



# **APPLING COUNTY BOARD OF EDUCATION BAXLEY, GEORGIA**

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



APPLING COUNTY BOARD OF EDUCATION

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APPLING COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL



## 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

July 20, 2017

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

### INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

#### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Emphasis of Matter***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through vii , pages 27 through 31 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, consisting of Schedules 6 through 8, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2

U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2017, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Greg S. Griffin".

Greg S. Griffin  
State Auditor

APPLING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The discussion and analysis of the Appling County Board of Education's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

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

#### Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- The deficit balance reflected in the unrestricted net position is due to the implementation of GASB No. 68 and GASB No. 71. The amount of the School District's proportionate share of the collective net pension liability for the Teachers Retirement System cost sharing benefit pension plan is \$27.8 million.
- In total, net position increased by \$3.8 million, which represents a 11.7 percent increase from fiscal year 2015. This total increase was due to governmental activities since the Board has no business-type activities.
- General revenues accounted for \$17.5 million in revenue or 43.0 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$23.1 million or 57.0 percent of total revenues. Total revenues were \$40.5 million.
- The School District had \$36.8 million in expenses related to governmental activities; only \$23.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues, primarily taxes, of \$17.5 million were adequate to provide for these programs.
- Among major funds, the general fund had \$37.2 million in revenues and \$36.1 million in expenditures. The general fund's fund balance increased from \$7.1 million to \$8.2 million.

#### Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Appling County Board of Education as a financial whole, or as an entire operating entity. The basic financial statements include two levels of statements that present different views of the School District. These include the government-wide and fund financial statements.

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

APPLING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The *Governmental Funds* statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fund financial statements reflect the School District's most significant funds. In the case of the Appling County Board of Education, the general fund is by far the most significant fund.

*Reporting the School District as a Whole*

*Statement of Net Position and Statement of Activities*

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

*Reporting the School District's Most Significant Funds*

*Fund Financial Statements*

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

*Governmental Funds*

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

APPLING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

*Fiduciary Funds*

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

Financial Analysis of the School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2016 as compared to net position for fiscal year 2015.

**Table 1**  
**Net Position**

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
<b>Assets</b>		
Current and Other Assets	\$ 15,864,405	\$ 16,484,212
Capital Assets, Net	51,307,649	47,606,785
<b>Total Assets</b>	67,172,054	64,090,997
<b>Deferred Outflows of Resources</b>	3,303,052	2,720,105
<b>Liabilities</b>		
Current and Other Liabilities	4,053,864	3,869,842
Long-Term Liabilities	27,839,685	22,773,726
<b>Total Liabilities</b>	31,893,549	26,643,568
<b>Deferred Inflows of Resources</b>	2,593,171	7,939,404
<b>Net Position</b>		
Investment in Capital Assets	51,307,649	47,606,785
Restricted	3,637,624	5,223,901
Unrestricted (Deficit)	(18,956,887)	(20,602,556)
<b>Total Net Position</b>	\$ 35,988,386	\$ 32,228,130

Total net position increased \$3.8 million.

APPLING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Table 2 shows the changes in net position for fiscal year 2016 as compared to fiscal year 2015.

**Table 2**  
**Change in Net Position**

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 611,474	\$ 435,957
Operating Grants and Contributions	22,475,134	21,599,425
Capital Grants and Contributions	-	4,195
<b>Total Program Revenues</b>	<b>23,086,608</b>	<b>22,039,577</b>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	13,196,225	11,997,231
Railroad Cars	16,700	16,783
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	3,342,939	3,569,944
Other Sales Tax	66,274	47,062
Investment Earnings	13,151	13,234
Miscellaneous	818,072	1,066,565
<b>Total General Revenues</b>	<b>17,453,361</b>	<b>16,710,819</b>
<b>Total Revenues</b>	<b>40,539,969</b>	<b>38,750,396</b>
<b>Program Expenses:</b>		
Instruction	23,230,486	23,414,201
Support Services		
Pupil Services	1,060,523	1,024,194
Improvement of Instructional Services	1,489,365	1,509,908
Educational Media Services	509,560	512,160
General Administration	535,666	533,073
School Administration	1,582,089	1,562,240
Business Administration	207,735	211,111
Maintenance and Operation of Plant	2,549,562	2,458,555
Student Transportation Services	2,087,138	2,097,650
Central Support Services	598,568	777,646
Other Support Services	256,350	227,397
Operations of Non-Instructional Services		
Enterprise Operations	857,795	848,812
Food Services	1,814,876	2,095,495
<b>Total Expenses</b>	<b>36,779,713</b>	<b>37,272,442</b>
<b>Increase in Net Position</b>	<b>\$ 3,760,256</b>	<b>\$ 1,477,954</b>

APPLING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

*Governmental Activities*

Instruction comprises 63.2 percent of governmental program expenses.

