

TURNER COUNTY BOARD OF EDUCATION
ASHBURN, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018
(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

September 5, 2019

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

Emphasis of Matter

As described in Note 2 and 14 to the financial statements, in 2018, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* as amended by GASB Statement No. 85, *Omnibus 2017*. The School District restated beginning net position for the effect of GASB Statement No. 75. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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

Introduction

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

In fiscal year 2015, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. In the current fiscal year, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* The adoption of these statements has a significant negative impact on the School District's government-wide financial statements. The School District's governmental fund financial statements are not affected by implementation of GASB No. 68, GASB No. 71 or GASB No. 75.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In fiscal 2018, the School District adopted Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other than Pensions*. This standard directly impacts the School District's liabilities and unrestricted net position on the government-wide financial statements and resulted in significant changes in how the School District reflects its future responsibilities and liabilities to its employees. The current financial stability of the organization is not materially impacted by the adoption of this standard.

- Beginning net position was restated resulting in a decrease of $14.9 million for the implementation of GASB No. 75. This restatement is based on actuarial estimates and information is not available for the fiscal year 2017 comparative balances used throughout this discussion and analysis. See Note 14 in the Notes to the Basic Financial Statements for more information about the restatement of net position.

- In total, net position decreased $13.2 million from fiscal year 2017. This decrease was due to governmental activities since the School District has no business-type activities, and reflects the impact of reporting the School District's proportionate share of the post-employment liability for the School District.

- The deficit balance reflected in the unrestricted net position is due to the implementation of GASB No. 68, GASB No. 71, and GASB No. 75. Excluding the impact of reporting the School District's proportionate share of the collective net pension and OPEB liabilities, as well as the related deferred Inflows and outflows of resources, the unrestricted net position would be $2.6 million.

- General revenues accounted for $5.6 million in revenue or 34.8% of all revenues. Program specific revenues in the form of charges for services, operating and capital grants and contributions accounted for $10.5 million or 65.2% of total revenues. Total revenues were $16.1 million.

- The School District had $14.8 million in expenses related to governmental activities; only $10.5 million of these expenses were offset by program specific charges for services and grants and contributions. General revenues (primarily property and sales taxes) of $5.6 million were sufficient to provide for these programs.

- Among major funds, the general fund had $15.2 million in revenues and $14.2 million in expenditures. The general fund's fund balance increased by $151.8 thousand.

Using the Basic Financial Statements

This annual report consists of several parts including management's discussion and analysis, the basic financial statements and required supplementary information. These parts are organized so the reader can understand the Turner County Board of Education as a whole, or as an entire operating entity. The basic financial statements include two levels of statements that present different views of the School District. These include the government-wide and fund financial statements.

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

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The governmental funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fiduciary funds statements provide information about the financial relationships in which the School District acts solely as an agent for the benefit of others. The fund financial statements reflect the School District's most significant funds. In the case of the Turner County Board of Education, the general fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and *Statement of Activities*

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in net position. The change in net position is important because it tells the reader whether, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

The School District adopted the Governmental Accounting Standard's Board's (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* – which will replace GASB Statement No. 45. This statement required the Board of Education to restate fiscal year 2017 at transition (fiscal year 2018) through the recognition of a beginning net OPEB liability and a beginning deferred outflow of resources for its related OPEB plan contributions made subsequent to the measurement date of the beginning net OPEB liability.

The OPEB liability discloses the School District's proportionate share of the collective net OPEB liability related to providing postemployment benefits to its employees. The School District participates in Georgia's School Personnel Post Employment Health Benefit Plan. As a result of implementation of GASB No. 75, the School District is presenting a more significant deficit balance in unrestricted net position following fiscal year 2015's implementation of GASB No. 68 and GASB No.71. This is a reflection of the School District's future responsibility and liability to its employees for their health benefits when those employees retire. The School District makes the required contributions to the plan to ensure sufficient resources are available to make postemployment benefit payments.

Contributions to the OPEB plan fund current expenditures of the plan for active employees, current administrative fees, and a contribution into the OPEB plan for retirees. The contribution is determined by the Georgia State Health Benefit Plan administrators, not the School District.

The Statement of Net Position and the Statement of Activities reflects the School District's governmental activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the capital projects fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

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

Financial Analysis of the School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2018 as compared to net position for fiscal year 2017.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017 (1)
Assets		
Current and Other Assets	$ 5,098,362	$ 4,804,067
Capital Assets, Net	12,551,956	11,884,628
Total Assets	17,650,318	16,688,695
Deferred Outflows of Resources		
Related to Pensions/OPEB Plans	2,399,131	3,648,151
Liabilities		
Current and Other Liabilities	1,845,383	1,490,996
Long-Term Liabilities	468,219	682,544
Net Pension/OPEB Liabilities	24,982,184	15,486,953
Total Liabilities	27,295,786	17,660,493
Deferred Inflows of Resources		
Related to Pensions/OPEB Plans	4,679,979	1,045,430
Net Position		
Net Investment in Capital Assets	11,988,194	11,202,084
Restricted	744,310	814,142
Unrestricted (Deficit)	(24,658,820)	(10,385,303)
Total Net Position	$ (11,926,316)	$ 1,630,923

Total net position decreased by $13.2 million.

