



WASHINGTON COUNTY BOARD OF EDUCATION SANDERSVILLE, GEORGIA

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



WASHINGTON COUNTY BOARD OF EDUCATION

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

February 12, 2019

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

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 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. Our opinions are not modified with respect to this manner.

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 are not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive, flowing style.

Greg S. Griffin
State Auditor

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

INTRODUCTION

The discussion and analysis of the Washington County Board of Education's (School District) financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2018 and June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal years 2018 and 2017 are as follows:

- GASB No. 75, related to Accounting and Financial Reporting for Other Post Employment Benefits (OPEB) was implemented in fiscal year 2018. These standards directly impact the Board's liabilities and unrestricted net position only on the government-wide financial statements and resulted in significant changes in how the Board 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 \$27.3 million for the implementation of GASB No. 75. Net position increased by \$1.1 million from the beginning of the year, restated amount, which represents an increase of 16 percent. All of the increase is in governmental activities. The Board has no business-type activities.
- The School District had \$35.0 million and \$35.2 million in expenses relating to governmental activities for the fiscal years ended June 30, 2018 and June 30, 2017, respectively. Only \$20.6 million and \$20.0 million of the above mentioned expenses for 2018 and 2017 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$15.6 million and \$15.5 million, respectively, for 2018 and 2017, along with fund balance were adequate to provide for these programs.
- General revenues accounts for \$15.6 million in revenue or 43.14 % of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$20.6 million or 56.86% of total revenues of \$36.2 million.
- Among major funds, the general fund had \$33.1 million in revenues and \$33.0 million in expenditures. The fund balance for the general fund increased slightly by \$78 thousand. This increase can be attributed to effective budgeting, expenditure controls, and increased revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the government-wide and fund financial statements.

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

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

The fund financial statements focus on individual parts, reporting the School District's operation in more detail. The governmental funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

The fund financial statements reflect the School District's most significant funds. For the years ending June 30, 2018 and 2017, the general fund, the capital projects fund, and the debt service fund represent the most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information and supplementary information that further explains and supports the financial statements.

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, are one way to measure the School District's overall financial health or position. Over time, increases or decreases in net position are an indication of whether its financial health is improving or deteriorating. Changes may be the result of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, accounting adjustments as a result of GASB implementation, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has one distinct type of activity:

- **Governmental Activities** – All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, student activity accounts and various others.

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 will require 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 State Health Benefit 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. Washington County Board of Education participates in Georgia's State Health Benefit Plan. As a result of implementation of GASB No. 75, the Washington County Board of Education is presenting a more significant deficit balance in unrestricted Net Position following 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 Washington County Board of Education makes the required contributions to the plan to ensure sufficient resources are available to make postemployment benefit payments.

WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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.

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required by State law and some by bond requirements. The School District's major governmental funds are the general fund, the capital projects fund, and the debt service fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. 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 to the financial statements.

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2018 and 2017.

**Table 1
Net Position**

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017 (1)
Assets		
Current and Other Assets	\$ 19,729,746	\$ 16,688,369
Capital Assets, Net	59,125,563	60,533,454
Total Assets	78,855,309	77,221,823
Deferred Outflows of Resources		
Related to Defined Benefit Pension Plans	4,599,640	7,764,485
Related to OPEB Plans	959,620	-
Total Deferred Outflows of Resources	5,559,260	7,764,485
Liabilities		
Current and Other Liabilities	3,950,745	3,633,761
Long-Term Liabilities	14,388,072	14,380,964
Net Pension Liability	27,220,803	31,410,614
Net OPEB Liability	26,191,935	-
Total Liabilities	71,751,555	49,425,339
Deferred Inflows of Resources		
Related to Defined Benefit Pension Plans	1,875,337	1,149,583
Related to OPEB Plans	2,535,581	-
Total Deferred Inflows of Resources	4,410,918	1,149,583
Net Position		
Net Investment in Capital Assets	45,300,458	46,708,349
Restricted	9,571,127	6,594,611
Unrestricted	(46,619,489)	(18,891,574)
Total Net Position	\$ 8,252,096	\$ 34,411,386

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

Total net position increased \$1,135,137 in fiscal year 2018 after the restatement of beginning net position. This increase is primarily due to an increase in revenues and tight expenditure controls.

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

During fiscal year 2015, the Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. In fiscal year 2018 the implementation of the above mentioned GASB No. 75 coupled with these two statements drastically changed the presentation for the government-wide balance sheet by requiring the reporting of the Board's net pension/OPEB liability and deferred inflows and outflows associated with pension payments and state health contributions in which the Board participates. The total liability effect of these changes was \$27,220,803 for pensions and \$26,191,935 for OPEB the year ended June 30, 2018. These liabilities exceeded the Board's unrestricted net position of \$6,793,249. Although this causes a large deficit balance in unrestricted net position, it should not be considered a financial weakness as these costs are spread out over multiple years well into the future.

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

Table 2 shows the changes in net position for fiscal years ending June 30, 2018 and June 30, 2017.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017 (1)
Revenues		
Program Revenues:		
Charges for Services	\$ 399,742	\$ 449,713
Operating Grants and Contributions	19,724,438	18,985,418
Capital Grants and Contributions	448,888	561,820
Total Program Revenues	<u>20,573,068</u>	<u>19,996,951</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	11,790,966	11,731,091
Railroad Cars	76,238	62,555
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	2,546,358	2,528,178
Other Taxes	69,818	67,149
Investment Earnings	197,944	134,593
Miscellaneous	926,606	998,937
Total General Revenues	<u>15,607,930</u>	<u>15,522,503</u>
Total Revenues	<u>36,180,998</u>	<u>35,519,454</u>
Program Expenses:		
Instruction	19,745,365	20,457,178
Support Services		
Pupil Services	1,482,300	1,310,907
Improvement of Instructional Services	1,626,191	1,476,716
Educational Media Services	441,939	411,630
General Administration	1,026,971	904,381
School Administration	2,496,714	2,508,504
Business Administration	580,242	545,768
Maintenance and Operation of Plant	3,100,905	2,938,323
Student Transportation Services	2,193,286	2,182,651
Central Support Services	1,099	1,024
Other Support Services	42,567	45,948
Operations of Non-Instructional Services		
Food Services	1,827,802	1,865,998
Interest on Short-Term and Long-Term Debt	480,480	520,520
Total Expenses	<u>35,045,861</u>	<u>35,169,548</u>
Increase in Net Position	<u>\$ 1,135,137</u>	<u>\$ 349,906</u>

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

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

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions slightly increased \$576 thousand for governmental activities. This increase is largely due to an increase in funds earned through the State Quality Basic Education (QBE) Funding Formula with the decrease of Austerity Reduction. The reduction in Capital Grants and Contributions is due to the School District not being granted Bus Bonds from the Department of Education.

General revenues increased by \$85 thousand during fiscal year 2018 due to a slight increase in various tax collections.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
Instruction	\$ 19,745,365	\$ 20,457,178	\$ 6,129,405	\$ 7,092,720
Support Services:				
Pupil Services	1,482,300	1,310,907	878,131	972,942
Improvement of Instructional Services	1,626,191	1,476,716	1,128,600	999,630
Educational Media Services	441,939	411,630	32,742	19,029
General Administration	1,026,971	904,381	424,079	369,760
School Administration	2,496,714	2,508,504	1,704,818	1,755,535
Business Administration	580,242	545,768	579,155	545,768
Maintenance and Operation of Plant	3,100,905	2,938,323	2,159,337	1,995,116
Student Transportation Services	2,193,286	2,182,651	1,517,304	1,436,771
Central Support Services	1,099	1,024	1,097	1,024
Other Support Services	42,567	45,948	42,479	45,948
Operations of Non-Instructional Services:				
Food Services	1,827,802	1,865,998	(155,946)	(97,562)
Interest on Short-Term and Long-Term Debt	480,480	520,520	31,592	35,916
Total Expenses	\$ 35,045,861	\$ 35,169,548	\$ 14,472,793	\$ 15,172,597

Although program revenues make up a majority of the funding, the School District is still dependent upon tax revenues for governmental activities. For 2018, 44.59% of instruction and support activities were supplemented by taxes and other general revenues compared to 46.47% in 2017.