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

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal	Fiscal	Fiscal	Fiscal
	Year 2016	Year 2015	Year 2016	Year 2015
Instruction	\$ 23,230,486	\$ 23,414,201	\$ 7,673,551	\$ 8,534,604
Support Services:				
Pupil Services	1,060,523	1,024,194	835,874	948,825
Improvement of Instructional Services	1,489,365	1,509,908	574,393	509,538
Educational Media Services	509,560	512,160	46,332	50,030
General Administration	535,666	533,073	(106,798)	(111,874)
School Administration	1,582,089	1,562,240	537,681	495,642
Business Administration	207,735	211,111	207,735	203,366
Maintenance and Operation of Plant	2,549,562	2,458,555	1,500,960	1,319,665
Student Transportation Services	2,087,138	2,097,650	1,360,943	1,305,697
Central Support Services	598,568	777,646	598,149	765,634
Other Support Services	256,350	227,397	85,436	113,588
Operations of Non-Instructional Services:				
Enterprise Operations	857,795	848,812	469,718	848,812
Food Services	1,814,876	2,095,495	(90,869)	249,338
<b>Total Expenses</b>	<b>\$ 36,779,713</b>	<b>\$ 37,272,442</b>	<b>\$ 13,693,105</b>	<b>\$ 15,232,865</b>

Although program revenues make up 57.0 percent of the revenues, the School District is still dependent upon tax revenues for governmental activities. 33.0 percent of instruction activities are supported through taxes, other general revenues, and beginning net position; for the net cost of all governmental activities, general revenue support is 37.2 percent.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$40.6 million and expenditures of \$41.4 million. Total governmental funds had a decrease in fund balance of \$781 thousand, primarily due to current year capital outlay expenditures.

APPLING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

*General Fund Budgeting Highlights*

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

The School District budget is adopted at the aggregate level but prepared and presented by fund, function, and object for management control.

For the general fund, the School District budgeted \$1.2 million of expenditures in excess of revenues and other sources with the intent to use the beginning fund reserve to balance the budget. Actual revenues and other sources of \$37.2 million exceeded the final budget by \$3.3 million, primarily due to taxes collected in excess of budget. Unbudgeted school activity revenues accounted for \$873,958.

Actual expenditures of \$36.1 million were slightly less than the final budget of \$36.2 million. Unbudgeted school activity expenditures accounted for \$894,364.

*Capital Assets*

At the end of fiscal year 2016, the School District had \$51.3 million invested in capital assets, net of accumulated depreciation, all in governmental activities. Table 4 shows balances for fiscal year 2016 as compared to balances for fiscal year 2015.

**Table 4**  
**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Land	\$ 672,749	\$ 672,749
Construction In Progress	5,207,811	1,350,453
Building and Improvements	39,303,061	38,889,806
Equipment	1,081,335	1,240,437
Land Improvements	5,042,693	5,453,340
Total	\$ 51,307,649	\$ 47,606,785

APPLING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

#### Current Issues

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

- State and Local Economy – The State of Georgia economic conditions are improving but state funding for education continues to reflect austerity reductions which began in fiscal year 2003. Despite reduced state funding, the School District maintains a very healthy general fund reserve and is financially sound. The School District anticipates financial challenges in the next few years due to increases for retirement and health insurance costs for employees, but is optimistic about their ability to maximize all of the financial resources to provide a quality education for the students in Appling County.

#### Contacting the School District's Financial Management

This financial report is designed to provide the citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Adrienne Taylor, Chief Financial Officer, at the Appling County Board of Education, 249 Blackshear Highway, Baxley, Georgia. You may also email any questions to [adrienne.taylor@appling.k12.ga.us](mailto:adrienne.taylor@appling.k12.ga.us), or visit our website at [www.appling.k12.ga.us](http://www.appling.k12.ga.us).

APPLING COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
 <u>ASSETS</u>	
Cash and Cash Equivalents	\$ 11,654,664.22
Investments	67,298.83
Accounts Receivable, Net	
Taxes	826,903.76
State Government	2,363,124.00
Federal Government	923,201.04
Inventories	29,212.82
Capital Assets, Non-Depreciable	5,880,559.67
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>45,427,089.36</u>
 Total Assets	 <u>67,172,053.70</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	<u>3,303,052.00</u>
 <u>LIABILITIES</u>	
Accounts Payable	274.59
Salaries and Benefits Payable	3,847,147.17
Retainages Payable	206,442.00
Net Pension Liability	<u>27,839,685.00</u>
 Total Liabilities	 <u>31,893,548.76</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	<u>2,593,171.00</u>
 <u>NET POSITION</u>	
Investment in Capital Assets	51,307,649.03
Restricted for	
Continuation of Federal Programs	400,277.57
Capital Projects	3,237,346.30
Unrestricted (Deficit)	<u>(18,956,886.96)</u>
 Total Net Position	 \$ <u><u>35,988,385.94</u></u>

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

EXHIBIT "B"

