



FRANKLIN COUNTY BOARD OF EDUCATION CARNESVILLE, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**
(Including Independent Auditor's Reports)



FRANKLIN COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

INDEPENDENT AUDITOR'S REPORT

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

i

EXHIBITS

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

| | | |
|---|---------------------------|---|
| A | STATEMENT OF NET POSITION | 1 |
| B | STATEMENT OF ACTIVITIES | 2 |

FUND FINANCIAL STATEMENTS

| | | |
|---|--|---|
| C | BALANCE SHEET GOVERNMENTAL FUNDS | 4 |
| D | RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION | 5 |
| E | STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS | 6 |
| F | RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES | 7 |
| G | STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS | 8 |
| H | NOTES TO THE BASIC FINANCIAL STATEMENTS | 9 |

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

| | | |
|---|--|----|
| 1 | SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHERS RETIREMENT SYSTEM OF GEORGIA | 29 |
| 2 | SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA | 30 |
| 3 | SCHEDULE OF CONTRIBUTIONS - TEACHERS RETIREMENT SYSTEM OF GEORGIA | 31 |
| 4 | NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION | 32 |
| 5 | SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND | 33 |

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FRANKLIN COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

SCHEDULES

SUPPLEMENTARY INFORMATION

| | | |
|---|--|----|
| 6 | SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 34 |
| 7 | SCHEDULE OF STATE REVENUE | 35 |
| 8 | SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS | 37 |

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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

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

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SECTION IV

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION V

MANAGEMENT'S CORRECTIVE ACTION FOR CURRENT YEAR FINDINGS

SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156

Atlanta, Georgia 30334-8400

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

June 25, 2019

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin County Board of Education (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2017, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) *Statement No. 77, Tax Abatement Disclosures*, GASB *Statement No. 80, Blending Requirements for Certain Component Units*, and GASB *Statement No. 82, Pension Issues*. Our opinions are not modified with respect to these matters.

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 viii, and pages 29 through 33 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Greg S. Griffin
State Auditor

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FRANKLIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

INTRODUCTION

The discussion and analysis of the Franklin County Board of Education's (School District) financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2017 and 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.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal years 2017 and 2016 are as follows:

- The School District had \$40,404,483 and \$35,898,470 million in expenses relating to governmental activities for the fiscal years ended June 30, 2017 and June 30, 2016, respectively. Only \$26,372,770 and \$23,803,902 of the above mentioned expenses for 2017 and 2016 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$16,416,771 and \$16,130,737, respectively, for 2017 and 2016, along with fund balance were adequate to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The fund financial statements reflect the School District's most significant funds. For the years ending June 30, 2017 and 2016, the general fund, the capital projects fund, and the debt service fund represent the most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

FRANKLIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled to the financial statements.

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

FRANKLIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2017 and 2016.

Table 1
Net Position

| | Governmental Activities | |
|--|-------------------------|----------------------|
| | Fiscal Year 2017 | Fiscal Year 2016 |
| Assets | | |
| Current and Other Assets | \$ 14,803,930 | \$ 13,880,213 |
| Capital Assets, Net | <u>64,122,285</u> | <u>64,668,621</u> |
| Total Assets | 78,926,215 | 78,548,834 |
| Deferred Outflows of Resources | <u>8,844,415</u> | <u>3,107,768</u> |
| Total Assets and Deferred Outflows of Resources | <u>87,770,630</u> | <u>81,656,602</u> |
| Liabilities | | |
| Current and Other Liabilities | 40,433,349 | 31,819,326 |
| Long-Term Liabilities | <u>2,595,754</u> | <u>5,371,508</u> |
| Total Liabilities | 43,029,103 | 37,190,834 |
| Deferred Inflows of Resources | <u>760,402</u> | <u>2,869,701</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>43,789,505</u> | <u>40,060,535</u> |
| Net Position | | |
| Net Invested in Capital Assets | 63,169,340 | 61,458,431 |
| Restricted | 2,802,677 | 2,508,645 |
| Unrestricted (Deficit) | <u>(21,990,892)</u> | <u>(22,371,009)</u> |
| Total Net Position | \$ <u>43,981,125</u> | \$ <u>41,596,067</u> |

Total assets and deferred outflows of resources increased by \$6,114,028 which was primarily due to increases in deferred outflows for pension benefits.

FRANKLIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Table 2 shows the changes in net position for fiscal years ending June 30, 2017 and June 30, 2016.