The State's QBE funding does not provide an adequate level of funding to provide basic education services and to adequately maintain facilities. The Board levies a millage rate of 17.133 to provide additional local funding

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

Expenses decreased \$124 thousand from the prior year, and the net costs of providing services decreased \$700 thousand. Instruction comprises 56.34 percent, Support Services 37.07 percent, Food Services 5.22 percent, and Interest 1.37 percent of government program expenses.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$38 million and expenditures and other financing uses of \$35.0 million. The general fund reflected a slight increase of \$78 thousand, the debt service fund increased by \$ 1.9 million, and the capital projects funds increased \$765 thousand. The increase in the debt service fund was due to the transfer of funds from capital projects SPLOST collections to cover the QSCB's Repurchase Deposit. The change in the fund balance of the general fund indicates the Board was able to utilize the fund balance to meet current expenditures despite the shortage of revenue.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the general fund, funded primarily through state revenue and local property tax revenue. During the course of fiscal years 2018 and 2017, the School District amended its general fund budget as needed.

For the general fund, the final budgeted revenues and other financing sources of \$34.1 million increased the original budgeted amount of \$32.0 million by \$2.1 million. This difference was mainly due to budgeting for school food service after the original budget had been approved. The actual revenue was less than the budgeted amount by \$1 million. The majority of the variances between the final budget and actual revenue in 2018 are due to the student activity funds and on behalf payments for retirement that are not budgeted and property tax collections being less than budgeted amount.

The final budgeted expenditures and other financing uses of \$33.6 million is more than the original budget of \$31.8 million by \$1.8 million. The difference was due to various adjustments in budgeted expenditure accounts. The actual expenditures and other financing uses were \$646 thousand less than the budgeted amount. The majority of the variances between the final budgeted expenditures and actual are due to underestimates in various areas and on behalf payments for retirement and student activity fund expenditures not being budgeted.

General fund revenues and other financing sources are more than expenditures and other financing uses by \$78 thousand.

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

CAPITAL ASSETS

At the fiscal years ended June 30, 2018 and June 30, 2017, the School District had \$59.0 and \$60.5 million, respectively, invested in capital assets, net of accumulated depreciation. These assets are made up of a broad range of capital assets, including land; buildings; transportation, food service and maintenance equipment. Table 4 reflects a summary of these balances, by class, net of accumulated depreciation.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal	Fiscal
	Year 2018	Year 2017
Land	\$ 2,056,703	\$ 2,056,702
Building and Improvements	52,121,265	53,232,322
Equipment	1,487,694	1,600,320
Land Improvements	3,459,901	3,644,110
Total	\$ 59,125,563	\$ 60,533,454

The overall capital assets decreased in fiscal year 2018 by \$1.4 million primarily due to a combination of depreciation and disposals exceeding any new purchases.

DEBT ADMINISTRATION

The Board did not issue any general obligation bonds in fiscal year 2018. As of June 30, 2018, the Board had \$14.3 million in Qualified School Construction Bonds (QSCBs) with no principal payment due within one year. Table 5 shows fiscal year 2018 balances compared with fiscal year 2017 balances.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal	Fiscal
	Year 2018	Year 2017
General Obligation Bonds	\$ 14,300,000	\$ 14,300,000
Compensated Absences	88,072	80,964
Total	\$ 14,388,072	\$ 14,380,964

CURRENT FINANCIAL ISSUES AND CONCERNS

The financial condition of the Board continued its good health in fiscal year 2018. Our state sources of funding stabilized with the improvement in the state's economy. Fiscal year 2018 saw an Austerity Cut or Amended Formula Adjustment of \$234 thousand, which was \$38 thousand more than fiscal year 2017's reduction. After accounting for other formula adjustments, the Board received a net increase in QBE funding over fiscal year 2017 of \$996 thousand. The Board was pleased to see the continued efforts by the state to eliminate the sixteen-year practice of reducing the payment of earned QBE funds to local school districts. The cumulative state shortfall for Washington County schools as of June 30, 2018 is \$18.02 million. The impact of this shortfall continues to be effectively managed

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

by the Board. Operational costs are closely monitored and reduced when possible. Mainly through attrition, the School District has reduced the number of employees and is realizing the financial benefits of consolidated campuses. Class sizes have been increased, and new and updated facilities continue to provide cost savings from increased efficiencies associated with updated construction.

Local revenue generated through property tax millage saw an increase over fiscal year 2017 of \$60 thousand on a digest that benefited from slight growth. The millage rate for fiscal year 2018 was set at the rollback rate of 17.133 mils. Increased Property Tax revenue combined with increased state revenue positioned the Board to more comfortably fund its ongoing operations. The year's financial performance resulted in a year-end fund balance increase of \$78 thousand in the general fund.

Other revenue highlights include the receipt of \$723 thousand in Title Ad Valorem Taxes (TAVT) and \$483 thousand from the Forestry Land Protection Act (FLPA) grant. Expenditures were reduced in the area of salaries through the replacement of retiring teachers with entry level teachers. Areas of increased costs included step raises for certified staff, a 2% salary increase for non-certified staff, associated increases in benefits costs, and Maintenance and Transportation expenditures. Additionally, the Board's base contribution to the Teachers Retirement System (TRS) increased by a state mandated 2.54%. The Board also purchased two buses with local funds.

ESPLOST III is continuing to fund the debt service Repurchase Agreement deposits associated with the High School project. Smaller projects are being undertaken as ESPLOST III funds not required for debt service are available. Projects under consideration are athletic facilities upgrades, parking lots, and student loading ramps. Preliminary estimates indicate a cost of \$2.0 to \$3.0 million for these projects.

Sales tax collections stabilized in fiscal year 2018 with a \$21 thousand increase in collections versus fiscal year 2017. As the economy continues to improve, the Board remains optimistic that these revenues will continue to grow. Conversely, Washington County is an agricultural county and continues to experience the negative impact of reduced sales tax revenues from the Georgia Agricultural Tax (GATE) exemptions. Additionally, the reduction in revenues attributable to exemptions provided for industrial energy usage has contributed to reduced sales tax revenues. Although not quantifiable, it is suspected that internet sales, for which no local sales tax is collected, have also negatively impacted collections. Newly passed legislation will now allow increased collection of state sales taxes on internet sales, but it is still unclear as to how these revenues will be collected and/or distributed to counties that have a local option sales tax. Regardless of these fluctuations and/or reductions in sales tax revenues, the Board is prepared to meet its current obligations as they relate to capital construction and ESPLOST funded debt service. Planned capital projects have been reviewed and have been amended to reflect the anticipated revenue stream.

The Board is well positioned to satisfy its current debt obligations through the accumulation ESPLOST revenues. ESPLOST III is providing sufficient revenues to continue annual deposits to the sinking fund through the debt repayment date of December 2021. Interest from a negotiated repurchase agreement on the sinking fund will provide \$1.3 million in earnings, correspondingly reducing the overall re-payment made from ESPLOST funds on the debt. Total debt service payments, including interest, for the New High School equal \$25.4 million. Total repayments from ESPLOST II and III funds will equal \$19.3 million. The balance will come from federal interest subsidies on the QSCBs and from the aforementioned interest earnings on the repurchase agreement.