(1) Fiscal year 2017 balances do not reflect the effects on the restatement of net position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

Table 2 shows the changes in net position for fiscal year 2018 compared to the changes in net position for fiscal year 2017.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017 (1)
Revenues		
Program Revenues:		
Charges for Services	$ 213,386	$ 175,136
Operating Grants and Contributions	10,302,527	10,633,820
Total Program Revenues	10,515,913	10,808,956
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	3,538,058	3,509,817
For Railroad Cars		20,816
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects and Debt Services	961,335	898,516
Other Taxes	6,448	40,921
Grant and Contributions Not Restricted to		
Specific Programs	781,229	562,593
Investment Earnings	5,571	4,389
Miscellaneous	326,637	459,451
Total General Revenues	5,619,278	5,496,503
Total Revenues	16,135,191	16,305,459
Program Expenses		
Instruction	8,110,298	8,131,794
Support Services		
Pupil Services	561,421	487,745
Improvement of Instructional Services	533,925	613,468
Educational Media Services	216,098	198,624
General Administration	405,067	314,017
School Administration	932,089	590,364
Business Administration	283,320	370,437
Maintenance and Operation of Plant	1,439,967	1,531,195
Student Transportation Services	794,365	754,302
Central Support Services	76,473	74,174
Other Support Services	218,328	236,166
Operations of Non-Instructional Services		
Enterprise Operations	236,929	302,233
Community Services	7,062	9,223
Food Services	975,804	996,636
Interest on Short-Term and Long-Term Debt	33,084	47,973
Total Expenses	14,824,230	14,658,351
Change in Net Position	$ 1,310,961	$ 1,647,108

Net position decreased from fiscal year 2017 to fiscal year 2018 by 336.1 thousand.

(1) Fiscal year 2017 balances do not reflect the effects on the restatement of net position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

Governmental Activities

Instruction comprises 54.7% of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2018	Fiscal Year 2017(1)	Fiscal Year 2018	Fiscal Year 2017(1)
Instruction	$ 8,110,298	$ 8,131,794	$ 977,305	$ 628,024
Support Services				
Pupil Services	561,421	487,745	416,600	341,365
Improvement of Instructional Services	533,925	613,468	329,173	471,403
Educational Media Services	216,098	198,624	66,843	36,189
General Administration	405,067	314,017	(41,147)	(172,091)
School Administration	932,089	590,364	426,161	78,311
Business Administration	283,320	370,437	280,354	368,700
Maintenance and Operation of Plant	1,439,967	1,531,195	1,090,395	1,143,650
Student Transportation Services	794,365	754,302	452,508	440,589
Central Support Services	76,473	74,174	74,563	74,174
Other Support Services	218,328	236,166	173,247	145,558
Operations of Non-Instructional Services				
Enterprise Operations	236,929	302,233	92,843	302,233
Community Services	7,062	9,223	(34,639)	(23,823)
Food Services	975,804	996,636	(28,972)	(32,861)
Interest on Short-Term and Long-Term Debt	33,084	47,973	33,084	47,973
Total expenses	$ 14,824,230	$ 14,658,351	$ 4,308,318	$ 3,849,394

(1) Fiscal year 2017 balances do not reflect the effects on the restatement of net position.
See Note 14 in the Notes to the Basic Financial Statements for additional information.

Although program revenues make up 65.2% of the revenues, the School District is still dependent upon tax revenues for governmental activities. For 2018, 31.3% of instruction activities are supported through taxes and other general revenues; for all governmental activities, general revenue support is 29.1%.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of $16.1 million and expenditures of $16.2 million. The governmental funds had a slight decrease in fund balance of $68.2 thousand.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia law. The most significant budgeted fund is the general fund.

The School District prepares a budget based on the School District's guidelines. The budgeting systems are designed to tightly control total school and department budgets but provide flexibility for decision making.

For the general fund, actual revenues of $15.2 million was less than the final budget of $15.3 million. Actual expenditures of $14.2 million was less than the final budget of $15.2 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $12.6 million invested in capital assets, all in governmental activities. Table 4 shows balances net of accumulated depreciation for fiscal year 2018 compared to balances for fiscal year 2017.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017
Land	$ 565,807	$ 565,807
Construction in Progress	1,148,479	23,644
Buildings and Improvements	10,433,125	10,785,786
Equipment	188,787	251,560
Land Improvements	215,758	257,831
Total	$ 12,551,956	$ 11,884,628

Debt Administration

An energy efficiency lease agreement was executed in fiscal year 2010 by and between the School District, the lessee, and Equipment Capital Corp., the lessor. The agreement authorized the borrowing of $1.9 million for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease are from the capital projects fund.

At June 30, 2018, the School District had $468.2 thousand in total debt outstanding with $227.3 thousand due within one year. Table 5 summarizes debt outstanding at June 30, 2018 and 2017.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017
Energy Efficiency Leases	$ 468,219	$ 682,544

Current Issues

The following issues are expected to have a significant effect on the financial positions or results of operations:

- State and Local Economy – The State of Georgia economic conditions are improving since the General Assembly has eliminated austerity reductions at the end of the current fiscal year. But, the School District does anticipate financial challenges due to increases for retirement and health insurance costs for employees. Even with limited financial resources, the School District is optimistic about their ability to maximize all of the financial resources to provide a quality education for the students in Turner County.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Elizabeth Walker, CFO, at the Turner County Board of Education, 423 North Cleveland Street, Ashburn, GA. You may also email any questions to ewalker@turner.k12.ga.us, or visit our website at www.turner.k12.ga.us.

TURNER COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 3,571,684.71
Accounts Receivable, Net	
Taxes	153,278.35
State Government	1,039,819.17
Federal Government	304,822.54
Other	357.41
Inventories	28,399.33
Capital Assets, Non-Depreciable	1,714,286.10
Capital Assets, Depreciable (Net of Accumulated Depreciation)	10,837,669.88
Total Assets	17,650,317.49
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	1,939,946.13
Related to OPEB Liability	459,185.00
Total Deferred Outflows of Resources	2,399,131.13
LIABILITIES	
Accounts Payable	326,185.96
Salaries and Benefits Payable	1,328,789.80
Interest Payable	17,643.68
Retainage Payable	95,543.95
Deposits and Unearned Revenues	77,220.00
Net Pension Liability	11,976,558.00
Net OPEB Liability	13,005,626.00
Long-Term Liabilities	
Due Within One Year	227,254.64
Due in More Than One Year	240,964.00
Total Liabilities	27,295,786.03
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	2,306,281.00
Related to OPEB Liability	2,373,698.00
Total Deferred Inflows of Resources	4,679,979.00
NET POSITION	
Net Investment in Capital Assets	11,988,193.39
Restricted for	
Continuation of Federal Programs	345,431.67
Capital Projects	398,878.50
Unrestricted (Deficit)	(24,658,819.97)
Total Net Position	$ (11,926,316.41)