Table 2
Change in Net Position

| | Governmental Activities | |
|---|-------------------------|--------------|
| | Fiscal Year | Fiscal Year |
| | 2017 | 2016 |
| Revenues | | |
| Program Revenues: | | |
| Charges for Services | \$ 531,680 | \$ 463,660 |
| Operating Grants and Contributions | 25,763,874 | 23,185,802 |
| Capital Grants and Contributions | 77,216 | 154,440 |
| Total Program Revenues | 26,372,770 | 23,803,902 |
| General Revenues: | | |
| Taxes | | |
| Property Taxes | | |
| For Maintenance and Operations | 10,414,500 | 10,396,066 |
| Sales Taxes | | |
| Special Purpose Local Option Sales Tax | | |
| For Debt Service | 3,156,985 | 3,123,869 |
| Other Taxes | 191,501 | 386,587 |
| Grants and Contributions not | | |
| Restricted to Specific Programs | 1,504,405 | 1,386,907 |
| Investment Earnings | 23,366 | 28,510 |
| Miscellaneous | 1,126,014 | 808,798 |
| Total General Revenues | 16,416,771 | 16,130,737 |
| Total Revenues | 42,789,541 | 39,934,639 |
| Program Expenses: | | |
| Instruction | 25,606,027 | 22,546,588 |
| Support Services | | |
| Pupil Services | 1,510,365 | 1,314,576 |
| Improvement of Instructional Services | 2,019,750 | 1,673,651 |
| Educational Media Services | 575,775 | 507,992 |
| General Administration | 592,867 | 501,230 |
| School Administration | 2,152,114 | 2,025,622 |
| Business Administration | 214,749 | 318,999 |
| Maintenance and Operation of Plant | 2,255,607 | 2,189,140 |
| Student Transportation Services | 2,731,444 | 2,483,036 |
| Central Support Services | 178 | 303,986 |
| Other Support Services | 295,070 | - |
| Operations of Non-Instructional Services | | |
| Enterprise Operations | 597,206 | 325,845 |
| Food Services | 1,677,282 | 1,629,811 |
| Interest on Short-Term and Long-Term Debt | 176,049 | 77,994 |
| Total Expenses | 40,404,483 | 35,898,470 |
| Increase in Net Position | \$ 2,385,058 | \$ 4,036,169 |

FRANKLIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions increased \$2,352,781 for governmental activities. This increase is largely due to higher funding from the State Quality Basic Education (QBE) Funding Formula. The main factor within the QBE formula was a sharp decrease of \$709,915 in the Austerity Reduction.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity.

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|---|------------------------|----------------------|----------------------|----------------------|
| | Fiscal | Fiscal | Fiscal | Fiscal |
| | Year 2017 | Year 2016 | Year 2017 | Year 2016 |
| Instruction | \$ 25,606,027 | \$ 22,546,588 | \$ 6,448,493 | \$ 5,670,316 |
| Support Services: | | | | |
| Pupil Services | 1,510,365 | 1,314,576 | 1,145,980 | 1,033,480 |
| Improvement of Instructional Services | 2,019,750 | 1,673,651 | 1,283,502 | 864,243 |
| Educational Media Services | 575,775 | 507,992 | 81,344 | 28,044 |
| General Administration | 592,867 | 501,230 | (111,419) | (125,937) |
| School Administration | 2,152,114 | 2,025,622 | 1,089,109 | 980,882 |
| Business Administration | 214,749 | 318,999 | 206,080 | 316,763 |
| Maintenance and Operation of Plant | 2,255,607 | 2,189,140 | 1,116,219 | 1,086,005 |
| Student Transportation Services | 2,731,444 | 2,483,036 | 1,894,573 | 1,644,411 |
| Central Support Services | 178 | 303,986 | 18 | 235,217 |
| Other Support Services | 295,070 | - | 248,002 | - |
| Operations of Non-Instructional Services: | | | | |
| Enterprise Operations | 597,206 | 325,845 | 443,525 | 196,899 |
| Community Services | - | - | (1,212) | - |
| Food Services | 1,677,282 | 1,629,811 | 11,449 | 86,250 |
| Interest on Short-Term and Long-Term Debt | 176,049 | 77,994 | 176,049 | 77,994 |
| Total Expenses | \$ 40,404,483 | \$ 35,898,470 | \$ 14,031,712 | \$ 12,094,567 |

Although program revenues make up a majority of the funding, the School District is still dependent upon tax revenues for governmental activities. For 2017, 35.31% of instruction and support activities were supplemented by taxes and other general revenues compared to 34.65% in 2016.

FRANKLIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of \$42,551,517 and total expenses and other financing uses of \$41,737,878. There was an increase in the fund balance totaling \$813,639 for the governmental funds as a whole. Higher QBE funding was the main contributor to the increase in fund balance.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the general fund, funded primarily through state revenue and local property tax revenue. During the course of fiscal years 2017 and 2016, the School District amended its general fund budget as needed.

During fiscal year 2017 the general fund had final actual revenues and other financing sources totaling \$39,377,600, which represented an increase from the original budgeted amount of \$35,884,054 by \$3,493,546. This difference (final actual vs. original budget) was due to larger state revenue received, larger federal grant revenue, state revenue and unbudgeted student activity fees.

CAPITAL ASSETS

At the fiscal years ended June 30, 2017 and June 30, 2016, the School District had \$63,169,340 and \$61,458,431, respectively, invested in capital assets, net of accumulated depreciation. These assets are made up of a broad range of capital assets, including land; buildings; transportation, food service and maintenance equipment. Table 4 reflects a summary of these balances, by class, net of accumulated depreciation.

Table 4
Capital Assets
(Net of Depreciation)

| | Governmental Activities | |
|---------------------------|-------------------------|----------------------|
| | Fiscal | Fiscal |
| | Year 2017 | Year 2016 |
| Land | \$ 1,338,157 | \$ 1,338,157 |
| Construction In Progress | 323,531 | - |
| Building and Improvements | 53,180,304 | 54,022,795 |
| Equipment | 2,138,119 | 2,172,911 |
| Land Improvements | 6,975,098 | 7,091,963 |
| Intangible Assets | 167,077 | 42,795 |
| Total | \$ <u>64,122,286</u> | \$ <u>64,668,621</u> |

The overall capital assets decreased in fiscal year 2017 by \$546,335 due to few current year additions being added and continuing depreciation of assets.