The adoption of GASB No. 75, GASB No. 71 and GASB No. 68 has resulted in a less than positive impact on our financial statements, particularly with regard to our net position. We are not unique in this situation, as all school systems in Georgia who participate in TRS, ERS, PSERS and the State Health Benefit Plan have been similarly impacted. Although the pension and OPEB liabilities of these state programs are significant, the Washington County Board of Education is simply a participant in

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

these programs. A major portion of the employer's cost for these contributions is funded by the state through the QBE formula. The Board will continue to participate in these retirement programs and will fund its portion at 100% of its required annual contribution.

Fiscal year 2019 is underway and the financial picture for the Board continues to be mainly positive. The Board is pleased that the Austerity Reductions/Amended Formula Adjustments have been completely eliminated for fiscal year 2019 state funding. The Board received a year over year increase in state QBE funding of \$1.1 million. This increase in funding included coverage for another 4.09% increase in Teacher Retirement System (TRS) costs. It is anticipated that the Board's TRS costs will continue to increase for the next few years with a leveling off, and possibly a slight decrease, to occur in the early 2020s. Also included in the fiscal year 2019 budget is an increase in the bus driver pay scale, which will be funded from local revenues. The fiscal year 2019 maintenance and operations millage rate was held to the rollback rate on a digest that decreased \$14.3 million from its base. Despite the reduction in the digest base, the Board anticipates offsets through the recognition of slight increases in TAVT, FLPA, and railroad tax revenues. Recent assessment appeals, a slowdown in existing industrial growth, and pressures to provide tax abatements to attract new industry continue to affect the growth of the tax base in the county. Operationally, the Board is incrementally replacing aged buses. In addition to the two buses purchased in fiscal year 2018 with local funds, the Department of Education awarded bus bonds funds to the Board for two buses purchased early in fiscal year 2019. Hiring and retaining qualified bus drivers is becoming more difficult and the Board continues to consider options to address this issue. The middle school facility is beginning to require age related major maintenance and will be the next campus to benefit from capital improvements. In addition to routine maintenance, the Board plans to proceed with the installation of air conditioning in the middle school gymnasium. The Board was the recipient of a \$47 thousand School Safety grant from the Department of Education which has been used to partially fund an upgraded communications system at the Ridge Road complex. Programmatically, the Board continues to offer a progressive curriculum to the county's students in a technologically enhanced environment. The Board's Technology group has been the recipient of competitive state and federal grants that have enabled significant improvements to the instructional technology currently in use by our staff and students. Funds are now being expended on professional development and staff training to enable full utilization of the technology in the classrooms. From a system viewpoint, projected revenues are sufficient to cover planned expenses, and debt service funding is available to make the required principal and interest payments.

As the Board looks to the end of fiscal year 2019, it is anticipating the retirement of its current Superintendent. Following a tenure of twenty-two years with the School District, Dr. Donna Hinton will retire effective June 30, 2019. Dr. Hinton announced her retirement with sufficient notice to allow the Board to thoroughly consider all options for her replacement. The Board is actively and deliberately reviewing applicants for the position and expects a smooth transition through the choice of a replacement well before June 30, 2019. From a fiscal perspective, the new Superintendent will have a sound financial footing upon which to begin his/her new position. The Board maintains a fund balance sufficient to undergird its day to day operations, there are numerous new and updated facilities, employment and the costs of operations are stable year over year, and funding to cover the debt payment due in 2021 is secure. Along with improved state funding, the local property digest is proving adequate to provide a reliable revenue stream. The current ESPLOST is in place until July of 2021 and the Board is looking forward to working with the new Superintendent to develop plans for a referendum for the next ESPLOST.

After enduring 16 years of state cuts, the Board is immensely relieved to see the state's QBE funds fully restored through the elimination of the Amended Formula Reduction in fiscal year 2019. Additional flexibilities were provided in January 2018 with the U. S. Department of Education's approval of the State of Georgia's Every Student Succeeds Act (ESSA) replacing No Child Left Behind. This change provided the Board with the ability to exert further control over its instructional practices

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

and financial management. The Board remains a Strategic Waiver School System which enables programmatic and fiscal options that more fully serve the educational needs of our student population. At the same time, this designation allows for the continued implementation of sound financial practices targeting the Board's goal of long term financial stability. The Board's dependence on state funding for its operations continues to force an awareness of the political environment in which the state's school systems operate. We are encouraged by the positive traction gained over the past few years by our political leaders toward a fuller recognition of the many financial, instructional, and social challenges faced by all of the state's public school systems. With a local tax base experiencing limited growth opportunities, we continue to be in need of increased financial support from our state's leaders. The Board has, thus far, been able to sufficiently manage fluctuations in state and local funding through the implementation of disciplined financial practices and aggressive management of available funding. The ability of management to recognize issues, both political and fiscal, anticipate their impact, and react accordingly, has provided for the continuation of funding for sufficient programs in state of the art facilities for the students of Washington County.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. For additional financial information, or with questions about this report, please contact Sandra McMaster, Director of Finance and Business Operations, Washington County Board of Education, PO Box 716, Sandersville, Georgia 31082.

WASHINGTON COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 9,596,069.26
Receivables, Net	
Interest	109.89
Taxes	512,977.59
State Government	2,234,810.58
Federal Government	555,433.48
Other	47,776.93
Inventories	49,222.32
Prepaid Items	2,304.52
Restricted Assets	
Cash and Investments with Fiscal Agent or Trustee	6,731,041.28
Capital Assets, Non-Depreciable	2,056,702.37
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>57,068,860.31</u>
 Total Assets	 <u>78,855,308.53</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	4,599,639.82
Related to OPEB Plan	<u>959,620.00</u>
 Total Deferred Outflows of Resources	 <u>5,559,259.82</u>
<u>LIABILITIES</u>	
Accounts Payable	156,600.86
Salaries and Benefits Payable	3,599,663.80
Interest Payable	40,040.00
Unearned Revenue	154,440.00
Net Pension Liability	27,220,803.00
Net OPEB Liability	26,191,935.00
Long-Term Liabilities	
Due in More Than One Year	<u>14,388,071.87</u>
 Total Liabilities	 <u>71,751,554.53</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	1,875,337.00
Related to OPEB Plan	<u>2,535,581.00</u>
 Total Deferred Inflows of Resources	 <u>4,410,918.00</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	45,300,457.50
Restricted for	
Continuation of Federal Programs	1,166,102.72
Debt Service	6,746,490.03
Capital Projects	1,658,534.67
Unrestricted (Deficit)	<u>(46,619,489.10)</u>
 Total Net Position	 <u>\$ 8,252,095.82</u>

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

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 19,745,364.97	\$ 372,858.94
Support Services		
Pupil Services	1,482,299.15	-
Improvement of Instructional Services	1,626,191.33	-
Educational Media Services	441,938.68	-
General Administration	1,026,970.88	-
School Administration	2,496,714.26	-
Business Administration	580,242.54	-
Maintenance and Operation of Plant	3,100,905.48	-
Student Transportation Services	2,193,285.75	-
Central Support Services	1,098.75	-
Other Support Services	42,567.48	-
Operations of Non-Instructional Services		
Food Services	1,827,802.04	26,882.45
Interest on Short-Term and Long-Term Debt	480,480.00	-
	\$ 35,045,861.31	\$ 399,741.39
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year - Restated		
Net Position - End of Year		