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, 2018

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	$ 8,110,298.18	$ -	$ 7,132,993.03	$ (977,305.15)
Support Services				
Pupil Services	561,421.09	-	144,821.30	(416,599.79)
Improvement of Instructional Services	533,924.97	-	204,752.21	(329,172.76)
Educational Media Services	216,098.25	-	149,255.00	(66,843.25)
General Administration	405,066.73	-	446,213.94	41,147.21
School Administration	932,089.00	-	505,927.68	(426,161.32)
Business Administration	283,319.80	-	2,966.24	(280,353.56)
Maintenance and Operation of Plant	1,439,966.39	1,475.00	348,096.22	(1,090,395.17)
Student Transportation Services	794,365.23	-	341,857.15	(452,508.08)
Central Support Services	76,473.31	-	1,910.54	(74,562.77)
Other Support Services	218,328.15	-	45,081.65	(173,246.50)
Operations of Non-Instructional Services				
Enterprise Operations	236,929.33	144,086.75	-	(92,842.58)
Community Services	7,061.58	41,700.23	-	34,638.65
Food Services	975,804.23	26,124.00	978,652.00	28,971.77
Interest on Short-Term and Long-Term Debt	33,084.21	-	-	(33,084.21)
Total Governmental Activities	$ 14,824,230.45	$ 213,385.98	$ 10,302,526.96	(4,308,317.51)
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				3,538,058.21
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Capital Projects				961,335.19
Other Sales Tax				6,447.65
Grants and Contributions not Restricted to Specific Programs				781,229.00
Investment Earnings				5,570.62
Miscellaneous				326,637.38
Total General Revenues				5,619,278.05
Change in Net Position				1,310,960.54
Net Position - Beginning of Year (Restated)				(13,237,276.95)
Net Position - End of Year				$ (11,926,316.41)

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, 2018

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 3,213,278.85	$ 358,405.86	$ 3,571,684.71
Accounts Receivable, Net			
Taxes	79,493.34	73,785.01	153,278.35
State Government	1,039,819.17	-	1,039,819.17
Federal Government	304,822.54	-	304,822.54
Other	357.41	-	357.41
Inventories	28,399.33	-	28,399.33
Total Assets	$ 4,666,170.64	$ 432,190.87	$ 5,098,361.51
LIABILITIES			
Accounts Payable	$ 310,517.27	$ 15,668.69	$ 326,185.96
Salaries and Benefits Payable	1,328,789.80	-	1,328,789.80
Retainage Payable	-	95,543.95	95,543.95
Deposits and Unearned Revenue	77,220.00	-	77,220.00
Total Liabilities	1,716,527.07	111,212.64	1,827,739.71
FUND BALANCES			
Nonspendable	28,399.33	-	28,399.33
Restricted	317,032.34	320,978.23	638,010.57
Assigned	97,709.29	-	97,709.29
Unassigned	2,506,502.61	-	2,506,502.61
Total Fund Balances	2,949,643.57	320,978.23	3,270,621.80
Total Liabilities and Fund Balances	$ 4,666,170.64	$ 432,190.87	$ 5,098,361.51

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, 2018

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")		$ 3,270,621.80
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	1,148,479.10	
Buildings and improvements	17,731,904.00	
Equipment	2,285,285.50	
Land improvements	2,117,349.00	
Accumulated depreciation	(11,296,868.62)	12,551,955.98
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	$ (11,976,558.00)	
Net OPEB liability	(13,005,626.00)	(24,982,184.00)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Related to pensions	$ (366,334.87)	
Related to OPEB	(1,914,513.00)	(2,280,847.87)
Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	$ (17,643.68)	
Capital leases payable	(468,218.64)	(485,862.32)
Net position of governmental activities (Exhibit "A")		$ (11,926,316.41)

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, 2018

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Property Taxes	$ 3,538,058.21	$ -	$ 3,538,058.21
Sales Taxes	6,447.65	961,335.19	967,782.84
State Funds	8,679,188.55	-	8,679,188.55
Federal Funds	2,399,319.71	-	2,399,319.71
Charges for Services	213,385.98	-	213,385.98
Investment Earnings	4,489.94	1,080.68	5,570.62
Miscellaneous	326,637.38	-	326,637.38
Total Revenues	15,167,527.42	962,415.87	16,129,943.29
EXPENDITURES			
Current			
Instruction	7,915,144.24	232,771.71	8,147,915.95
Support Services			
Pupil Services	536,331.02	3,469.55	539,800.57
Improvement of Instructional Services	564,424.93	-	564,424.93
Educational Media Services	221,835.98	3,558.92	225,394.90
General Administration	394,570.30	22,060.01	416,630.31
School Administration	965,352.15	997.74	966,349.89
Business Administration	291,699.15	2,844.08	294,543.23
Maintenance and Operation of Plant	1,051,816.24	404,688.02	1,456,504.26
Student Transportation Services	732,105.93	18,616.67	750,722.60
Central Support Services	80,088.70	-	80,088.70
Other Support Services	184,467.61	41,926.50	226,394.11
Enterprise Operations	235,699.31	-	235,699.31
Community Services	7,061.58	-	7,061.58
Food Services Operation	975,085.88	-	975,085.88
Capital Outlay	-	1,054,785.69	1,054,785.69
Debt Services			
Principal	-	214,325.26	214,325.26
Dues and Fees	-	1,225.00	1,225.00
Interest	-	41,174.74	41,174.74
Total Expenditures	14,155,683.02	2,042,443.89	16,198,126.91
Revenues over (under) Expenditures	1,011,844.40	(1,080,028.02)	(68,183.62)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	860,000.00	860,000.00
Transfers Out	(860,000.00)	-	(860,000.00)
Total Other Financing Sources (Uses)	(860,000.00)	860,000.00	-
Net Change in Fund Balances	151,844.40	(220,028.02)	(68,183.62)
Fund Balances - Beginning	2,797,799.17	541,006.25	3,338,805.42
Fund Balances - Ending	$ 2,949,643.57	$ 320,978.23	$ 3,270,621.80