	PROGRAM REVENUES		NET (EXPENSES)	
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION	
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 23,230,486.27	\$ -	\$ 15,556,935.24	\$ (7,673,551.03)
Support Services				
Pupil Services	1,060,522.96	-	224,649.21	(835,873.75)
Improvement of Instructional Services	1,489,365.15	-	914,972.27	(574,392.88)
Educational Media Services	509,559.70	-	463,228.00	(46,331.70)
General Administration	535,666.86	-	642,464.56	106,797.70
School Administration	1,582,088.74	-	1,044,408.17	(537,680.57)
Business Administration	207,735.15	-	-	(207,735.15)
Maintenance and Operation of Plant	2,549,562.23	5,750.00	1,042,852.03	(1,500,960.20)
Student Transportation Services	2,087,137.61	-	726,194.26	(1,360,943.35)
Central Support Services	598,568.53	-	419.14	(598,149.39)
Other Support Services	256,349.83	-	170,914.44	(85,435.39)
Operations of Non-Instructional Services				
Enterprise Operations	857,794.55	388,076.38	-	(469,718.17)
Food Services	1,814,875.66	217,647.75	1,688,096.37	90,868.46
 Total Governmental Activities	 <u>\$ 36,779,713.24</u>	 <u>\$ 611,474.13</u>	 <u>\$ 22,475,133.69</u>	 <u>(13,693,105.42)</u>
 General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				13,196,225.57
Railroad Cars				16,699.68
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Capital Projects				3,342,938.55
Other Sales Tax				66,274.23
Investment Earnings				13,151.34
Miscellaneous				818,071.91
 Total General Revenues				 <u>17,453,361.28</u>
 Change in Net Position				 3,760,255.86
 Net Position - Beginning of Year				 <u>32,228,130.08</u>
  Net Position - End of Year				  <u>\$ 35,988,385.94</u>

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

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 8,420,076.82	\$ 3,234,587.40	\$ 11,654,664.22
Investments	67,298.83	-	67,298.83
Accounts Receivable, Net			
Taxes	617,702.86	209,200.90	826,903.76
State Government	2,363,124.00	-	2,363,124.00
Federal Government	923,201.04	-	923,201.04
Inventories	29,212.82	-	29,212.82
Total Assets	\$ 12,420,616.37	\$ 3,443,788.30	\$ 15,864,404.67
<u>LIABILITIES</u>			
Accounts Payable	\$ 274.59	\$ -	\$ 274.59
Salaries and Benefits Payable	3,847,147.17	-	3,847,147.17
Retainages Payable	-	206,442.00	206,442.00
Total Liabilities	3,847,421.76	206,442.00	4,053,863.76
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Property Taxes	373,970.04	-	373,970.04
<u>FUND BALANCES</u>			
Nonspendable	29,212.82	-	29,212.82
Restricted	371,064.75	3,237,346.30	3,608,411.05
Assigned	320,711.44	-	320,711.44
Unassigned	7,478,235.56	-	7,478,235.56
Total Fund Balances	8,199,224.57	3,237,346.30	11,436,570.87
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,420,616.37	\$ 3,443,788.30	\$ 15,864,404.67

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

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 11,436,570.87

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	\$	672,748.98	
Construction in progress		5,207,810.69	
Buildings and improvements		47,977,575.76	
Equipment		6,272,775.42	
Land improvements		7,615,237.78	
Accumulated depreciation		<u>(16,438,499.60)</u>	51,307,649.03

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

Net pension liability (27,839,685.00)

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

709,881.00

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

373,970.04

Net position of governmental activities (Exhibit "A") \$ 35,988,385.94

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

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
<b>REVENUES</b>			
Property Taxes	\$ 13,236,225.12	\$ -	\$ 13,236,225.12
Sales Taxes	66,274.23	3,342,938.55	3,409,212.78
State Funds	18,349,707.25	-	18,349,707.25
Federal Funds	4,139,189.90	-	4,139,189.90
Charges for Services	611,474.13	-	611,474.13
Investment Earnings	3,036.88	10,114.46	13,151.34
Miscellaneous	793,128.11	24,943.80	818,071.91
	<u>37,199,035.62</u>	<u>3,377,996.81</u>	<u>40,577,032.43</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current			
Instruction	22,805,336.75	54,586.88	22,859,923.63
Support Services			
Pupil Services	1,092,980.05	-	1,092,980.05
Improvement of Instructional Services	1,528,555.34	-	1,528,555.34
Educational Media Services	502,937.62	-	502,937.62
General Administration	528,545.97	-	528,545.97
School Administration	1,608,739.30	-	1,608,739.30
Business Administration	213,950.34	-	213,950.34
Maintenance and Operation of Plant	2,537,298.68	14,350.00	2,551,648.68
Student Transportation Services	1,862,392.31	112,057.18	1,974,449.49
Central Support Services	580,246.43	6,950.36	587,196.79
Other Support Services	263,218.40	-	263,218.40
Enterprise Operations	857,794.54	-	857,794.54
Food Services Operation	1,755,217.01	-	1,755,217.01
Capital Outlay	-	5,032,404.04	5,032,404.04
	<u>36,137,212.74</u>	<u>5,220,348.46</u>	<u>41,357,561.20</u>
Total Expenditures			
Net Change in Fund Balances	1,061,822.88	(1,842,351.65)	(780,528.77)
Fund Balances - Beginning	<u>7,137,401.69</u>	<u>5,079,697.95</u>	<u>12,217,099.64</u>
Fund Balances - Ending	<u>\$ 8,199,224.57</u>	<u>\$ 3,237,346.30</u>	<u>\$ 11,436,570.87</u>