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
\$ 13,243,100.75	\$ -	\$ (6,129,405.28)
604,167.78	-	(878,131.37)
497,591.19	-	(1,128,600.14)
409,197.00	-	(32,741.68)
602,891.82	-	(424,079.06)
791,896.61	-	(1,704,817.65)
1,087.52	-	(579,155.02)
941,568.21	-	(2,159,337.27)
675,981.29	-	(1,517,304.46)
2.14	-	(1,096.61)
88.30	-	(42,479.18)
1,956,865.34	-	155,945.75
-	448,888.44	(31,591.56)
<u>\$ 19,724,437.95</u>	<u>\$ 448,888.44</u>	<u>(14,472,793.53)</u>
		11,790,966.34
		76,237.88
		2,546,358.48
		69,817.84
		197,943.87
		<u>926,606.05</u>
		<u>15,607,930.46</u>
		1,135,136.93
		<u>7,116,958.89</u>
		<u>\$ 8,252,095.82</u>

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

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 8,149,857.67	\$ 1,428,608.54	\$ 17,603.05	\$ 9,596,069.26
Receivables, Net				
Interest	109.89	-	-	109.89
Taxes	282,563.12	229,926.13	488.34	512,977.59
State Government	2,234,810.58	-	-	2,234,810.58
Federal Government	555,433.48	-	-	555,433.48
Other	10,379.57	-	-	10,379.57
Inventories	49,222.32	-	-	49,222.32
Prepaid Items	2,304.52	-	-	2,304.52
Restricted				
Cash and Investments with a Fiscal Agent or Trustee	-	-	6,731,041.28	6,731,041.28
	\$ 11,284,681.15	\$ 1,658,534.67	\$ 6,749,132.67	\$ 19,692,348.49
<u>LIABILITIES</u>				
Accounts Payable	\$ 156,600.86	\$ -	\$ -	\$ 156,600.86
Salaries and Benefits Payable	3,599,663.80	-	-	3,599,663.80
Unearned Revenue	154,440.00	-	-	154,440.00
	3,910,704.66	-	-	3,910,704.66
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	28,648.37	-	448.05	29,096.42
<u>FUND BALANCES</u>				
Nonspendable	51,526.84	-	-	51,526.84
Restricted	1,116,880.40	1,658,534.67	6,748,684.62	9,524,099.69
Assigned	1,474,674.64	-	-	1,474,674.64
Unassigned	4,702,246.24	-	-	4,702,246.24
	7,345,328.12	1,658,534.67	6,748,684.62	15,752,547.41
	\$ 11,284,681.15	\$ 1,658,534.67	\$ 6,749,132.67	\$ 19,692,348.49

WASHINGTON 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") \$ 15,752,547.41

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	\$	2,056,702.37	
Buildings and improvements		63,608,271.83	
Equipment		6,030,278.95	
Land improvements		4,514,299.09	
Accumulated depreciation		<u>(17,083,989.56)</u>	59,125,562.68

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension liability	\$	(27,220,803.00)	
Net OPEB liability		<u>(26,191,935.00)</u>	(53,412,738.00)

Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.

Related to pensions	\$	2,724,302.82	
Related to OPEB		<u>(1,575,961.00)</u>	1,148,341.82

Taxes that are not available to pay for current period expenditures are deferred in the funds.

29,096.42

Qualified School Construction Bond Interest subsidy recorded as revenue in the statement of activities do not provide current financial resources and therefore are not recorded as revenue in the governmental funds.

37,397.36

Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

Qualified School Construction Bond payable	\$	(14,300,000.00)	
Qualified School Construction Bond interest payable		(40,040.00)	
Compensated absences payable		<u>(88,071.87)</u>	<u>(14,428,111.87)</u>

Net position of governmental activities (Exhibit "A") \$ 8,252,095.82

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDING JUNE 30, 2018

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 11,906,324.06	\$ -	\$ 99.50	\$ 11,906,423.56
Sales Taxes	69,817.84	2,546,358.48	-	2,616,176.32
State Funds	15,433,316.19	-	-	15,433,316.19
Federal Funds	4,290,678.76	-	-	4,290,678.76
Charges for Services	399,741.39	-	-	399,741.39
Investment Earnings	18,485.40	11,507.19	167,951.28	197,943.87
Miscellaneous	938,485.56	-	448,768.32	1,387,253.88
	<u>33,056,849.20</u>	<u>2,557,865.67</u>	<u>616,819.10</u>	<u>36,231,533.97</u>
Total Revenues				
<u>EXPENDITURES</u>				
Current				
Instruction	18,462,902.21	-	-	18,462,902.21
Support Services				
Pupil Services	1,486,824.26	-	-	1,486,824.26
Improvement of Instructional Services	1,648,983.02	-	-	1,648,983.02
Educational Media Services	436,314.11	-	-	436,314.11
General Administration	1,029,743.65	-	-	1,029,743.65
School Administration	2,486,161.49	-	-	2,486,161.49
Business Administration	557,513.68	-	-	557,513.68
Maintenance and Operation of Plant	3,019,879.36	-	-	3,019,879.36
Student Transportation Services	2,067,248.50	-	-	2,067,248.50
Central Support Services	1,098.75	-	-	1,098.75
Other Support Services	45,266.56	-	-	45,266.56
Food Services Operation	1,736,597.90	-	-	1,736,597.90
Capital Outlay	-	8,167.40	-	8,167.40
Debt Services				
Interest	-	-	480,480.00	480,480.00
	<u>32,978,533.49</u>	<u>8,167.40</u>	<u>480,480.00</u>	<u>33,467,180.89</u>
Total Expenditures				
Revenues over (under) Expenditures	<u>78,315.71</u>	<u>2,549,698.27</u>	<u>136,339.10</u>	<u>2,764,353.08</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	1,784,380.53	1,784,380.53
Transfers Out	-	(1,784,380.53)	-	(1,784,380.53)
	<u>-</u>	<u>(1,784,380.53)</u>	<u>1,784,380.53</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	78,315.71	765,317.74	1,920,719.63	2,764,353.08
Fund Balances - Beginning	<u>7,267,012.41</u>	<u>893,216.93</u>	<u>4,827,964.99</u>	<u>12,988,194.33</u>
Fund Balances - Ending	<u>\$ 7,345,328.12</u>	<u>\$ 1,658,534.67</u>	<u>\$ 6,748,684.62</u>	<u>\$ 15,752,547.41</u>

WASHINGTON 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") \$ 2,764,353.08

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	\$ 235,628.78	
Depreciation expense	<u>(1,631,640.54)</u>	(1,396,011.76)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. (11,879.51)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (40,079.63)

Qualified School Construction Bond Interest subsidy recorded as revenue in the statement of activities do not provide current financial resources and therefore are not recorded as revenue in the governmental funds. 120.12

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

Pension expense	299,211.22	
OPEB expense	<u>(473,469.00)</u>	(174,258)

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.

Compensated absences		<u>(7,107.59)</u>
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Change in net position of governmental activities (Exhibit "B") \$ 1,135,136.93

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

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ -	\$ 74,070.79
Investments	43,580.94	23,123.46
Receivables, Net		
Interest and Dividends	33.57	18.09
Total Assets	\$ 43,614.51	\$ 97,212.34
<u>LIABILITIES</u>		
Funds Held for Others		\$ 97,212.34
 <u>NET POSITION</u>		
Held in Trust for Private Purposes	\$ 43,614.51	

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2018

EXHIBIT "H"

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Investment Earnings	
Interest	\$ <u>153.04</u>
<u>DEDUCTIONS</u>	
Scholarships	<u>600.00</u>
Change in Net Position	(446.96)
Net Position - Beginning	<u>44,061.47</u>
 Net Position - Ending	 \$ <u><u>43,614.51</u></u>

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund types:

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

BASIS OF ACCOUNTING

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

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

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

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

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

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 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. 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.