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, 2018

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")			$ (68,183.62)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.			
Capital outlay	$ 1,157,996.37		
Depreciation expense	(481,168.62)		676,827.75
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position.			(9,500.00)
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			214,325.26
District pension and OPEB 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 and OPEB liabilities are measured a year before the District's report date. Pension and OPEB expenses, which is the change in the net pension and OPEB liabilities adjusted for changes in deferred outflows and inflows of resources related to pensions and OPEB, are reported in the Statement of Activities.			
Pension expense	$ 541,339.62		
OPEB expense	(51,939.00)		489,400.62
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			8,090.53
Change in net position of governmental activities (Exhibit "B")			$ 1,310,960.54

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, 2018

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 499.60	$ -
Investments	25,000.00	-
Receivable, Net		
State	-	14,569.80
Other	-	14,127.10
Total Assets	$ 25,499.60	$ 28,696.90
LIABILITIES		
Cash Overdraft		$ 20,118.28
Accounts Payable		111.65
Funds Held for Others		8,466.97
Total Liabilities		$ 28,696.90
NET POSITION		
Held in Trust for Private Purpose	$ 25,499.60	

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, 2018

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Investment Earnings	
Interest	$ 249.99
DEDUCTIONS	
Other Deductions	-
Change in Net Position	249.99
Net Position - Beginning	25,249.61
Net Position - Ending	$ 25,499.60

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The School District reports the following major governmental funds:

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

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

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

RECEIVABLES

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

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

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

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

		Capitalization Policy	Estimated Useful Life
Land		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.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

FUND BALANCES

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

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

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

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

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

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

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

USE OF ESTIMATES

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

PROPERTY TAXES

The Turner County Board of Commissioners adopted the property tax levy for the 2017 tax digest year (calendar year) on September 5, 2017 (levy date) based on property values as of January 1, 2017. Taxes were due on December 20, 2017 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. The 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, 2018, for maintenance and operations amounted to $3,347,987.01.

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

School Operations	15.985	mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $190,071.20 during fiscal year ended June 30, 2018.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $961,335.19 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, 2018, $102,467.81 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, 2018, the School District had deposits with a carrying amount of $3,597,184.31, which includes $25,000.00 in Certificates of Deposits that are reported as investments, and a bank balance of $4,759,219.90. The bank balances insured by Federal depository insurance were $529,607.14 and the bank balances collateralized with securities held by the pledging financial institution in the School District's name were $4,127,144.95.

At June 30, 2018, $102,467.81 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$	102,467.81
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	$	102,467.81

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

Cash and cash equivalents		
Statement of Net Position	$	3,571,684.71
Statement of Fiduciary Net Position		499.60
Total cash and cash equivalents		3,572,184.31
Add:		
Deposits with original maturity of three months or more reported as investments		25,000.00
Total carrying value of deposits - June 30, 2018	$	3,597,184.31

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2017	Increases	Decreases	Balances June 30, 2018
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 565,807.00	$ -	$ -	$ 565,807.00
Construction in Progress	23,643.73	1,148,479.10	23,643.73	1,148,479.10
Total Capital Assets Not Being Depreciated	589,450.73	1,148,479.10	23,643.73	1,714,286.10
Capital Assets Being Depreciated				
Buildings and Improvements	17,731,904.00	-	-	17,731,904.00
Equipment	2,278,633.50	16,652.00	10,000.00	2,285,285.50
Land Improvements	2,100,840.00	16,509.00	-	2,117,349.00
Less Accumulated Depreciation for:				
Buildings and Improvements	6,946,118.00	352,661.61	-	7,298,779.61
Equipment	2,027,073.00	69,925.12	500.00	2,096,498.12
Land Improvements	1,843,009.00	58,581.89	-	1,901,590.89
Total Capital Assets, Being Depreciated, Net	11,295,177.50	(448,007.62)	9,500.00	10,837,669.88
Governmental Activity Capital Assets - Net	$ 11,884,628.23	$ 700,471.48	$ 33,143.73	$ 12,551,955.98

Current year depreciation expense by function is as follows:

Instruction		$ 360,187.22
Support Services		
Pupil Services	$ 43,424.35	
General Administration	2,128.21	
Maintenance and Operation of Plant	17,533.66	
Student Transportation Services	50,911.85	
Other Support Services	1,407.09	115,405.16
Food Services		5,576.24
		$ 481,168.62

NOTE 6: INTERFUND TRANSFERS

INTERFUND TRANSFERS

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

Transfers to	Transfers from General Fund
Capital Projects Fund	$ 860,000.00

Transfers are used to move property tax revenues collected by the general fund to the capital projects fund as supplemental funding source for capital construction projects.

NOTE 7: LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Energy Efficiency Leases	$ 682,543.90	$ -	$ 214,325.26	$ 468,218.64	$ 227,254.64

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.