FRANKLIN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

DEBT ADMINISTRATION

At June 30, 2017, the School District had \$2,595,754 in total debt outstanding with \$2,595,754 due within one year. Table 5 summarizes bond debt outstanding at June 30, 2017 and 2016.

Table 5
Debt at June 30

| | Governmental Activities | |
|--------------------------|-------------------------|---------------------|
| | Fiscal | Fiscal |
| | Year 2017 | Year 2016 |
| General Obligation Bonds | \$ 2,370,000 | \$ 4,920,000 |
| Bond Premiums Amortized | <u>225,754</u> | <u>451,508</u> |
| Total | <u>\$ 2,595,754</u> | <u>\$ 5,371,508</u> |

CURRENT ISSUES

In fiscal year 2017, the cost of the employer portion of TRS pension will remain the same after several years of increases. There will be an increase of approximately \$100,000 in health insurance premiums for non-certified employees.

Approximately 85% of general fund expenses, the main operating fund for the School District, were related to salaries and employee benefits for the year ended June 30, 2017. More than a third of certified personnel in the School District have 21 years or more of experience resulting in salaries at the highest possible state pay level. With such personnel heavy expenses, it is difficult to offset mandated expense increases such as health insurance premium expenses. The School District consistently evaluates how funds can be spent smarter and more effectively to ensure that County students receive a quality education from effective personnel.

The School District's millage rate for fiscal year 2017 was 18.118. This was a 0.500 mill reduction from the previous year. The net digest continues to be relatively flat. The net digest for fiscal year 2017 produced \$10,452,000 in revenue

The most significant challenge facing the School District is the relative uncertainty regarding how School Districts will be funded moving forward. The General Assembly is in the process of exploring new funding formulas that would likely cement in the austerity reductions received annually and change the way personnel salaries are calculated. Vouchers for private schools and a growing charter school system may reduce funds available for traditional public schools.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tom Porter at the Franklin County Board of Education, 280 Busha Road, Carnesville, GA 30521. You may also email your questions to tom.porter@franklin.k12.ga.us.

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FRANKLIN COUNTY BOARD OF EDUCATION

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FRANKLIN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT "A"

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|---|------------------------------------|
| <u>ASSETS</u> | |
| Cash and Cash Equivalents | \$ 10,418,368.23 |
| Receivables, Net | |
| Taxes | 673,647.28 |
| State Government | 2,732,912.73 |
| Federal Government | 902,096.03 |
| Local | 17,888.89 |
| Other | 2,386.97 |
| Inventories | 52,846.24 |
| Prepaid Items | 3,783.34 |
| Capital Assets, Non-Depreciable | 1,661,688.50 |
| Capital Assets, Depreciable (Net of Accumulated Depreciation) | <u>62,460,597.18</u> |
| Total Assets | <u>78,926,215.39</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| Related to Defined Benefit Pension Plan | <u>8,844,415.35</u> |
| <u>LIABILITIES</u> | |
| Accounts Payable | 1,498,118.77 |
| Salaries and Benefits Payable | 3,796,689.30 |
| Payroll Withholdings Payable | 458,769.34 |
| Interest Payable | 29,425.00 |
| Contracts Payable | 252,330.85 |
| Retainages Payable | 21,214.00 |
| Net Pension Liability | 34,376,802.00 |
| Long-Term Liabilities | |
| Due Within One Year | <u>2,595,753.90</u> |
| Total Liabilities | <u>43,029,103.16</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| Related to Defined Benefit Pension Plan | <u>760,402.00</u> |
| <u>NET POSITION</u> | |
| Net Investment in Capital Assets | 63,169,339.99 |
| Restricted for | |
| Continuation of Federal Programs | 405,275.00 |
| Debt Service | 1,909,137.48 |
| Capital Projects | 488,264.97 |
| Unrestricted (Deficit) | <u>(21,990,891.86)</u> |
| Total Net Position | <u>\$ 43,981,125.58</u> |

FRANKLIN COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>EXPENSES</u> | <u>CHARGES FOR SERVICES</u> |
|--|-------------------------|---------------------------------|
| <u>GOVERNMENTAL ACTIVITIES</u> | | |
| Instruction | \$ 25,606,027.20 | \$ 12,000.00 |
| Support Services | | |
| Pupil Services | 1,510,365.40 | - |
| Improvement of Instructional Services | 2,019,750.08 | - |
| Educational Media Services | 575,774.65 | - |
| General Administration | 592,867.49 | - |
| School Administration | 2,152,113.48 | - |
| Business Administration | 214,749.38 | - |
| Maintenance and Operation of Plant | 2,255,606.57 | 9,100.00 |
| Student Transportation Services | 2,731,444.03 | 34,125.08 |
| Central Support Services | 178.00 | - |
| Other Support Services | 295,070.31 | - |
| Operations of Non-Instructional Services | | |
| Enterprise Operations | 597,205.76 | 153,680.93 |
| Community Services | - | 1,212.00 |
| Food Services | 1,677,281.39 | 321,561.69 |
| Interest on Short-Term and Long-Term Debt | 176,048.76 | - |
| | <u>\$ 40,404,482.50</u> | <u>\$ 531,679.70</u> |
| Total Governmental Activities | | |
| General Revenues | | |
| Taxes | | |
| Property Taxes | | |
| For Maintenance and Operations | | |
| Sales Taxes | | |
| Special Purpose Local Option Sales Tax | | |
| For Debt Services | | |
| Other Sales Tax | | |
| Grants and Contributions not Restricted to Specific Programs | | |
| Investment Earnings | | |
| Miscellaneous | | |
| Total General Revenues | | |
| Change in Net Position | | |
| Net Position - Beginning of Year | | |
| Net Position - End of Year | | |

