system is a small system with a limited number of employees.

Estimated Completion Date: July, 2018.

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FS-2016-002	Internal Control Procedures
Control Category:	Cash and Cash Equivalents
	Revenues/Receivables/Receipts
	Expenditures/Liabilities/Disbursements
	Employee Compensation
	Journal Entries
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-002, FS 2014-002

The accounting procedures of the School District were insufficient to provide for adequate internal controls over numerous control categories.

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

Corrective Action Plans:

In August, 2016 the Turner County Board of Education (TCBOE) passed policy FPA that details a procurement plan for Turner County Schools. This plan explicitly details protocols, procedures and/or actions required when purchasing products or supplies for the school system and contains procedures for securing vendors to conduct business with the TCBOE. All expenditures now require a purchase order that contains content descriptors, exact product prices, appropriate signatures of approval, dates, times, addresses and appropriate filings. In addition, policy FPA will eliminate receipting issues that might create an overstatement or understatement of fund balances. All employee compensation regarding salary, supplements, and/or any other forms of payment will be completed in the office of the CFO and signed off by the preparer and the CFO. This will minimize mistakes regarding, but not limited to, salary miscalculations, lack of documentation for payment, misstatements of overpayments, misstatements of financial statements and/or errors to benefit payments. The Turner County Board of Education has secured the CPA accounting services of Carr, Riggs, and Ingram to work with us throughout the year as a third party vendor monitoring the system's financials. The CFO will begin to consolidate banking accounts assuring only authorized personnel can open or close accounts and eliminate outside parties from holding accounts that utilize the TCBOE FEI number. Lastly, and to assure appropriate internal controls, the CFO will work with her office to assure the chart of accounts are prepared accurately, monitored frequently, and discussed often among her staff.

Estimated Completion Date: July, 2018.

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FS-2016-003	Internal Controls over Financial Reporting Process
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-003, FS 2014-003, FS-7421-13-02, FS-7421-12-01

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

Corrective Action Plans:

The CFO will begin consolidating bank accounts making it more manageable toward reporting correctly each account in the financial statements. Fewer accounts also assure that appropriate notes and documentations are included in the financial statements. On July 1, 2016, the Turner County Board of Education approved the 2017 system budget; whereby, revenues exceeded expenditures by approximately $660,000. Budgets are monitored daily by the Superintendent and/or the CFO to assure the control of expenditures does not reach a deficit. The CFO and her department have also created controls (i.e. policy FPA) regarding the SPLOST budget; whereby, this budget is monitored daily to assure appropriate reporting and year-end reporting. This is extremely important to make sure that year-end reporting is not under or over stated. In addition, the CPA accounting services of CRI will also assist the CFO with this responsibility.

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

Estimated Completion Date: July, 2018.

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FS-2016-004	Improper Use of SPLOST Proceeds
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-004, FS 2014-004, FS-7421-13-03

SPLOST funds were spent on goods and services that were not specifically identified in the SPLOST referendum.

Corrective Action Plans:
Starting the 2016 – 2017 school year, all salaries were removed from being expensed from the SPLOST account. In addition to following FPA, we now have protocols, practices and procedures that will safeguard the system from unallowable expenditures and/or misclassifying expenditures per account function and/or object.

Estimated Completion Date: July, 2018.

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FS-2016-005	Internal Controls over Agency Funds
Control Category:	Accounting Controls
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

The School District did not have adequate internal controls over its agency funds.

Corrective Action Plans:
The finance personnel will be trained on how to use the PC Genesis reports to track revenues and expenditures of each fund. Also, the Turner County Board of Education passed policy FPA that details a procurement plan for Turner County Schools which details protocols, procedures and/or actions required when purchasing products or supplies for the school system (agency fund). Well documented transactions will help to prevent misappropriation of assets.

Estimated Completion Date: July, 2018.

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CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

FA 2016-001	Internal Control Procedures
Compliance Requirement:	Activities Allowed/Un-allowed
	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
	U.S Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Special Education Cluster (CFDA 84.173 and 84.027)
	Twenty-First Century Learning Centers (CFDA 84.287)
	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Numbers:	H027A150073, H173A150081,S287C150010, 16165GA324N1099
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA 2015-001

The School District lacked adequate internal controls over three federal programs reviewed, resulting in undocumented and unapproved expenditures.

Corrective Action Plans:
In August, 2016 the Turner County Board of Education (TCBOE) passed policy FPA that details a procurement plan for Turner County Schools. This plan explicitly details protocols, procedures and/or actions required when purchasing products or supplies for the school system and contains procedures for securing vendors to conduct business with the TCBOE. All expenditures now require a purchase order that contains content descriptors, exact product prices, appropriate signatures of approval, dates, times, addresses and appropriate filings.

Estimated Completion Date: July, 2018.

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