The following assets were acquired through the energy efficiency capital lease and are reflected in the capital asset note at fiscal year-end:

	Governmental Activities
Buildings and Improvements	$ 1,926,938.00
Less: Accumulated Depreciation	578,081.40
	$ 1,348,856.60

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	$ 468,218.64

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

Fiscal Year Ended June 30:	Principal	Interest
2019	$ 227,254.64	$ 28,245.36
2020	240,964.00	14,536.00
Total Principal and Interest	$ 468,218.64	$ 42,781.36

NOTE 8: RISK MANAGEMENT

INSURANCE

Commercial Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters. Except as described below, the School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not 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
2017	$ -	$ 6,270.00	$ 6,270.00	$ -
2018	$ -	$ 3,102.00	$ 3,102.00	$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 100,000.00
Special Education Director	$ 10,000.00
High School Principal	$ 6,000.00
Elementary Principal	$ 6,000.00
Assistant Principals	$ 6,000.00

NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

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

Nonspendable		
Inventories		$ 28,399.33
Restricted		
Continuation of Federal Programs	$ 317,032.34	
Capital Projects	320,978.23	638,010.57
Assigned		
School Activity Accounts		97,709.29
Unassigned		2,506,502.61
Fund Balance, June 30, 2018		$ 3,270,621.80

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.

NOTE 10: SIGNIFICANT COMMITMENTS

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

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

Project	Unearned Executed Contracts (1)	Payments through June 30, 2018 (2)	Funding Available From State (1)
Turner County Elementary Project #19LW-742-001	$ 1,032,784.31	$ 1,054,785.69	$ 1,393,560.00

(1) The amounts described are not reflected in the basic financial statements.

(2) Payments include contracts and retainages payable at year end.

NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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

LITIGATION

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

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

Contributions: As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were $455,381.00 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

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

At June 30, 2018, the School District reported a liability of $13,005,626.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the School District's proportion was 0.092567%, which was a decrease of 0.011013% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of $507,320.00. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 990,345.00
Net difference between projected and actual earnings on OPEB plan investments	3,804.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,383,353.00
School District contributions subsequent to the measurement date	455,381.00	-
Total	$ 459,185.00	$ 2,373,698.00

School District contributions subsequent to the measurement date of $455,381.00 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB
2019	$ (425,974.00)
2020	$ (425,974.00)
2021	$ (425,974.00)
2022	$ (425,974.00)
2023	$ (426,925.00)
2024	$ (239,073.00)

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

OPEB:

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	$ 15,441,852.00	$ 13,005,626.00	$ 11,082,951.00

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	$ 10,780,182.00	$ 13,005,626.00	$ 15,903,151.00

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

NOTE 13: RETIREMENT PLANS

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

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2018. The School District's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual School District payroll, of which 16.76% of payroll was required from the School District and 0.05% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $1,229,408.13 and $3,174.30 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 $18,742.00.

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

At June 30, 2018, the School District reported a liability of $11,976,558.00 for its proportionate share of the net pension liability for TRS.

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

At June 30, 2017, the School District's TRS proportion was 0.064441%, which was a decrease of 0.010625% from its proportion measured as of June 30, 2016.

At June 30, 2018, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is $134,781.00.

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

For the year ended June 30, 2018, the School District recognized pension expense of $687,084.00 for TRS and $27,164.00 for PSERS and revenue of $27,164.00 for PSERS. The revenue is support provided by the State of Georgia.

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

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 447,997.00	$ 45,198.00
Changes of assumptions	262,541.00	-
Net difference between projected and actual earnings on pension plan investments	-	82,419.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	2,178,664.00
School District contributions subsequent to the measurement date	1,229,408.13	-
Total	$ 1,939,946.13	$ 2,306,281.00

The School District contributions subsequent to the measurement date of $1,229,408.13 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2019	$ (702,495.00)
2020	$ 43,806.00
2021	$ (209,112.00)
2022	$ (699,186.00)
2023	$ (28,756.00)

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

Teachers Retirement System:

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

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

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

Public School Employees Retirement System:

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

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

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

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

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

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

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

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

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 19,654,937.00	$ 11,976,558.00	$ 5,651,300.00

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

NOTE 14: RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2018, the School District made prior period adjustments due to the adoption of GASB Statement No. 75, as described in "New Accounting Pronouncements", which require the restatement of the June 30, 2017, net position in Governmental Activities. The result is a decrease in net position at July 1, 2017 of $14,868,200.00 This change is in accordance with generally accepted accounting procedures.

Net Position, July 1, 2017 as previously reported	$	1,630,923.05
Prior Period Adjustment - Implementation of GASB No. 75: Net OPEB Liability (measurement date)		(15,350,852.00)
Deferred Outflows - School District's Contributions made during fiscal year 2017		482,652.00
Net Position, July 1, 2017, as restated	$	(13,237,276.95)

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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 payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.064441%	$ 11,976,558.00	$ -	$ 11,976,558.00	$ 7,406,261.42	161.71%	79.33%
2017	0.075066%	$ 15,486,953.00	$ 68,083.00	$ 15,555,036.00	$ 8,272,266.73	187.22%	76.06%
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 proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.00%	$ -	$ 134,781.00	$ 134,781.00	$ 257,504.16	N/A	85.69%
2017	0.00%	$ -	$ 129,766.00	$ 129,766.00	$ 213,695.21	N/A	81.00%
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 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL OPEB FUND
FOR THE YEAR ENDED JUNE 30

SCHEDULE "3"

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.092567%	$ 13,005,626.00	$ -	$ 13,005,626.00	$ 6,672,171.60	194.92%	1.61%

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

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2018	$ 1,229,408.13	$ 1,229,408.13	$ -	$ 7,336,206.40	16.76%
2017	$ 1,056,873.51	$ 1,056,873.51	$ -	$ 7,406,261.42	14.27%
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.