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

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ (780,528.77)

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	\$ 5,103,529.67	
Depreciation expense	<u>(1,400,695.62)</u>	3,702,834.05

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. (1,970.07)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (23,299.87)

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

Pension expense		<u>863,220.52</u>
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Change in net position of governmental activities (Exhibit "B") \$ 3,760,255.86

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

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 82,233.88
Accounts Receivable, Net State	<u>9,857.98</u>
 Total Assets	 \$ <u><u>92,091.86</u></u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u><u>92,091.86</u></u>

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## **NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY**

### **REPORTING ENTITY**

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

## **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **BASIS OF PRESENTATION**

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

### **GOVERNMENT-WIDE STATEMENTS:**

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

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

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

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

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

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

### **FUND FINANCIAL STATEMENTS**

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund type:

- Agency funds are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

### **BASIS OF ACCOUNTING**

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

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

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

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

## NEW ACCOUNTING PRONOUNCEMENTS

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

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

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The School District participates in an external investment pool, the State of Georgia local government investment pool (Georgia Fund 1), which does not meet the criteria of this statement. Therefore, the investment in this pool is measured at fair value as provided in paragraph 11 of GASB Statement No. 31, as amended.

## CASH AND CASH EQUIVALENTS

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

## INVESTMENTS

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

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

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

**RECEIVABLES**

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

**INVENTORIES**

**Food Inventories**

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

**CAPITAL ASSETS**

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

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	Any amount	N/A
Land Improvements	\$ 50,000.00	15 years
Buildings and Improvements	\$ 50,000.00	20 to 80 years
Equipment	\$ 10,000.00	5 to 15 years
Intangible Assets	\$ 10,000.00	5 to 15 years

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

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

### PENSIONS

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

### FUND BALANCES

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

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

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

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

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

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

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

### USE OF ESTIMATES

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

### PROPERTY TAXES

The Appling County Board of Commissioners adopted the property tax levy for the 2015 tax digest year (calendar year) on September 15, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on December 20, 2015 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental

APPLING COUNTY BOARD OF EDUCATION  
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JUNE 30, 2016

EXHIBIT "H"

funds for fiscal year 2016. The Appling County Tax Commissioner bills and collects the property taxes for the School District and remits the taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations amounted to \$12,431,716.43.

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

School Operations	<u>14.60</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$787,809.01 during fiscal year ended June 30, 2016.

**SALES TAXES**

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$3,342,938.55 and is to be used for capital outlay for educational purposes. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

**NOTE 3: BUDGETARY DATA**

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

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

The Board must approve, for management purposes, any changes between the appropriations by fund. However, the Superintendent or other personnel so authorized by the Board shall have the authority to transfer appropriations within functions.

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

**NOTE 4: DEPOSITS AND CASH EQUIVALENTS**

**COLLATERALIZATION OF DEPOSITS**

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

APPLING COUNTY BOARD OF EDUCATION  
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public funds shall be not less than 110% of the daily pool balance. At June 30, 2016, \$18,129.74 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

**CATEGORIZATION OF DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2016, the School District had deposits with a carrying amount of \$9,314,083.66 and a bank balance of \$10,713,223.73. The bank balances insured by Federal depository insurance were \$572,626.05 and the bank balances collateralized with securities held by the pledging financial institution or by the pledging financial institution's trust department or agent in the School District's name were \$562,315.10.

At June 30, 2016, \$9,578,282.58 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	18,129.74
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>9,560,152.84</u>
Total	\$	<u><u>9,578,282.58</u></u>

APPLING COUNTY BOARD OF EDUCATION  
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Reconciliation of cash and cash equivalents balances to carrying value of deposits:

Statement of Net Position	
Cash and cash equivalents	\$ 11,654,664.22
Statement of Fiduciary Net Position	
Cash and cash equivalents	<u>82,233.88</u>
Total cash and cash equivalents	<u>11,736,898.10</u>
Add:	
Deposits with original maturity of three months or more reported as investments	67,298.83
Less:	
Cash on Hand	49.95
Investment pools reported as cash and cash equivalents	
Georgia Fund 1	<u>2,490,063.32</u>
Total carrying value of deposits - June 30, 2016	<u>\$ 9,314,083.66</u>

#### **CATEGORIZATION OF CASH EQUIVALENTS**

The School District reported cash equivalents of \$2,490,063.32 in Georgia Fund 1, a local government investment pool. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2016, was 42 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](http://www.audits.ga.gov/SGD/CAFR.html).