EXHIBIT "B"

| PROGRAM REVENUES | | NET (EXPENSES) |
|--|--|--|
| OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | REVENUES AND CHANGES IN NET POSITION |
| \$ 19,145,533.87 | \$ - | \$ (6,448,493.33) |
| 364,385.32 | - | (1,145,980.08) |
| 736,248.52 | - | (1,283,501.56) |
| 494,430.45 | - | (81,344.20) |
| 704,286.97 | - | 111,419.48 |
| 1,063,004.54 | - | (1,089,108.94) |
| 8,668.86 | - | (206,080.52) |
| 1,130,287.55 | - | (1,116,219.02) |
| 725,529.39 | 77,216.25 | (1,894,573.31) |
| 159.76 | - | (18.24) |
| 47,068.20 | - | (248,002.11) |
| - | - | (443,524.83) |
| - | - | 1,212.00 |
| 1,344,270.96 | - | (11,448.74) |
| - | - | (176,048.76) |
| <u>\$ 25,763,874.39</u> | <u>\$ 77,216.25</u> | <u>(14,031,712.16)</u> |
| | | 10,414,499.95 |
| | | 3,156,984.76 |
| | | 191,501.07 |
| | | 1,504,405.00 |
| | | 23,365.57 |
| | | <u>1,126,014.28</u> |
| | | <u>16,416,770.63</u> |
| | | 2,385,058.47 |
| | | <u>41,596,067.11</u> |
| | | <u>\$ 43,981,125.58</u> |

FRANKLIN COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

EXHIBIT "C"

| | GENERAL FUND | CAPITAL PROJECTS FUND | DEBT SERVICE FUND | TOTAL |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>ASSETS</u> | | | | |
| Cash and Cash Equivalents | \$ 8,004,748.58 | \$ 761,809.82 | \$ 1,651,809.83 | \$ 10,418,368.23 |
| Receivables, Net | | | | |
| Taxes | 386,894.63 | - | 286,752.65 | 673,647.28 |
| State Government | 2,732,912.73 | - | - | 2,732,912.73 |
| Federal Government | 902,096.03 | - | - | 902,096.03 |
| Local | 17,888.89 | - | - | 17,888.89 |
| Other | 2,386.97 | - | - | 2,386.97 |
| Inventories | 52,846.24 | - | - | 52,846.24 |
| Prepaid Items | 3,783.34 | - | - | 3,783.34 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | \$ 12,103,557.41 | \$ 761,809.82 | \$ 1,938,562.48 | \$ 14,803,929.71 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | \$ 1,498,118.77 | \$ - | \$ - | \$ 1,498,118.77 |
| Salaries and Benefits Payable | 3,796,689.30 | - | - | 3,796,689.30 |
| Payroll Withholdings Payable | 458,769.34 | - | - | 458,769.34 |
| Contracts Payable | - | 252,330.85 | - | 252,330.85 |
| Retainages Payable | - | 21,214.00 | - | 21,214.00 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | 5,753,577.41 | 273,544.85 | - | 6,027,122.26 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Unavailable Revenue - Federal Grants | 216,087.38 | - | - | 216,087.38 |
| Unavailable Revenue - Property Taxes | 145,217.43 | - | - | 145,217.43 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Deferred Inflows of Resources | 361,304.81 | - | - | 361,304.81 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>FUND BALANCES</u> | | | | |
| Nonspendable | 56,629.58 | - | - | 56,629.58 |
| Restricted | 352,428.76 | 488,264.97 | 1,938,562.48 | 2,779,256.21 |
| Assigned | 406,004.00 | - | - | 406,004.00 |
| Unassigned | 5,173,612.85 | - | - | 5,173,612.85 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | 5,988,675.19 | 488,264.97 | 1,938,562.48 | 8,415,502.64 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 12,103,557.41 | \$ 761,809.82 | \$ 1,938,562.48 | \$ 14,803,929.71 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

FRANKLIN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT "D"

| | | |
|--|----|--------------|
| Total fund balances - governmental funds (Exhibit "C") | \$ | 8,415,502.64 |
|--|----|--------------|

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 | \$ | 1,338,157.39 | |
| Construction in progress | | 323,531.11 | |
| Buildings and improvements | | 64,407,930.48 | |
| Equipment | | 6,465,459.20 | |
| Land improvements | | 8,330,726.15 | |
| Intangible assets | | 328,682.06 | |
| Accumulated depreciation | | <u>(17,072,200.71)</u> | 64,122,285.68 |