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

SCHEDULE "5"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2018	$ 455,381.00	$ 455,381.00	$ -	$ 6,589,512.02	6.91%

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

Teachers Retirement System

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

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

Public School Employees Retirement System

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

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

School OPEB Fund

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

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

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

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

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

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 3,393,000.00	$ 3,393,000.00	$ 3,538,058.21	$ 145,058.21
Sales Taxes	10,000.00	10,000.00	6,447.65	(3,552.35)
State Funds	8,654,423.00	8,730,155.00	8,679,188.55	(50,966.45)
Federal Funds	1,753,372.00	2,943,588.00	2,399,319.71	(544,268.29)
Charges for Services	2,500.00	29,500.00	213,385.98	183,885.98
Investment Earnings	1,000.00	3,000.00	4,489.94	1,489.94
Miscellaneous	143,500.00	143,500.00	326,637.38	183,137.38
Total Revenues	13,957,795.00	15,252,743.00	15,167,527.42	(85,215.58)
EXPENDITURES				
Current				
Instruction	9,091,044.25	8,902,444.42	7,915,144.24	987,300.18
Support Services				
Pupil Services	530,413.00	537,601.00	536,331.02	1,269.98
Improvement of Instructional Services	632,891.81	641,194.75	564,424.93	76,769.82
Educational Media Services	186,722.00	233,722.00	221,835.98	11,886.02
General Administration	428,966.00	443,885.00	394,570.30	49,314.70
School Administration	879,034.00	959,034.00	965,352.15	(6,318.15)
Business Administration	342,948.00	342,948.00	291,699.15	51,248.85
Maintenance and Operation of Plant	942,781.00	1,054,395.00	1,051,816.24	2,578.76
Student Transportation Services	769,452.00	789,408.00	732,105.93	57,302.07
Central Support Services	-	86,963.00	80,088.70	6,874.30
Other Support Services	147,943.00	147,943.00	184,467.61	(36,524.61)
Enterprise Operations	-	-	235,699.31	(235,699.31)
Community Services	9,500.00	9,500.00	7,061.58	2,438.42
Food Services Operation	-	1,020,000.00	975,085.88	44,914.12
Total Expenditures	13,961,695.06	15,169,038.17	14,155,683.02	1,013,355.15
Excess of Revenues over (under) Expenditures	(3,900.06)	83,704.83	1,011,844.40	928,139.57
OTHER FINANCING SOURCES (USES)				
Operating Transfers from Other Funds	100,300.00	130,300.00	-	(130,300.00)
Operating Transfers To Other Funds	(100,300.00)	(990,300.00)	(860,000.00)	130,300.00
Total Financing Sources (Uses)	-	(860,000.00)	(860,000.00)	-
Net Change in Fund Balances	(3,900.06)	(776,295.17)	151,844.40	928,139.57
Fund Balances - Beginning	2,721,302.47	2,721,302.47	2,797,799.17	76,496.70
Adjustments	6,759.89	(8,412.83)	-	8,412.83
Fund Balances - Ending	$ 2,724,162.30	$ 1,936,594.47	$ 2,949,643.57	$ 1,013,049.10

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

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are $259,831.12 and $271,292.35, 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.

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

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	18185GA324N1099	$ 257,639.33
National School Lunch Program	10.555	18185GA324N1100	789,497.23
Total U.S. Department of Agriculture			1,047,136.56
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	77,786.00
Grants to States	84.027	H027A170073	154,798.71
Preschool Grants	84.173	H173A160081	4,711.00
Preschool Grants	84.173	H173A170081	13,714.35
Total Special Education Cluster			251,010.06
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A170010	21,645.18
Migrant Education - State Grant Program	84.011	S011A170011	21,046.78
Rural Education	84.358	S358B160010	7,016.00
Rural Education	84.358	S358B170010	20,132.49
Student Support and Academic Enrichment Program	84.424A	S424A170011	6,550.00
Supporting Effective Instruction State Grant	84.367	S367A160001	79,422.00
Supporting Effective Instruction State Grant	84.367	S367A170001	49,236.81
Title I Grants to Local Educational Agencies	84.010	S010A160010	18,862.00
Title I Grants to Local Educational Agencies	84.010	S010A170010	746,418.37
Twenty-First Century Community Learning Centers	84.287	S287C160010	28,551.00
Twenty-First Century Community Learning Centers	84.287	S287C170010	332,771.89
Pass-Through From Bleckley County Board of Education			
Rural Health Development Grant	93.912	DC7RH27765	62,814.89
Total Other Programs			1,394,467.41
Total U. S. Department of Education			1,645,477.47
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		51,305.43
Total Expenditures of Federal Awards			$ 2,743,919.46

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

Note 2. Summary of Significant Accounting Policies

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

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

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 303,282.97
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	225,828.00
Kindergarten Program - Early Intervention Program	213,270.00
Primary Grades (1-3) Program	458,067.00
Primary Grades - Early Intervention (1-3) Program	557,006.00
Upper Elementary Grades (4-5) Program	293,228.00
Upper Elementary Grades - Early Intervention (4-5) Program	335,876.00
Middle School (6-8) Program	678,219.00
High School General Education (9-12) Program	721,946.00
Vocational Laboratory (9-12) Program	184,366.00
Students with Disabilities	1,220,011.00
Gifted Student - Category VI	351,515.00
Remedial Education Program	110,784.00
Alternative Education Program	51,280.00
Media Center Program	131,244.00
20 Days Additional Instruction	39,025.00
Staff and Professional Development	24,547.00
Principal Staff and Professional Development	1,074.00
Indirect Cost	
Central Administration	384,805.00
School Administration	444,324.00
Facility Maintenance and Operations	299,379.00
Amended Formula Adjustment	(118,358.00)
Categorical Grants	
Pupil Transportation	
Regular	262,960.00
Nursing Services	45,000.00
Midterm Hold Harmless	428,553.00
Sparsity	67,157.00
Education Equalization Funding Grant	781,229.00
Other State Programs	
Food Services	25,186.00
Math and Science Supplements	
Preschool Handicapped Program	27,491.44
Teacher of the Year Grant	507.25
Teachers Retirement	3,174.30
Vocational Education	100,993.75
Vocational Supervisors	7,475.84
Office of the State Treasurer	
Public School Employees Retirement	18,742.00
	$ 8,679,188.55

See notes to the basic financial statements.