The School District does not have a formal policy regarding investment policies that address credit risk, custodial credit risks, concentrated credit risk, interest rate risk, or foreign currency risks.

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.

PREPAID ITEMS

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items, in both the government-wide and governmental fund financial statements.

RESTRICTED ASSETS

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

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:

		Policy	Useful Life
Land		ALL	N/A
Land Improvements	\$	5,000.00	up to 50 years
Buildings and Improvements	\$	5,000.00	up to 80 years
Equipment	\$	5,000.00	3 to 20 years
Intangible Assets	\$	300,000.00	10 to 20 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.

COMPENSATED ABSENCES

Compensated absences payable consists of vacation leave employees earned based on services already rendered.

Vacation leave of 10 days is awarded on a fiscal year basis to all full-time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 10 days. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal-year end.

Members of the Teachers Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual School Districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School District's financial statements.

LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS

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

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

PENSIONS

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

FUND BALANCES

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

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

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

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

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

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

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

USE OF ESTIMATES

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

PROPERTY TAXES

The Washington County Board of Commissioners adopted the property tax levy for the 2017 tax digest year (calendar year) on August 16, 2017 (levy date) based on property values as of January 1, 2017. Taxes were due on December 10, 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 Washington 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 \$11,107,124.76 and for school bonds amounted to \$99.50.

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	<u>17.133</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$722,961.42 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 \$2,546,358.48 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

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

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

The Superintendent is authorized by the Board to approve adjustments in any budget function for any fund. Any position or expenditure not previously approved in the annual budget that exceeds \$30,000.00 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board within 48 hours of the purchase. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

NOTE 4: DEPOSITS, CASH EQUIVALENTS 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, \$878,130.83 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 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 \$8,308,235.91, and a bank balance of \$9,588,569.47. The bank balances insured by Federal depository insurance were \$643,725.40 and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name were \$3,063,378.41.

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At June 30, 2018, \$5,881,465.66 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	878,130.83
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		<u>5,003,334.83</u>
Total	\$	<u>5,881,465.66</u>

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

Cash and cash equivalents		
Statement of Net Position	\$	9,596,069.26
Statement of Fiduciary Net Position		<u>74,070.79</u>
Total cash and cash equivalents		9,670,140.05
Add:		
Deposits with original maturity of three months or more reported as investments		66,704.40
Less:		
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		<u>1,428,608.54</u>
Total carrying value of deposits - June 30, 2018	\$	<u>8,308,235.91</u>

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of \$1,428,608.54 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2018, was 10 days.

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

CATEGORIZATION OF INVESTMENTS

At June 30, 2018, the School District had the following investments:

Investment Type	Fair Value	Investment Maturity 1-5 Years
Debt Securities		
Repurchase Agreements	\$ <u>6,731,041.28</u>	\$ <u>6,731,041.28</u>

At June 30, 2018 the fair market value of the School District’s principal investment in the Repurchase Agreement with Deutsche Bank was \$6,731,041.28 inclusive of the accrued interest. Eligible Securities are (a) Cash, (b) Government Obligations – direct obligations of the United States of America or obligations the full and timely payment of the principal and interest on which is unconditionally guaranteed by the United States of America and (c) any bond, debenture, note, participation certificate or other similar obligation which is either (i) issued or guaranteed by the Government National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank, Tennessee Valley Association or (ii) issued by the Government National Mortgage Association; including in each case, collateralized mortgage-backed obligations and pass-through obligations. Purchased or held securities may not carry margins of less than 100% for cash and/or 103% for all other defined and allowed investment securities.

Fair Value of Investments

The School District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical measurements in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At June 30, the School District had the following investments by fair value level:

Investments by fair value level:	Fair Value	Level 1	Level 2	Level 3
Repurchase Agreements	\$ <u>6,731,041.28</u>	\$ <u>-</u>	\$ <u>6,731,041.28</u>	\$ <u>-</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

At June 30, 2018, \$6,731,041.28 of the School District's applicable investments were held by the investment’s counterparty, not in the School District's name.

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Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those prescribed O.C.G.A. §36-83-4. The School District does not have a formal policy that would further limit its investment choices or one that addresses credit risk.

The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Ratings
		AAA
Debt Securities		
Repurchase Agreements	\$ <u>6,731,041.28</u>	\$ <u>6,731,041.28</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Repurchase Agreement. This investment is 100% of the School District's total investments.

NOTE 5: RESTRICTED ASSETS

The restricted assets represent the investment balance totaling \$6,731,041.28, respectively, for the QSCB Bond Sinking Fund.

NOTE 6: 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 July 1, 2018
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ <u>2,056,702.37</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,056,702.37</u>
Capital Assets Being Depreciated				
Buildings and Improvements	63,602,953.63	5,318.20	-	63,608,271.83
Equipment	5,841,140.46	230,310.58	41,172.09	6,030,278.95
Land Improvements	4,524,012.09	-	9,713.00	4,514,299.09
Less Accumulated Depreciation for:				
Buildings and Improvements	10,370,632.24	1,116,374.71	-	11,487,006.95
Equipment	4,240,820.63	334,109.90	32,345.66	4,542,584.87
Land Improvements	<u>879,901.73</u>	<u>181,155.93</u>	<u>6,659.92</u>	<u>1,054,397.74</u>
Total Capital Assets Being Depreciated, Net	<u>58,476,751.58</u>	<u>(1,396,011.76)</u>	<u>11,879.51</u>	<u>57,068,860.31</u>
Governmental Activity Capital Assets-Net	\$ <u>60,533,453.95</u>	\$ <u>(1,396,011.76)</u>	\$ <u>11,879.51</u>	\$ <u>59,125,562.68</u>

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Current year depreciation expense by function is as follows:

Instruction		\$ 1,198,978.96
Support Services		
Improvement of Instructional Services	\$ 2,215.14	
Business Administration	11,791.19	
Maintenance and Operation of Plant	166,395.67	
Student Transportation Services	<u>191,065.74</u>	371,467.74
Food Services		<u>61,193.84</u>
		<u>\$ 1,631,640.54</u>

NOTE 7: INTERFUND TRANSFERS

INTERFUND TRANSFERS

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

	<u>Transfers From</u>
<u>Transfers To</u>	<u>Capital Projects Fund</u>
Debt Service Fund	\$ <u>1,784,380.53</u>

Transfers are used to move sales tax revenues collected by the capital projects fund account to the debt service fund to invest in the repurchase agreement.

NOTE 8: LONG-TERM LIABILITIES

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

	<u>Governmental Activities</u>				
	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Qualified School Construction Bonds \$	14,300,000.00	\$ -	\$ -	\$ 14,300,000.00	\$ -
Compensated Absences(1)	<u>80,964.28</u>	<u>87,108.60</u>	<u>80,001.01</u>	<u>88,071.87</u>	<u>-</u>
	<u>\$ 14,380,964.28</u>	<u>\$ 87,108.60</u>	<u>\$ 80,001.01</u>	<u>\$ 14,388,071.87</u>	<u>\$ -</u>

(1) The portion of compensated absences due within one year has been determined to be immaterial to the basic financial statements.

GENERAL OBLIGATION DEBT OUTSTANDING

Of the total amount originally authorized, \$5,850,000.00 remains unissued.