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

| | | |
|-----------------------|--|-----------------|
| Net pension liability | | (34,376,802.00) |
|-----------------------|--|-----------------|

| | |
|--|--------------|
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | 8,084,013.35 |
|--|--------------|

| | |
|--|------------|
| Taxes that are not available to pay for current period expenditures are deferred in the funds. | 145,217.43 |
|--|------------|

| | |
|---|------------|
| Georgia Department of Education grants that are not available to pay current period expenditures are deferred in the funds. | 216,087.38 |
|---|------------|

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

| | | | |
|---------------------------|----|---------------------|-----------------------|
| Bonds payable | \$ | (2,370,000.00) | |
| Accrued interest payable | | (29,425.00) | |
| Unamortized bond premiums | | <u>(225,753.90)</u> | <u>(2,625,178.90)</u> |

| | | |
|---|----|-----------------------------|
| Net position of governmental activities (Exhibit "A") | \$ | <u><u>43,981,125.58</u></u> |
|---|----|-----------------------------|

FRANKLIN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT "E"

| | GENERAL FUND | CAPITAL PROJECTS FUND | DEBT SERVICE FUND | TOTAL |
|---------------------------------------|----------------------|-----------------------------|-------------------------|----------------------|
| <u>REVENUES</u> | | | | |
| Property Taxes | \$ 10,452,074.20 | \$ - | \$ - | \$ 10,452,074.20 |
| Sales Taxes | 191,501.07 | - | 3,156,984.76 | 3,348,485.83 |
| State Funds | 22,385,753.76 | - | - | 22,385,753.76 |
| Federal Funds | 4,684,143.43 | - | - | 4,684,143.43 |
| Charges for Services | 531,679.70 | - | - | 531,679.70 |
| Investment Earnings | 6,433.79 | - | 16,931.78 | 23,365.57 |
| Miscellaneous | 1,126,014.28 | - | - | 1,126,014.28 |
| | <u>39,377,600.23</u> | <u>-</u> | <u>3,173,916.54</u> | <u>42,551,516.77</u> |
| Total Revenues | | | | |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| Instruction | 24,103,884.67 | 10,869.38 | - | 24,114,754.05 |
| Support Services | | | | |
| Pupil Services | 1,475,721.07 | - | - | 1,475,721.07 |
| Improvement of Instructional Services | 1,979,296.03 | - | - | 1,979,296.03 |
| Educational Media Services | 561,169.06 | - | - | 561,169.06 |
| General Administration | 576,822.59 | - | - | 576,822.59 |
| School Administration | 2,082,006.27 | - | - | 2,082,006.27 |
| Business Administration | 330,967.26 | - | - | 330,967.26 |
| Maintenance and Operation of Plant | 2,262,442.61 | - | - | 2,262,442.61 |
| Student Transportation Services | 2,500,117.44 | 18,336.75 | - | 2,518,454.19 |
| Central Support Services | 178.00 | - | - | 178.00 |
| Other Support Services | 295,070.31 | - | - | 295,070.31 |
| Enterprise Operations | 597,205.76 | - | - | 597,205.76 |
| Food Services Operation | 1,682,385.80 | - | - | 1,682,385.80 |
| Capital Outlay | - | 492,855.97 | - | 492,855.97 |
| Debt Services | | | | |
| Principal | - | - | 2,550,000.00 | 2,550,000.00 |
| Dues and Fees | - | 2,773.76 | - | 2,773.76 |
| Interest | - | - | 215,775.00 | 215,775.00 |
| | <u>38,447,266.87</u> | <u>524,835.86</u> | <u>2,765,775.00</u> | <u>41,737,877.73</u> |
| Total Expenditures | | | | |
| Net Change in Fund Balances | 930,333.36 | (524,835.86) | 408,141.54 | 813,639.04 |
| Fund Balances - Beginning | 5,058,341.83 | 1,013,100.83 | 1,530,420.94 | 7,601,863.60 |
| | <u>5,988,675.19</u> | <u>488,264.97</u> | <u>1,938,562.48</u> | <u>8,415,502.64</u> |
| Fund Balances - Ending | | | | |

FRANKLIN COUNTY BOARD OF EDUCATION
RECONILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2017

EXHIBIT "F"

| | | |
|--|----|------------|
| Net change in fund balances total governmental funds (Exhibit "E") | \$ | 813,639.04 |
|--|----|------------|

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 | \$ 839,145.10 | |
| Depreciation expense | <u>(1,385,480.40)</u> | (546,335.30) |

| | |
|--|-------------|
| Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | (37,574.25) |
|--|-------------|

| | |
|---|------------|
| Federal revenue reported in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. | 216,087.38 |
|---|------------|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.

| | | |
|------------------------------|---------------------|--------------|
| Amortization of bond premium | \$ 225,753.88 | |
| Bond principal retirements | <u>2,550,000.00</u> | 2,775,753.88 |

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 | (879,012.28) |
|-----------------|--------------|

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | |
|---------------------------------------|------------------|
| Accrued interest on issuance of bonds | <u>42,500.00</u> |
|---------------------------------------|------------------|

| | | |
|---|----|----------------------------|
| Change in net position of governmental activities (Exhibit "B") | \$ | <u><u>2,385,058.47</u></u> |
|---|----|----------------------------|