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

SCHEDULE "10"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST Projects 2012-2016:							
Lease/Purchase ABM/Linc Mechanical HVAC/Lighting Upgrade	$ 1,275,500.00	$ 991,293.20	$ 140,128.19	$ 851,165.01	$ 991,293.20	$ -	Completed
Textbooks	700,000.00	222,590.48	17,197.22	205,393.26	222,590.48	-	Completed
Facility Repairs, Renovations, Improvement Acquisitions	1,924,500.00	1,972,600.52	235,619.76	1,736,980.76	1,972,600.52	-	Completed
Technology Improvements	1,100,000.00	1,044,909.95	138,837.85	906,072.10	1,044,909.95	-	Completed
Vocational Equipment	50,000.00	-	-	-	-	-	Completed
Rolling Stock	250,000.00	263,048.49	9,223.23	253,825.26	263,048.49	-	Completed
	5,300,000.00	4,494,442.64	541,006.25	3,953,436.39	4,494,442.64	-	
SPLOST Projects 2017-2021:							
Lease/Purchase ABM/Linc Mechanical HVAC/Lighting Upgrade	1,275,500.00	115,371.81	115,371.81	-	-	-	6/30/2021
Textbooks	700,000.00	14,158.99	14,158.99	-	-	-	6/30/2021
Facility Repairs, Renovations, Improvement Acquisitions	1,924,500.00	1,248,778.63	1,248,778.63	-	-	-	6/30/2021
Technology Improvements	1,100,000.00	114,309.44	114,309.44	-	-	-	6/30/2021
Vocational Equipment	50,000.00	-	-	-	-	-	6/30/2021
Rolling Stock	250,000.00	7,593.77	7,593.77	-	-	-	6/30/2021
	5,300,000.00	1,500,212.64	1,500,212.64	-	-	-	
	$ 10,600,000.00	$ 5,994,655.28	$ 2,041,218.89	$ 3,953,436.39	$ 4,494,442.64	$ -	

(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

September 5, 2019

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Turner County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 5, 2019.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item FS 2018-003 to be a material weakness.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items FS 2018-001, FS 2018-002, and FS 2018-004, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material 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

September 5, 2019

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2018

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, 2018

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:	Partially Resolved
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, 2018

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 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, 2018

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:	Partially Resolved
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, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-001 **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.*

FS-2016-002 **Inadequate 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

Finding Status: Partially Resolved

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 2016-003 **Inadequate Controls over Financial Reporting Process**

Control Category: Financial Reporting
Internal Control Impact: Material Weakness
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.*

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-004	**Improper Use of SPLOST Proceeds**
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Material Weakness
Compliance Impact:	None
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.*
FS 2016-005	**Internal Controls over Agency Funds**
Control Category:	Accounting Controls
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented
FS 2017-001	**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	*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*

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-2017-002	**Inadequate Internal Control Procedures**
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Employee Compensation Journal Entries Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved
Entity's Response	*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 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.*

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-003 **Inadequate Controls over Financial Reporting Process**

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

Finding Status: Unresolved

Entity's Response *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. 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.*

FS 2017-004 **Improper Use of SPLOST Proceeds**

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

Finding Status: Unresolved

Entity's Response *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, the account number must be listed on the purchase order and therefore, the account being charged must be approved by at least two people. The CFO will work with her office to assure the chart of accounts are prepared accurately, monitored frequently, and discussed often among her staff and she will make sure that the SPLOST referendum is read often and followed properly.*

FS 2017-005 **Internal Controls over Agency Funds**

Control Category: Accounting Controls
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Previously Reported Corrective Action Implemented

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

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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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, 2018

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 weakness identified? — Yes
- Significant deficiencies identified? — Yes

Noncompliance material to financial statements noted: — No

Federal Awards

Internal Control over major programs:
- Material weakness identified? — No
- Significant deficiency identified? — None Reported

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)? — No

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? — No

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2018-001	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 2017-001, FS 2016-001, 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.
- One high school bank reconciliation was not completed timely. The November 2017 bank reconciliation was signed and dated as reconciled on February 14, 2018.
- One outstanding check, totaling $2,000.00, on the June 30, 2018 bank reconciliation for the high school was made payable to "cash".
- The review of school bank reconciliations for June 2018 revealed many reconciling items that were over one year old, the oldest being from December 2013.

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 five receipts, the following deficiencies were noted:
    - One receipt lacked adequate documentation to determine if the receipt was credited to the correct revenue account or was recorded in the correct amount.
    - One receipt lacked adequate documentation to support the amount of the receipt recorded.
    - Two gate receipts did not have adequate documentation of separation of duties on the reconciliations.
    - One gate receipt did not include adequate documentation to determine the athletic event to credit a portion of the funds being receipted.

Expenditures/Liabilities/Disbursements:

- During a review of five disbursements, the following deficiencies were noted:
    - Two expenditures lacked documentation of prior approval before payment.
    - One expenditure did not have documentation of prior approval before purchase.
    - One expenditure lacked evidence that goods were received.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Three accounts on the Funds Held for Others listing had deficit balances. 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 FS 2018-001. The Turner County Finance Office has determined that school personnel have had inadequate training on key accounting functions and proper recordkeeping procedures. A new finance department at the board of education with no training and very few procedures established prior caused a failure to provide adequate independent review to assure that transactions are processed according to GAAP standards.

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 2018-002	Internal Control Procedures
Control Category:	Cash and Cash Equivalents
	Employee Compensation
	Journal Entries
	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2017-002, FS 2016-002, FS 2015-002, FS 2014-002

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

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Condition:

Cash and Cash Equivalents

- During the review of ten bank reconciliations it was noted that two bank reconciliations lacked evidence of both a preparer and an approver.
- Three bank accounts exist under the Board's Federal Employer Identification number over which the entity is not a custodian.