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**NOTE 5: CAPITAL ASSETS**

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

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 672,748.98	\$ -	\$ -	\$ 672,748.98
Construction in Progress	1,350,452.85	4,702,239.39	844,881.55	5,207,810.69
Total Capital Assets Not Being Depreciated	2,023,201.83	4,702,239.39	844,881.55	5,880,559.67
Capital Assets Being Depreciated				
Buildings and Improvements	46,860,045.43	1,117,530.33	-	47,977,575.76
Equipment	6,390,294.69	128,641.50	246,160.77	6,272,775.42
Land Improvements	7,617,275.78	-	2,038.00	7,615,237.78
Less Accumulated Depreciation for:				
Buildings and Improvements	7,970,239.03	704,276.07	-	8,674,515.10
Equipment	5,149,857.72	287,743.11	246,160.77	5,191,440.06
Land Improvements	2,163,935.93	408,676.44	67.93	2,572,544.44
Total Capital Assets, Being Depreciated, Net	45,583,583.22	(154,523.79)	1,970.07	45,427,089.36
Governmental Activity Capital Assets - Net	\$ 47,606,785.05	\$ 4,547,715.60	\$ 846,851.62	\$ 51,307,649.03

Current year depreciation expense by function is as follows:

Instruction		\$ 1,021,056.23
Support Services		
Educational Media Services	\$ 20,594.84	
General Administration	13,703.64	
School Administration	23,538.76	
Maintenance and Operation of Plant	2,569.28	
Student Transportation Services	228,950.00	
Central Support Services	10,940.15	300,296.67
Food Services		79,342.72
		\$ 1,400,695.62

**NOTE 6: 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.

**UNEMPLOYMENT COMPENSATION**

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

The School District has incurred no unemployment claims in the last two years.

**SURETY BOND**

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

Position Covered	Amount
Superintendent	\$ 50,000.00

**NOTE 7: FUND BALANCE CLASSIFICATION DETAILS**

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

Nonspendable		
Inventories	\$	29,212.82
Restricted		
Continuation of Federal Programs	\$ 371,064.75	
Capital Projects	3,237,346.30	3,608,411.05
Assigned		
School Activity Accounts		320,711.44
Unassigned		
		7,478,235.56
Fund Balance, June 30, 2016	\$	11,436,570.87

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

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of not less than 5% of expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, net of any committed reserve balance for capital expenditures and assigned fund balances "to cover unanticipated deficiencies in revenue or unanticipated expenditures," in compliance with Official Code of Georgia Annotated

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Section 20-2-167(a)5. If the unassigned, assigned, and committed fund balances (net of previous allowances) at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

**NOTE 8: SIGNIFICANT COMMITMENTS**

**COMMITMENTS UNDER CONSTRUCTION CONTRACTS**

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2016, together with funding available:

Project	Unearned Executed Contracts (1)	Payments through June 30, 2016 (2)	Funding Available From State (1)
Elementary Complex Renovations	\$ 3,123,628.56	\$ 5,058,857.00	\$ 1,723,868.00

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

(2) Payments include Contracts and Retainages Payable at year end.

**NOTE 9: SIGNIFICANT CONTINGENT LIABILITIES**

**FEDERAL GRANTS**

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

**LITIGATION**

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

**NOTE 10: POST-EMPLOYMENT BENEFITS**

**GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND**

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

**Funding Policy.** The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012 pay approximately 25% of the cost

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of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

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

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

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

For non-certificated school personnel:

July 1, 2015 – December 31, 2015      \$596.20 per member per month

January 1, 2016 – June 30, 2016      \$746.20 per member per month

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2016	100%	\$ 3,955,257.91
2015	100%	\$ 3,744,604.09
2014	100%	\$ 3,620,807.13

#### **NOTE 11: RETIREMENT PLANS**

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

#### **TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)**

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

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

**Contributions:** Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual School District payroll, of which 14.04% of payroll was required from the School District and 0.23% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$2,804,792.00 and \$46,692.46 from the School District and the State, respectively.

#### **PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)**

**Plan description:** PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at [www.ers.ga.gov/formspubs/formspubs](http://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

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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 \$51,253.00.

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

At June 30, 2016, the School District reported a liability of \$27,839,685.00 for its proportionate share of the net pension liability for TRS.

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

School District's proportionate share of the net pension liability	\$	27,839,685.00
State of Georgia's proportionate share of the net pension liability associated with the School District		578,360.00
Total	\$	28,418,045.00

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

At June 30, 2015, the School District's TRS proportion was 0.182867%, which was an increase of 0.002605% from its proportion measured as of June 30, 2014.