FRANKLIN COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

EXHIBIT "G"

| | AGENCY FUNDS |
|---------------------------|---------------------------|
| | <hr/> |
| <u>ASSETS</u> | |
| Cash and Cash Equivalents | \$ 146,777.79 |
| Investments | <hr/> 21,953.97 |
| | |
| Total Assets | \$ <hr/> <hr/> 168,731.76 |
| <u>LIABILITIES</u> | |
| Funds Held for Others | \$ <hr/> <hr/> 168,731.76 |

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Franklin 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 debt service fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

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

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information; (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the School District's financial statements.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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

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

RECEIVABLES

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

INVENTORIES

Food Inventories

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

PREPAID ITEMS

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

CAPITAL ASSETS

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

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

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

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

| | | Capitalization Policy | Estimated Useful Life |
|-------------------|----|--------------------------|--------------------------|
| Land | | Any Amount | N/A |
| Land Improvements | \$ | 10,000.00 | 20 to 80 years |
| Improvements | \$ | 20,000.00 | 25 to 80 years |
| Equipment | \$ | 5,000.00 | 5 to 50 years |
| Intangible Assets | \$ | 20,000.00 | Estimated Life |

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS

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

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

PENSIONS

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

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.

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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 Franklin County Board of Commissioners adopted the property tax levy for the 2016 tax digest year (calendar year) on July 26, 2016 (levy date) based on property values as of January 1, 2016. Taxes were due on November 15, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. The Franklin County Board of Commissioners bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2017, for maintenance and operations amounted to \$9,627,554.77.

The tax millage rate levied for the 2016 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

| | |
|-------------------|---------------------|
| School Operations | <u>18.118</u> mills |
|-------------------|---------------------|

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$824,519.43 during fiscal year ended June 30, 2017.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$3,156,984.76 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, 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, function and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

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

NOTE 4: DEPOSITS AND CASH EQUIVALENTS

COLLATERALIZATION OF DEPOSITS

O.C.G.A. § 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. § 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance. At June 30, 2017, \$2,176,966.41 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, 2017, the School District had deposits with a carrying amount of \$7,672,761.71, and a bank balance of \$7,467,319.82. The bank balances insured by Federal depository insurance were \$1,021,953.97 and the bank balances collateralized with securities held by the pledging financial institution in the School District's name were \$3,680,404.15.

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

At June 30, 2017, \$2,764,961.70 of the School District's bank balances were exposed to custodial credit risk as follows:

| | |
|--|------------------------|
| Uninsured and Uncollateralized | \$ 2,176,966.41 |
| 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>587,995.29</u> |
| Total | <u>\$ 2,764,961.70</u> |

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

| | |
|---|------------------------|
| Statement of Net Position | |
| Cash and cash equivalents | \$ 10,418,368.23 |
| Statement of Fiduciary Net Position | |
| Cash and cash equivalents | <u>146,777.79</u> |
| Total cash and cash equivalents | 10,565,146.02 |
| Add: | |
| Deposits with original maturity of three months or more reported as investments | 21,953.97 |
| Less: | |
| Investment pools reported as cash and cash equivalents | |
| Georgia Fund 1 | <u>2,914,338.28</u> |
| Total carrying value of deposits - June 30, 2017 | <u>\$ 7,672,761.71</u> |

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of \$2,914,338.28 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2017, was 56 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.

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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, 2016 | Increases | Decreases | Balances June 30, 2017 |
|--|--------------------------|------------------------|-------------|---------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 1,338,157.39 | \$ - | \$ - | \$ 1,338,157.39 |
| Construction in Progress | - | 323,531.11 | - | 323,531.11 |
| Total Capital Assets Not Being Depreciated | <u>1,338,157.39</u> | <u>323,531.11</u> | <u>-</u> | <u>1,661,688.50</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | 64,407,930.48 | - | - | 64,407,930.48 |
| Equipment | 6,162,786.96 | 302,672.24 | - | 6,465,459.20 |
| Land Improvements | 8,319,399.07 | 25,545.00 | 14,217.92 | 8,330,726.15 |
| Intangible Assets | 141,285.31 | 187,396.75 | - | 328,682.06 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | 10,385,135.53 | 842,491.70 | - | 11,227,627.23 |
| Equipment | 3,989,876.23 | 337,463.68 | - | 4,327,339.91 |
| Land Improvements | 1,227,436.59 | 142,409.49 | 14,217.92 | 1,355,628.16 |
| Intangible Assets | 98,489.88 | 63,115.53 | - | 161,605.41 |
| Total Capital Assets, Being Depreciated, Net | <u>63,330,463.59</u> | <u>(869,866.41)</u> | <u>-</u> | <u>62,460,597.18</u> |
| Governmental Activity Capital Assets - Net | <u>\$ 64,668,620.98</u> | <u>\$ (546,335.30)</u> | <u>\$ -</u> | <u>\$ 64,122,285.68</u> |

Current year depreciation expense by function is as follows:

| | |
|------------------------------------|------------------------|
| Instruction | \$ 963,510.87 |
| Support Services | |
| Educational Media Services | \$ 16,387.26 |
| School Administration | 42,136.10 |
| Business Administration | 18,146.35 |
| Maintenance and Operation of Plant | 48,008.02 |
| Student Transportation Services | <u>203,906.53</u> |
| Food Services | <u>93,385.27</u> |
| | <u>\$ 1,385,480.40</u> |