QUALIFIED SCHOOL CONSTRUCTION BONDS (QSCB)

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows School Districts to borrow without incurring interest costs.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the School District may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. To qualify for this subsidy the School District is required to periodically file appropriate documents with the Internal Revenue Service. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The interest subsidy received by the School District in fiscal year 2018 was \$448,768.32, which funded all but \$31,711.68 of interest expense due on the QSCB.

On August 5, 2013, the Board entered into a Repurchase Agreement with Deutsche Bank Securities, Inc. and U.S. Bank, N.A. for the required sinking fund deposits on the \$14,300,000.00 Series 2011B QSCB Bond Debt Payable in 2021. Under the agreement, annual deposits will be made into the sinking fund and will earn a guaranteed interest rate of 2.865%. The deposits will be fully collateralized with cash at 100% and/or eligible securities at 103%. Deposits will be made in December of each year. The accumulated balance in the sinking fund, including interest earnings, will repay the debt in full in December of 2021.

Debt currently outstanding under Qualified School Construction Bonds is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2011B (QSCB)	3.36%	6/1/2012	12/1/2021	\$ 14,300,000.00	\$ 14,300,000.00

The following is a schedule of total Qualified School Construction Bond payments:

Fiscal Year Ended June 30:	Principal	Interest
2019	\$ -	\$ 480,480.00
2020	-	480,480.00
2021	-	480,480.00
2022	14,300,000.00	240,240.00
Total Principal and Interest	\$ 14,300,000.00	\$ 1,681,680.00

COMPENSATED ABSENCES

Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the general fund is the fund used to liquidate this long-term debt. The School District uses the vesting method to compute compensated absences.

NOTE 9: 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.

Georgia School Boards Association Risk and Insurance Management System

The School District participates in the Georgia School Boards Association Risk and Insurance Management System (the System), a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the System for its general insurance coverage. Additional coverage is provided through agreements by the System with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the System varies by line of coverage.

WORKERS' COMPENSATION

Georgia Education Workers' Compensation Trust

The School District participates in the Georgia Education Workers' Compensation Trust (the Trust), a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1.0 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2.0 million. The Trust covers the first \$1.0 million of each Employers Liability claim with Safety National providing additional Employers Liability limits up to a \$2.0 million per occurrence maximum. Safety National Casualty Company also provides \$2.0 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

Changes in the workers' 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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2017	\$ -	\$ 7,256.06	\$ 6,256.06	\$ 1,000.00
2018	\$ 1,000.00	\$ 4,685.68	\$ 5,160.68	\$ 525.00

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UNEMPLOYMENT COMPENSATION

The School District is self-insured with regard to unemployment compensation claims. In connection with this program, a self-insurance reserve has been established within the general fund by the School District. 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.

SURETY BOND

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

Position Covered	Amount
Superintendent	\$ <u><u>100,000.00</u></u>

NOTE 10: FUND BALANCE CLASSIFICATION DETAILS

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

Nonspendable		
Inventories	\$ 49,222.32	
Prepaid Assets	2,304.52	\$ 51,526.84
Restricted		
Continuation of Federal Programs	\$ 1,116,880.40	
Capital Projects	1,658,534.67	
Debt Service	6,748,684.62	9,524,099.69
Assigned		
School Activity Accounts	\$ 217,574.72	
Reserve for self-insurance	42,219.10	
Other committed contracts	1,214,880.82	1,474,674.64
Unassigned		4,702,246.24
Fund Balance, June 30, 2018	\$	<u><u>15,752,547.41</u></u>

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

NOTE 11: SIGNIFICANT COMMITMENTS

OPERATING LEASES

The School District leases copiers and printers under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases(s) totaled \$120,999.60 for governmental activities for the year ended June 30, 2018. The following future minimum lease payments were required under operating leases at June 30, 2018:

Year Ending	Governmental Funds
2019	\$ 114,929.88
2020	114,983.88
Total	\$ 229,913.76

NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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

NOTE 13: 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 \$951,959.00 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

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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 \$26,191,935.00 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 0.186420%, which was a decrease of 0.004308% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$1,425,428.00. 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	\$ -	\$ 1,994,449.00
Net difference between projected and actual earnings on OPEB plan investments	7,661.00	
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	541,132.00
School District contributions subsequent to the measurement date	951,959.00	-
Total	\$ 959,620.00	\$ 2,535,581.00

School District contributions subsequent to the measurement date of \$951,959.00 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	\$ (454,125.00)
2020	\$ (454,125.00)
2021	\$ (454,125.00)
2022	\$ (454,125.00)
2023	\$ (456,040.00)
Thereafter	\$ (255,380.00)

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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

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
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 (asset)	\$ 31,098,231.00	\$ 26,191,935.00	\$ 22,319,874.00

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 (asset)	\$ 21,710,130.00	\$ 26,191,935.00	\$ 32,027,238.00

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 14: 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 16.70% of payroll was required from the School District and 0.09% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$2,803,332.82 and \$14,580.08 from the School District and the State, respectively.

EMPLOYEES' RETIREMENT SYSTEM (ERS)

Plan description: The Employees' Retirement System of Georgia (ERS) is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided: The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions: Member contributions under the old plan are 4% of annual compensation, up to \$4,200.00, plus 6% of annual compensation in excess of \$4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's required contribution rate for the year ended June 30, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. The rates include the annual actuarially determined employer contribution rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. 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. Employer contributions to the pension plan were \$98,824.99 for the current fiscal year.

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 \$53,884.00.

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 \$27,220,803.00 for its proportionate share of the net pension liability for TRS (\$26,659,323.00) and ERS (\$561,480.00).

The net pension liability for TRS and ERS 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 and ERS during the fiscal year ended June 30, 2017.

At June 30, 2017, the School District's TRS proportion was 0.143443%, which was a decrease of 0.006127% from its proportion measured as of June 30, 2016. At June 30, 2017, the School District's ERS proportion was 0.013825%, which was an increase of 0.002142% 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 \$269,563.00.

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 \$2,494,690.00 for TRS, \$102,047.00 for ERS and \$54,327.00 for PSERS and revenue of \$54,327.00 for PSERS. The revenue is support provided by the State of Georgia.

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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		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 997,223.00	\$ 100,609.00	\$ 6,152.00	\$ 4.00
Changes of assumptions	584,405.00	-	1,278.00	-
Net difference between projected and actual earnings on pension plan investments	-	183,461.00	-	1,398.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	50,144.00	1,589,865.00	58,280.00	-
School District contributions subsequent to the measurement date	<u>2,803,332.82</u>	<u>-</u>	<u>98,824.99</u>	<u>-</u>
Total	\$ 4,435,104.82	\$ 1,873,935.00	\$ 164,534.99	\$ 1,402.00

The School District contributions subsequent to the measurement date of \$2,803,332.82 for TRS and \$98,824.99 for ERS 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	ERS
2019	\$ (598,445.00)	\$ 30,827.00
2020	\$ 959,503.00	\$ 43,098.00
2021	\$ 324,825.00	\$ 6,303.00
2022	\$ (923,412.00)	\$ (15,920.00)
2023	\$ (4,634.00)	\$ -

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.

Employees' Retirement System:

Inflation	2.75%
Salary increases	3.25% - 7.00%, 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 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP- 2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for 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 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. 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.

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 JUNE 30, 2018

EXHIBIT "I"

The long-term expected rate of return on TRS, ERS 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	ERS/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, ERS 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, ERS 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	\$ 43,751,078.00	\$ 26,659,323.00	\$ 12,579,560.00
Employees' 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	\$ 792,500.00	\$ 561,480.00	\$ 364,412.00

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

DEFINED CONTRIBUTION PLAN

In 1982 the Washington County Board of Education began a tax deferred annuity plan under Internal Revenue Code Section 403(b) for its employees. This plan was established in order to provide retirement benefits in lieu of Social Security.