At June 30, 2016, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$249,672.00.

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

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For the year ended June 30, 2016, the School District recognized pension expense of \$2,009,948.00 for TRS and \$14,889.00 for PSERS and revenue of \$69,293.00 for TRS and \$14,889.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

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

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 244,864.00
Net difference between projected and actual earnings on pension plan investments	-	2,348,307.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	498,260.00	-
School District contributions subsequent to the measurement date	2,804,792.00	-
Total	\$ 3,303,052.00	\$ 2,593,171.00

The School District contributions subsequent to the measurement date of \$2,804,792.00 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2017	\$ (1,022,297.00)
2018	\$ (1,022,297.00)
2019	\$ (1,022,299.00)
2020	\$ 966,570.00
2021	\$ 5,412.00

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

**Teachers Retirement System:**

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

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

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

**Public School Employees Retirement System:**

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

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

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

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

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

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

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

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

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 47,840,394.00	\$ 27,839,685.00	\$ 11,354,342.00

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

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

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered- employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.182867%	\$ 27,839,685.00	\$ 578,360.00	\$ 28,418,045.00	\$ 19,703,749.80	141.29%	81.44%
2015	0.180262%	\$ 22,773,726.00	\$ 305,735.00	\$ 23,079,461.00	\$ 18,617,729.89	122.32%	84.03%

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

SCHEDULE "2"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.00%	\$ -	\$ 249,672.00	\$ 249,672.00	\$ 705,960.43	N/A	87.00%
2015	0.00%	\$ -	\$ 212,668.00	\$ 212,668.00	\$ 674,982.15	N/A	88.29%

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

SCHEDULE "3"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered- employee payroll
2016	\$ 2,804,792.00	\$ 2,804,792.00	\$ -	\$ 19,970,499.00	14.04%
2015	\$ 2,539,222.48	\$ 2,539,222.48	\$ -	\$ 19,703,749.80	12.89%

**Teachers Retirement System**

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

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

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

**Public School Employees Retirement System**

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

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

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

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

SCHEDULE "5"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
<b>REVENUES</b>				
Property Taxes	\$ 11,890,000.00	\$ 11,890,000.00	\$ 13,236,225.12	\$ 1,346,225.12
Sales Taxes	-	-	66,274.23	66,274.23
State Funds	17,410,599.00	17,410,599.00	18,349,707.25	939,108.25
Federal Funds	1,506,700.00	4,025,445.00	4,139,189.90	113,744.90
Charges for Services	219,800.00	219,800.00	611,474.13	391,674.13
Investment Earnings	5,115.00	5,115.00	3,036.88	(2,078.12)
Miscellaneous	378,679.00	378,679.00	793,128.11	414,449.11
<b>Total Revenues</b>	<b>31,410,893.00</b>	<b>33,929,638.00</b>	<b>37,199,035.62</b>	<b>3,269,397.62</b>
<b>EXPENDITURES</b>				
Current				
Instruction	21,733,328.61	23,057,987.61	22,805,336.75	252,650.86
Support Services				
Pupil Services	947,430.17	1,069,071.17	1,092,980.05	(23,908.88)
Improvement of Instructional Services	684,622.55	1,560,191.55	1,528,555.34	31,636.21
Educational Media Services	567,327.41	567,327.41	502,937.62	64,389.79
General Administration	860,781.12	921,771.12	528,545.97	393,225.15
School Administration	1,674,838.64	1,674,838.64	1,608,739.30	66,099.34
Business Administration	221,279.19	221,279.19	213,950.34	7,328.85
Maintenance and Operation of Plant	2,471,666.09	2,471,666.09	2,537,298.68	(65,632.59)
Student Transportation Services	1,989,621.52	2,014,940.52	1,862,392.31	152,548.21
Central Support Services	488,055.00	488,805.00	580,246.43	(91,441.43)
Other Support Services	128,055.27	237,872.27	263,218.40	(25,346.13)
Food Services Operation	1,925,317.00	1,925,317.00	1,755,217.01	170,099.99
Enterprise Operations	-	-	857,794.54	(857,794.54)
<b>Total Expenditures</b>	<b>33,692,322.57</b>	<b>36,211,067.57</b>	<b>36,137,212.74</b>	<b>73,854.83</b>
Excess of Revenues over (under) Expenditures	(2,281,429.57)	(2,281,429.57)	1,061,822.88	3,343,252.45
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers From Other Funds	1,194,714.30	1,194,714.30	-	(1,194,714.30)
Net Change in Fund Balances	(1,086,715.27)	(1,086,715.27)	1,061,822.88	2,148,538.15
Fund Balances - Beginning	7,137,401.69	7,137,401.69	7,137,401.69	-
Adjustments	-	(4,023.19)	-	4,023.19
<b>Fund Balances - Ending</b>	<b>\$ 6,050,686.42</b>	<b>\$ 6,046,663.23</b>	<b>\$ 8,199,224.57</b>	<b>\$ 2,152,561.34</b>

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 \$873,957.76 and \$894,363.58, 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.