Employee Compensation

- During the review of eight employee's salaries, the following issues were noted:
  - The local salary and supplements schedules were not approved by the Board.
  - Two instances were noted of an employee's salary not being based on the pay scales.
  - Two instances were noted of employees' salaries not being paid correctly, resulting in immaterial underpayments.

Journal Entries

- During a review of twenty-two journal entries recorded in the general ledger, it was noted that two entries lacked evidence of both a preparer and an approver.

Capital Assets

- Several instances were noted of equipment items, specifically vehicles, being depreciated over a useful life that is different than the school district's capitalization policy.
- One asset item was deleted in error.
- Three current year purchases that are capital assets under the school district's capitalization policy, were not recorded as capital asset additions.

Cause:

With the high turnover of staff, training has been needed in many different areas for many different employees. Training for the finance department and bookkeepers along with implementation of new procedures have not yet been fully completed due to the number of changes needed. Separation of duties has been a challenge due to the smaller staff but time has also been a factor for setting all new procedures into action. The finance department must be given time to establish and maintain a monitoring process to provide reasonable assurance that all transactions, both school and board office, are processed according to established procedures.

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.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2018-003	Internal Controls over Financial Reporting Process
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2017-003, FS 2016-003, 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.

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

- Agency fund accounts receivable – other and funds held for others were both understated by $14,127.10 due to agency school activity accounts being incorrectly recorded as governmental funds. These misstatements were material to the agency fund. Adjustments to the financial statements were proposed by the auditors and accepted by the School District.
- Agency fund cash overdraft was overstated and funds held for others was understated by $4,595.59 due to unrecorded cash. These misstatements were significant to the agency fund. Adjustments to the financial statements were proposed by the auditors and accepted by the School District.
- One bank account in the amount of $41,700.23 was not recorded. This error 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 Schedule of Approved Local Option Sales Tax Projects did not separate the amounts expended in current year between the 2012 referendum projects and the 2017 referendum projects. In addition, the Elementary School project in the amount of $1,054,785.69 was omitted on the schedule. An adjustment to the schedule was proposed by the auditors and accepted by the School District.
- Several other audit adjustments 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 2018-003 is lack of School Financial Reporting Training for the district. The School District's Finance Office must strengthen internal control procedures. The Finance Officer also needs training on financial statement reporting to ensure proper oversight of what is being reported.

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 2018-004	Improper Use of SPLOST Proceeds
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2017-004, FS 2016-004, FS 2015-004, FS 2014-004, FS-7421-13-03

Description:
The School District's Special Purpose Local Option Sales Tax (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".

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

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 $26,902.10 for unallowable expenditures for bus repairs, supplies, and communication service.

Questioned Cost:
$26,902.10

Cause:
The cause of Finding 2018-004 was due to the misinterpretation by management of the SPLOST referendum in regards to allowable and unallowable expenditures.

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.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
No maters were reported.

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SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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Turner County School District

Craig T. Matthews,
Superintendent

Ann Kendrick, Board Chair
Cornelius Ball, Vice Chair
Sandra Blue, Board Member
Sam Brown, Board Member
Phillip Crawford, Board Member

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2018-001	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 2017-001, FS 2016-001, FS 2015-001, FS 2014-001, FS-7421-13-01

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

Corrective Action Plans:
Turner County School System continues to design and implement proper procedures to produce timely bank reconciliations, to ensure the proper separation of duties is in place, and to ensure proper documentation is gathered and produced for receipts, bank deposits, and prior approval of expenditures. Training is being scheduled for the bookkeepers to improve on key accounting functions to reduce or eliminate misstatements on the financial statements.

Estimated Completion Date: June, 2020.

Contact Person: Elizabeth Walker
Telephone: 229-567-4849 ; E-mail: liz.walker@turner.k12.ga.us

FS 2018-002	Internal Control Procedures
Control Category:	Cash and Cash Equivalents Employee Compensation Journal Entries Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2017-002, FS 2016-002, 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:
The Turner County Finance Department has developed sign-off sheets for receipts and deposits, journal entries, and bank reconciliations. These forms are designed to have multiple people review a

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transaction and each person will sign-off on the form once the documents have been reviewed and approved. It has been determined that there are two bank accounts under the Board's Federal Employer Identification Number over which the entity is not a custodian and the finance department has already reached out to the custodian of those mentioned accounts and the custodian is in the process of obtaining a separate EIN so as to remove the accounts from under the Turner County Board of Education's EIN. Pay Scales have been developed for all positions and have been approved by the Turner County Board of Education in July, 2019. All employees are now paid from the approved pay scales. The local salary and supplements were also approved by The Board of Education at the same time the pay scales were approved. The Turner County Finance Department will attend training in areas of capital assets, budgeting, funding, and bookkeeping.

Estimated Completion Date: June, 2020.

Contact Person: Elizabeth Walker
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FS 2018-003	<u>Internal Controls over Financial Reporting Process</u>
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2017-003, FS 2016-003, 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 Turner County Board of Education has contracted with a new financial statement preparer. Melanie James has been preparing financial statements for other Georgia School Systems for many years. In addition, the Turner County Finance Director will attend a financial statement workshop to become familiar with the process and to better understand the information needed to prepare the financial statements. This will aid in delivery of all of the necessary records required for completion of the financial statements.

Estimated Completion Date: June, 2020.

Contact Person: Elizabeth Walker
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FS 2018-004	<u>Improper Use of SPLOST Proceeds</u>
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2017-004, FS 2016-004, 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:
The finance department has had numerous conversations with the auditors and Ga Department of Education regarding allowable and unallowable costs. The finance department will continue to seek guidance from the Georgia Department of Education when/if there are any questionable expenditures to make sure nothing is charged to SPLOST that is not specifically included in the referendum.
Estimated Completion Date: June, 2020.

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Elizabeth Walker
Chief Financial Officer
Turner County Schools