The Board selected Lincoln National Life (Lincoln Alliance) as the provider of this plan from 1986 until currently. Certain contributions are required of all employees and are based on 6.00% of earnings. For full-time employees, the employee and the Board contribute equally to the plan. All employees may contribute equally to the plan. All employees may contribute additional amounts on a voluntary basis as a pre-tax contribution or an after-tax Roth contribution.

Full-time employees become vested in the Board’s contributions to the plan upon completing three years of service. Employee contributions are always vested. If an employee terminates before becoming vested, the Board’s contributions and earnings are forfeited. Annually the accumulated forfeited balances are redistributed as a contribution to the accounts of active and vested employees of the Board.

Employee-required contributions and earnings are available to the employees upon termination of service. Employee voluntary contributions are available upon reaching 59.5 or termination of service, and under which certain circumstances, are available as loans or hardship distributions while employed.

Employer contributions and earnings are available to the employee upon termination of service, but are only available in the form of a periodic retirement income payment such as a life-time annuity.

Employer Contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2018	100%	\$ 1,026,346.24
2017	100%	\$ 1,004,972.13
2016	100%	\$ 994,885.50

NOTE 15: 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 \$27,294,427.00. This change is in accordance with generally accepted accounting procedures.

Net Position, July 1, 2017 as previously reported	\$	34,411,385.89
Prior Period Adjustment - Implementation of GASB No. 75: Net OPEB Liability (measurement date)		(28,266,434.00)
Deferred Outflows - School District's Contributions made during fiscal year 2017		972,007.00
Net Position, July 1, 2017, as restated	\$	7,116,958.89

NOTE 16: TAX ABATEMENTS

Washington County enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to Washington County.

For the fiscal year ended June 30, 2018, Washington County abated property taxes due to the School District that were levied on August 16, 2017 and due on December 10, 2017 totaling \$168,581.84. Included in that amount abated, the following are individual tax abatement agreements that each exceeded 10.00% percent of the total amount abated:

- A 61 percent property tax abatement to an industrial battery manufacturer employing residents. The abatement amounted to \$102,889.05.
- A 37 percent property tax abatement to an energy provider employing residents. The abatement amounted to \$61,675.73.

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WASHINGTON 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	0.14344%	\$ 26,659,323.00	\$ -	\$ 26,659,323.00	\$ 16,517,988.13	161.40%	79.33%
2017	0.14957%	\$ 30,857,959.00	\$ -	\$ 30,857,959.00	\$ 16,408,284.78	188.06%	76.06%
2016	0.15498%	\$ 23,594,166.00	\$ 3,654.00	\$ 23,597,820.00	\$ 16,358,532.80	144.23%	81.44%
2015	0.15754%	\$ 19,903,227.00	\$ 11,370.00	\$ 19,914,597.00	\$ 16,076,604.30	123.80%	84.03%

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

SCHEDULE "2"

<u>Year Ended</u>	<u>School District's proportion of the net pension liability</u>	<u>School District's proportionate share of the net pension liability</u>	<u>School District's covered payroll</u>	<u>School District's proportionate share of the net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total net pension liability</u>
2018	0.01383%	\$ 561,480.00	\$ 339,113.13	165.57%	76.33%
2017	0.01168%	\$ 552,655.00	\$ 268,569.08	205.78%	72.34%
2016	0.01122%	\$ 454,526.00	\$ 259,795.63	174.96%	76.20%
2015	0.01097%	\$ 411,443.00	\$ 247,001.64	166.58%	77.99%

WASHINGTON 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 "3"

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%	\$ -	\$ 269,563.00	\$ 269,563.00	\$ 605,153.00	N/A	85.69%
2017	0.00%	\$ -	\$ 373,077.00	\$ 373,077.00	\$ 605,656.79	N/A	81.00%
2016	0.00%	\$ -	\$ 239,268.00	\$ 239,268.00	\$ 566,390.23	N/A	87.00%
2015	0.00%	\$ -	\$ 215,664.00	\$ 215,664.00	\$ 572,861.02	N/A	88.29%

WASHINGTON 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 "4"

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability (asset)	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	0.18642%	\$ 26,191,935.00	-	\$ 26,191,935.00	\$ 14,159,685.42	184.98%	1.61%

WASHINGTON COUNTY BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 TEACHERS RETIREMENT SYSTEM OF GEORGIA
 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 payroll	Contribution as a percentage of covered payroll
2018	\$ 2,803,332.82	\$ 2,803,332.82	\$ -	\$ 16,782,028.88	16.70%
2017	\$ 2,356,951.47	\$ 2,356,951.47	\$ -	\$ 16,517,988.13	14.27%
2016	\$ 2,331,602.93	\$ 2,331,602.93	\$ -	\$ 16,408,284.78	14.21%
2015	\$ 2,143,676.63	\$ 2,143,676.63	\$ -	\$ 16,358,532.80	13.10%

WASHINGTON COUNTY BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "6"

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	\$ 98,824.99	\$ 98,824.99	\$ -	\$ 398,327.26	24.81%
2017	\$ 83,745.12	\$ 83,745.12	\$ -	\$ 339,113.13	24.70%
2016	\$ 66,377.28	\$ 66,377.28	\$ -	\$ 268,569.08	24.72%
2015	\$ 57,051.08	\$ 57,051.08	\$ -	\$ 259,795.63	21.96%

WASHINGTON COUNTY BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 OTHER POST-EMPLOYMENT BENEFITS
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "7"

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	\$ 951,959.00	\$ 951,959.00	\$ -	\$ 14,528,431.99	6.55%
2017	\$ 972,007.00	\$ 972,007.00	\$ -	\$ 14,159,685.42	6.86%

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).

Employees' Retirement System

Changes of assumptions: 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, disability, withdrawal and salary increases.

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.

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

SCHEDULE "9"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
<u>REVENUES</u>				
Property Taxes	\$ 14,410,979.00	\$ 14,410,979.00	\$ 11,906,324.06	\$ (2,504,654.94)
Sales Taxes	71,765.00	71,765.00	69,817.84	(1,947.16)
State Funds	15,063,478.95	15,162,696.78	15,433,316.19	270,619.41
Federal Funds	2,342,227.00	4,316,611.02	4,290,678.76	(25,932.26)
Charges for Services	-	26,882.45	399,741.39	372,858.94
Investment Earnings	20,000.00	20,000.00	18,485.40	(1,514.60)
Miscellaneous	84,500.00	83,868.69	938,485.56	854,616.87
	<u>31,992,949.95</u>	<u>34,092,802.94</u>	<u>33,056,849.20</u>	<u>(1,035,953.74)</u>
<u>EXPENDITURES</u>				
Current				
Instruction	19,359,439.84	19,107,111.92	18,462,902.21	644,209.71
Support Services				
Pupil Services	1,349,437.04	1,644,737.19	1,486,824.26	157,912.93
Improvement of Instructional Services	1,466,560.16	1,492,189.74	1,648,983.02	(156,793.28)
Educational Media Services	412,057.68	412,057.68	436,314.11	(24,256.43)
General Administration	1,120,356.00	1,121,275.00	1,029,743.65	91,531.35
School Administration	2,630,774.02	2,630,774.02	2,486,161.49	144,612.53
Business Administration	617,828.65	617,828.65	557,513.68	60,314.97
Maintenance and Operation of Plant	2,905,920.11	2,912,808.23	3,019,879.36	(107,071.13)
Student Transportation Services	1,900,758.64	1,937,228.64	2,067,248.50	(130,019.86)
Central Support Services	2,999.81	2,999.81	1,098.75	1,901.06
Other Support Services	57,600.00	57,600.00	45,266.56	12,333.44
Food Services Operation	-	1,687,567.15	1,736,597.90	(49,030.75)
	<u>31,823,731.95</u>	<u>33,624,178.03</u>	<u>32,978,533.49</u>	<u>645,644.54</u>
Excess of Revenues over (under) Expenditures	<u>169,218.00</u>	<u>468,624.91</u>	<u>78,315.71</u>	<u>(390,309.20)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Sources	-	38,318.07	-	(38,318.07)
Other Uses	-	(38,318.07)	-	38,318.07
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	169,218.00	468,624.91	78,315.71	(390,309.20)
Fund Balances - Beginning	7,334,780.62	7,334,780.62	7,267,012.41	(67,768.21)
Adjustments	<u>9,454.60</u>	<u>6,835.57</u>	<u>-</u>	<u>(6,835.57)</u>
Fund Balances - Ending	<u>\$ 7,513,453.22</u>	<u>\$ 7,810,241.10</u>	<u>\$ 7,345,328.12</u>	<u>\$ (464,912.98)</u>