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

SCHEDULE "6"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	16165GA324N1099	\$ 346,780.16
National School Lunch Program	10.555	16165GA324N1099	1,234,079.68
Total U.S. Department of Agriculture			<u>1,580,859.84</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	756,949.28
Preschool Grants	84.173	H173A150081	29,525.00
Total Special Education Cluster			<u>786,474.28</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A150010	42,333.00
English Language Acquisition Grants	84.365	S365A150010	29,378.06
Improving Teacher Quality State Grants	84.367	S367A150001	159,741.59
Migrant Education - State Grant Program	84.011	S011A150011	226,909.46
Rural Education	84.358	S358B150010	65,106.22
Title I Grants to Local Educational Agencies	84.010	S010A150010	1,210,348.43
Total Other Programs			<u>1,733,816.76</u>
Total U. S. Department of Education			<u>2,520,291.04</u>
Total Expenditures of Federal Awards			<u>\$ 4,101,150.88</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 Appling County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net assets of the Board.

Note 2. Summary of Significant Accounting Policies

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

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

SCHEDULE "7"

<u>AGENCY/FUNDING</u>	<u>GOVERNMENTAL FUND TYPE GENERAL FUND</u>
<b>GRANTS</b>	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 857,561.34
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	1,000,682.00
Kindergarten Program - Early Intervention Program	179,136.00
Primary Grades (1-3) Program	2,399,278.00
Primary Grades - Early Intervention (1-3) Program	606,196.00
Upper Elementary Grades (4-5) Program	1,079,677.00
Upper Elementary Grades - Early Intervention (4-5) Program	503,543.00
Middle School (6-8) Program	1,974,346.00
High School General Education (9-12) Program	1,804,396.00
Vocational Laboratory (9-12) Program	601,020.00
Students with Disabilities	3,321,002.00
Gifted Student - Category VI	367,135.00
Remedial Education Program	214,844.00
Alternative Education Program	143,742.00
English Speakers of Other Languages (ESOL)	351,916.00
Media Center Program	373,744.00
20 Days Additional Instruction	113,014.00
Staff and Professional Development	64,371.00
Indirect Cost	
Central Administration	499,244.00
School Administration	820,945.00
Facility Maintenance and Operations	830,231.00
Amended Formula Adjustment	(920,784.00)
Categorical Grants	
Pupil Transportation	
Regular	656,756.00
Nursing Services	67,451.00
Mid-term Adjustment Hold Harmless	54,159.00
Vocational Supervisors	13,584.00
Principal Staff and Professional Development	1,460.00
Other State Programs	
Food Services	44,010.00
Math and Science Supplements	8,115.45
Preschool Handicapped Program	69,586.00
Residential and Reintegration Services	6,420.00
Teachers Retirement	46,692.46
Vocational Education	144,981.00
Office of the State Treasurer	
Public School Employees Retirement	51,253.00
	\$ 18,349,707.25

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

SCHEDULE '8'

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
<b>SPLOST IV Referendum</b>							
(1) Acquiring technology improvements, including safety and security improvements, computer technology, hardware and software;	\$ 4,302,665.00	\$ 4,302,665.00	\$ 6,950.36	\$ 2,310,610.72	\$ -	\$ -	June 2018
(2) Adding to, renovating, repairing, improving, furnishing, and equipping existing school buildings and other buildings and facilities useful and desirable in connection therewith, including, but not limited to, physical education/athletic facilities, roofing, HVAC, electrical and technology infrastructures, paving, covered walkways and gymnasiums;	11,842,783.00	11,842,783.00	5,034,149.72	5,501,895.45	-	-	June 2018
(3) Acquiring new school equipment, including, but not limited to, new buses, transportation, maintenance and school vehicles and equipment;	1,502,000.00	1,502,000.00	124,661.50	520,403.00	-	-	June 2018
(4) Acquiring, constructing and equipping new storage facilities and other facilities;	473,664.00	473,664.00	-	-	-	-	June 2018
(5) Acquiring textbooks and instructional materials and equipment;	1,878,888.00	1,878,888.00	54,586.88	985,434.89	-	-	June 2018
(6) Acquiring any necessary or desirable property, both real and personal.	-	-	-	-	-	-	June 2018
	<u>\$ 20,000,000.00</u>	<u>\$ 20,000,000.00</u>	<u>\$ 5,220,348.46</u>	<u>\$ 9,318,344.06</u>	<u>\$ -</u>	<u>\$ -</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Appling County approved the imposition of a 1% sales tax to fund the above projects. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

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

July 20, 2017

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

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

#### INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Applying County Board of Education (School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated July 20, 2017.