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

NOTE 6: LONG-TERM LIABILITIES

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

| | Governmental Activities | | | | |
|---------------------------|-------------------------|-------------|------------------------|--------------------------|------------------------|
| | Balance July 1, 2016 | Additions | Deductions | Balance June 30, 2017 | Due Within One Year |
| General Obligation Bonds | \$ 4,920,000.00 | \$ - | \$ 2,550,000.00 | \$ 2,370,000.00 | \$ 2,370,000.00 |
| Unamortized Bond Premiums | 451,507.78 | - | 225,753.88 | 225,753.90 | 225,753.90 |
| | <u>\$ 5,371,507.78</u> | <u>\$ -</u> | <u>\$ 2,775,753.88</u> | <u>\$ 2,595,753.90</u> | <u>\$ 2,595,753.90</u> |

GENERAL OBLIGATION DEBT OUTSTANDING

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

Of the total amount authorized, \$16,275,000.00 remains unissued. General obligation bonds currently outstanding are as follows:

| Description | Interest Rates | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|----------------------------------|----------------|------------|------------------|------------------|-----------------------|
| General Government - Series 2012 | 3.00% - 5.00% | 7/11/2012 | 3/1/2018 | \$ 12,120,000.00 | \$ 2,370,000.00 |

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

| Fiscal Year Ended June 30: | General Obligation Debt | | Unamortized Bond |
|----------------------------|-------------------------|--------------|------------------|
| | Principal | Interest | Premium |
| 2018 | \$ 2,370,000.00 | \$ 88,275.00 | \$ 225,753.90 |

NOTE 7: 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 exceeded 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

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the System varies by line of coverage.

WORKERS' COMPENSATION

Georgia School Boards Association Workers' Compensation Fund

The School District participates in the Georgia School Boards Association Workers' Compensation Fund (the Fund), a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to \$2.0 million. In addition to the \$550,000.00 per occurrence retention, the Fund also retains an additional \$200,000.00 per year corridor retention.

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 had no unemployment compensation claims in the past two years.

SURETY BOND

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

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

NOTE 8: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2017:

| | | |
|----------------------------------|---------------------|------------------------|
| Nonspendable | | |
| Inventories | \$ 52,846.24 | |
| Prepaid | <u>3,783.34</u> | \$ 56,629.58 |
| Restricted | | |
| Continuation of Federal Programs | \$ 352,428.76 | |
| Capital Projects | 488,264.97 | |
| Debt Service | <u>1,938,562.48</u> | 2,779,256.21 |
| Assigned | | |
| School Activity Accounts | | 406,004.00 |
| Unassigned | | <u>5,173,612.85</u> |
| Fund Balance, June 30, 2017 | | <u>\$ 8,415,502.64</u> |

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

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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 revenues, not to exceed 15% of the total budget of the subsequent fiscal year. If the unassigned fund balance 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 9: 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, 2017:

| Project | Unearned Executed Contracts (1) | Payments through June 30, 2017 (2) |
|--|------------------------------------|---------------------------------------|
| FRANKLIN COUNTY BOARD OF EDUCATION RE-ROOF | \$ 3,241,835.00 | \$ 223,164.00 |

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

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

OPERATING LEASES

The School District leases copiers under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$87,659.08 for governmental for the year ended June 30, 2017. The following future minimum lease payments were required under operating leases at June 30, 2017:

| Year Ending | Governmental Funds |
|-------------|-----------------------|
| 2018 | \$ 87,659.08 |
| 2019 | 21,914.77 |
| Total | \$ 109,573.85 |

NOTE 10: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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

LITIGATION

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

NOTE 11: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2017:

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

| | |
|------------------------------|-------------------------------|
| July 1, 2016 – June 30, 2017 | \$945.00 per member per month |
|------------------------------|-------------------------------|

For non-certificated school personnel:

| | |
|----------------------------------|-------------------------------|
| July 1, 2016 – December 31, 2016 | \$746.20 per member per month |
|----------------------------------|-------------------------------|

| | |
|---------------------------------|-------------------------------|
| January 1, 2017 – June 30, 2017 | \$846.20 per member per month |
|---------------------------------|-------------------------------|

No additional contribution was required by the Board for fiscal year 2017 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.

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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 |
|-------------|---------------------------|--------------------------|
| 2017 | 100% | \$ 4,411,630.58 |
| 2016 | 100% | \$ 4,167,767.78 |
| 2015 | 100% | \$ 3,898,024.90 |

NOTE 12: RETIREMENT PLANS

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

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2017. The School District's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual School District payroll, of which 14.11% of payroll was required from the School District and 0.16% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$2,715,973.35 and \$30,578.93 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.

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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

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

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

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$65,518.00.

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

At June 30, 2017, the School District reported a liability of \$34,376,802.00 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 | \$ 34,376,802.00 |
| State of Georgia's proportionate share of the net pension liability associated with the School District | <u>527,744.00</u> |
| Total | <u>\$ 34,904,546.00</u> |

The net pension liability for TRS was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016.

At June 30, 2016, the School District's TRS proportion was 0.166626%, which was a decrease of 0.001870% from its proportion measured as of June 30, 2015.

At June 30, 2017, 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 \$486,621.00.