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 \$827,606.41 and \$819,630.00, 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.

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

SCHEDULE "10"

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	\$ 436,058.03
National School Lunch Program	10.555	18185GA324N1100	<u>1,195,864.36</u>
Total U.S Department of Agriculture			<u>1,631,922.39</u>
Education, U.S Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	25,319.00
Grants to States	84.027	H027A170073	634,249.02
Preschool Grants	84.173	H173A170081	<u>24,365.00</u>
Total Special Education Cluster			<u>683,933.02</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A170010	37,345.31
Supporting Effective Instruction State Grants	84.367	S367A160001	7,071.00
Supporting Effective Instruction State Grants	84.367	S367A170001	163,122.00
Rural Education	84.358	S358B160010	24,236.00
Rural Education	84.358	S365B170010	38,624.71
Title I Grants to Local Educational Agencies	84.010	S010A160010	7,793.00
Title I Grants to Local Educational Agencies	84.010	S010A170010	1,359,241.96
Pass-Through From Southwest Georgia Regional Educational Service Agency			
English Language Acquisition Grants	84.365	S365A180010	<u>673.16</u>
Total Other Programs			<u>1,638,107.14</u>
Total U. S. Department of Education			<u>2,322,040.16</u>
Labor, U. S. Department of			
Pass-Through From East Central Georgia Consortium			
Service Agency			
Workforce Innovation and Opportunity Act Youth Activities	17.259	AA-30743-17-55-A-13	<u>31,811.37</u>
Total U. S. Department of Labor			
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.UNKNOWN		<u>48,711.67</u>
Total U. S. Department of Defense			
Total Expenditures of Federal Awards			<u>\$ 4,034,485.59</u>

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 Washington 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

SCHEDULE "11"

<u>AGENCY/FUNDING</u>	GOVERNMENTAL FUND TYPES
	GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning Pre-Kindergarten Program	\$ 313,388.28
Communities in Schools Georgia	
Washington County Family Connections and Communities in Schools	23,921.47
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	969,004.00
Primary Grades (1-3) Program	2,459,375.00
Primary Grades - Early Intervention (1-3) Program	79,088.00
Upper Elementary Grades (4-5) Program	1,267,700.00
Upper Elementary Grades - Early Intervention (4-5) Program	24,449.00
Middle School (6-8) Program	1,973,079.00
High School General Education (9-12) Program	1,762,182.00
Vocational Laboratory (9-12) Program	397,134.00
Students with Disabilities	2,255,227.00
Gifted Student - Category VI	245,072.00
Remedial Education Program	210,655.00
Alternative Education Program	136,590.00
Media Center Program	332,591.00
20 Days Additional Instruction	104,734.00
Staff and Professional Development	53,251.00
Principal Staff and Professional Development	991.00
Indirect Cost	
Central Administration	483,756.00
School Administration	639,030.00
Facility Maintenance and Operations	736,661.00
Mid-term Adjustment Hold-Harmless	71,629.00
Amended Formula Adjustment	(233,766.00)
Categorical Grants	
Pupil Transportation	608,857.00
Nursing Services	63,618.00
Vocational Supervisors	8,252.00
Other State Programs	
Food Services	52,948.00
Math and Science Supplements	27,617.25
Preschool Disability Services	41,066.00
Teacher of the Year	507.25
Teachers Retirement	14,580.08
Vocational Education	34,199.16
Governor's Office of Student Achievement	
Connections for Classrooms Grant	173,925.90
Office of the State Treasurer	
Public School Employees Retirement	53,884.00
Contract	
Human Resources, Georgia Department of Family Connection	48,119.80
	\$ 15,433,316.19

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

SCHEDULE "12"

<u>PROJECT 2016-2011 ESPLOST</u>	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED (6) (7) (8)	ESTIMATED COMPLETION DATE
<p>The (i) paying a portion of the debt service payments due on outstanding Washington County School District (Georgia) General Obligation Bond, Series 2011B, the maximum amount of total debt service to be paid shall not exceed \$10,000,000; (ii) adding, renovating, repairing, improving, furnishing, equipping demolishing and completing existing school buildings and other buildings and facilities useful and desirable in connection therewith, including, but not limited to, physical education / athletic fields and facilities, paving and technology infrastructures; (iii) acquiring technology improvements, including safety and security improvements, computer technology, hardware and software; (iv) acquiring, constructing and equipping new school buildings and other buildings and facilities useful and desirable; (v) acquiring new school equipment, including, but not limited to, new buses, maintenance vehicles and equipment; (vi) acquiring textbooks and instructional materials and equipment; (vii) acquiring any necessary or desirable property, both real and personal.</p>							
Debt Service							
Project #1 Debt Service	10,000,000.00	10,000,000.00	1,784,380.53	1,834,638.25	3,619,018.78	6,380,981.22	8/31/2021
Completed Projects							
Project #2 and #3 Batting Cage Renovation and High School Scoreboard	111,555.31	111,555.31	8,167.40	103,387.91	111,555.31	-	6/30/2018
Future Projects							
Project #4 Other Projects	<u>12,888,444.69</u>	<u>4,888,444.69</u>	-	-	-	4,888,444.69	8/31/2021
SPLOST Grand Total	\$ <u>23,000,000.00</u>	\$ <u>15,000,000.00</u>	\$ <u>1,792,547.93</u>	\$ <u>1,938,026.16</u>	\$ <u>3,730,574.09</u>	\$ <u>11,269,425.91</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax. This is the maximum amount to be contributed to the total project cost from this ESPLOST.
- (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 Washington 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.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ 480,480.00
Current Year	<u>480,480.00</u>
Total	<u>\$ 960,960.00</u>

Of the Total Interest stated above, \$896,095.20 has been reimbursed from Federal Funds.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

February 12, 2019

Honorable Brian P. Kemp, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Washington 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 Washington County Board of Education (School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 12, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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, 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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive style with a horizontal line extending to the right.

Greg S. Griffin
State Auditor



DEPARTMENT OF AUDITS AND ACCOUNTS

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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 Washington County Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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

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

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

WASHINGTON 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

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue: Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses identified?	No
▪ Significant deficiencies identified?	None Reported
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:	
▪ Material weaknesses identified?	No
▪ Significant deficiencies 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:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000.00
Auditee qualified as low-risk auditee?	Yes

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.