#### **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 and therefore, material weaknesses or significant deficiencies

may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items FS 2016-001 and FS 2016-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **School District's Responses to Findings**

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

### **Purpose of this Report**

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor



## 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

July 20, 2017

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

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

#### INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

#### **Report on Compliance for Each Major Federal Program**

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

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

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

### **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

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FS 2015-001**                      **Internal Controls over Employee Compensation**

**Control Category:**                      Employee Compensation – Overtime Pay  
**Internal Control Impact:**                Significant Deficiency  
**Compliance Impact:**                    None  
**Finding Status:**                            Unresolved

*Entity's Response*

We concur with this finding. The timing of the prior year audit did not allow for the opportunity for corrective action in the current year. The Board will ensure that internal controls are established, implemented, and functioning at the school level and will utilize management oversight at the school level of school activities to properly safeguard assets in a proper and timely manner. The Board will monitor controls established and revise those necessary to provide reasonable assurance that transactions are processed according to said procedures.

**FS 2015-002**                      **Internal Controls over School Activity Accounts**

**Control Categories:**                      Investments  
    Revenues/Receivables/Receipts  
    Expenditures/Liabilities/Disbursements  
**Internal Control Impact:**                Significant Deficiency  
**Compliance Impact:**                    None  
**Finding Status:**                            Partially Resolved

*Entity's Response*

We concur with this finding. The timing of the prior year audit did not allow for the opportunity for corrective action in the current year. The Board will ensure that internal controls are established, implemented and functioning at the system level to adequately address overtime and ensure that all said overtime be properly calculated. The Board will monitor controls established to ensure accuracy for any overtime being processed according to said procedures and a review and approve process will be implemented to resolve the issue.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issue: Governmental Activities; General Fund; Capital Projects Fund; Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
▪ Material weakness identified?	No
▪ Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted:	No

**Federal Awards**

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs: All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000.00
Auditee qualified as low-risk auditee?	No

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

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

FS 2016-001	<u>Internal Controls over Employee Compensation</u>
Control Category:	Employee Compensation
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Questioned Cost:	\$6,753.66
Repeat of Prior Year Finding:	FS 2015-001

**Description:**

The School District did not have adequate internal controls in place over the calculation of salaries and overtime pay.

**Criteria:**

The School District's management is responsible for designing and maintaining internal controls that ensure employee compensation payments are properly calculated and disbursed.

**Condition:**

Based on a review of seventeen employee payroll records, the following deficiencies were noted:

- Two employees' overtime was incorrectly calculated throughout the year under review.
- One employee was paid overtime wages for working outside the normal work week whether or not overtime was earned.
- One bus shop mechanic did not have a Board approved pay scale supporting hourly wages paid.
- Two Child Nutrition Cluster employees were over paid because their local supplement was included two times in their salary calculation.
- The Superintendent was underpaid \$10,319.32 because of the wrong certificate level amount from the state salary schedule being used in her salary calculation.

**Questioned Cost:**

\$6,753.66

**Cause:**

In discussing these issues with management, they indicated that they have a lack of internal controls at school level.

**Effect or Potential Effect:**

This could result in errors in financial reporting and increases the risk of material misstatements in the financial statements, including misstatements due to fraud.

**Recommendation:**

The School District should implement appropriate procedures to strengthen internal controls over processing of employee compensation. Additionally, the School District should ensure that all overtime pay is based on board approved regulations. The School District should determine if a reclaim of funds is appropriate for the overpayments and pay the Superintendent's underpayment.

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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Views of Responsible Officials:

We concur with the finding.

FS 2016-002	<u>Internal Controls over School Activity Accounts</u>
Control Category:	Investments Revenues/Receivables/Receipts
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-002

### Description:

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

### Criteria:

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

### Condition:

The School District does not have a policy or procedure manual for school activity account bookkeeping and accounting.

### Investments

A review of Student Activity Accounts' bank reconciliations revealed the following deficiency:

- Future Farmers of America certificate of deposit was not in the Future Farmers of America student activity account.

### Revenues/Receivables/Receipts

Separation of duties issues were noted in charges for services receipt processes.

A review of twenty receipts revealed the following deficiencies:

- Appling County High School did not use any form of pre-numbered receipts for any of the twenty tested.
- Fourteen receipts were either not deposited in a timely manner, or the timeliness couldn't be determined based on available documentation.
- Five receipts either lacked supporting documentation or the documentation didn't agree with the amount deposited.
- In two instances expenditures were paid directly from cash on hand from gate receipts rather than being properly handled as separate transactions.

### Cause:

In discussing these issues with management, they indicated they have a lack of internal controls in the review of employee compensation calculations.

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

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**Effect or Potential Effect:**

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

**Recommendation:**

Management should implement controls to ensure that all receipts are recorded and properly documented. Also, ensure that revenue from receipts are deposited in a timely manner. Additionally, management should ensure that all expenses have proper approval prior to payment for the expense. Management should monitor student activity accounts to ensure they are properly presented, and that the student activity accounts reflect an accurate balance at year end.

**Views of Responsible Officials:**

We concur with the finding.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