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

The PSERS net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of \$3,665,386.00 for TRS and \$79,775.00 for PSERS and revenue of \$75,833.00 for TRS and \$79,775.00 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, 2017, 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 | \$ 512,122.00 | \$ 169,994.00 |
| Changes of assumptions | 890,999.00 | - |
| Net difference between projected and actual earnings on pension plan investments | 4,348,807.00 | - |
| Changes in proportion and differences between School District contributions and proportionate share of contributions | 376,514.00 | 590,408.00 |
| School District contributions subsequent to the measurement date | <u>2,715,973.35</u> | <u>-</u> |
| Total | <u>\$ 8,844,415.35</u> | <u>\$ 760,402.00</u> |

The School District contributions subsequent to the measurement date of \$2,715,973.35 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, 2018. 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 |
|---------------------|-----------------|
| 2018 | \$ 577,617.00 |
| 2019 | \$ 577,616.00 |
| 2020 | \$ 2,497,087.00 |
| 2021 | \$ 1,660,874.00 |
| 2022 | \$ 54,846.00 |

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

Actuarial assumptions: The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Public School Employees Retirement System:

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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

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

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

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|------------------------------------|------------------------|----------------------------------|------------------------|
| Teachers Retirement System: | | | |

| | | | |
|--|------------------|------------------|------------------|
| School District's proportionate share of the net pension liability | \$ 53,507,916.00 | \$ 34,376,802.00 | \$ 18,625,483.00 |
|--|------------------|------------------|------------------|

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

DEFINED CONTRIBUTION PLAN

The Franklin County Board of Education participates in an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The School District selected Lincoln as the provider of this plan. For each employee covered under PSERS, the Board contributes to the plan an amount equal to the amount contributed by the employee not to exceed \$25.00 per employee per month.

FRANKLIN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

The employee becomes vested in the plan with 5 years of experience. Employees who had already achieved 5 years of experience at the time the plan was implemented were vested upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and 5 years of service to Franklin County Board of Education. If an employee terminates employment prior to 5 years of service, funds paid on behalf of the non-vested employee are credited back to the School District.

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

| <u>Fiscal Year</u> | <u>Percentage Contributed</u> | <u>Required Contribution</u> |
|--------------------|-----------------------------------|----------------------------------|
| 2017 | 100% | \$ 13,025.00 |
| 2016 | 100% | \$ 14,285.00 |
| 2015 | 100% | \$ 14,205.00 |

NOTE 13: SUBSEQUENT EVENTS

On April 26, 2018, the Franklin County Board of Education issued general obligation bonds for \$8,585,000.00 to provide funding for various capital outlay projects.

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FRANKLIN 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"

| <u>Year Ended</u> | <u>School District's proportion of the net pension liability</u> | <u>School District's proportionate share of the net pension liability</u> | <u>State of Georgia's proportionate share of the net pension liability associated with the School District</u> | <u>Total</u> | <u>School District's covered payroll</u> | <u>School District's proportionate share of the net pension liability as a percentage of its covered payroll</u> | <u>Plan fiduciary net position as a percentage of the total pension liability</u> |
|-------------------|--|---|--|------------------|--|--|---|
| 2017 | 0.166626% | \$ 34,376,802.00 | \$ 527,744.00 | \$ 34,904,546.00 | \$ 18,595,862.11 | 184.86% | 76.06% |
| 2016 | 0.168496% | \$ 25,651,843.00 | \$ 413,180.00 | \$ 26,065,023.00 | \$ 18,071,345.00 | 141.95% | 81.44% |
| 2015 | 0.164905% | \$ 20,833,572.00 | \$ 331,129.00 | \$ 21,164,701.00 | \$ 17,091,045.00 | 121.90% | 84.03% |

FRANKLIN COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPRTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOLS EMPLOYEES RETIREMNT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

SCHEDULE "2"

| Year Ended | School District's proportion of the net pension liability | School District's proportionate share of the net pension liability | State of Georgia's proportionate share of the net pension liability associated with the School District | Total | School District's covered payroll | School District's proportionate share of the net pension liability as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------------|---|--|---|---------------|--------------------------------------|---|--|
| 2017 | 0.00% | \$ - | \$ 486,621.00 | \$ 486,621.00 | \$ 1,177,357.03 | N/A | 81.00% |
| 2016 | 0.00% | \$ - | \$ 291,284.00 | \$ 291,284.00 | \$ 1,146,939.61 | N/A | 87.00% |

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

SCHEDULE "3"

| Year Ended | Contractually required contribution | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | School District's covered payroll | Contribution as a percentage of covered payroll |
|------------|--|--|-------------------------------------|--------------------------------------|---|
| 2017 | \$ 2,715,973.35 | \$ 2,715,973.35 | \$ - | \$ 19,253,341.53 | 14.11% |
| 2016 | \$ 2,613,592.63 | \$ 2,613,592.63 | \$ - | \$ 18,595,862.11 | 14.05% |
| 2015 | \$ 2,338,991.09 | \$ 2,338,991.09 | \$ - | \$ 18,071,345.00 | 12.94% |

Teachers Retirement System

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

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

Public School Employees Retirement System

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

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

FRANKLIN COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017

SCHEDULE "5"

| | NONAPPROPRIATED BUDGETS | | ACTUAL | VARIANCE |
|--|-------------------------|------------------------|------------------------|------------------------|
| | ORIGINAL (1) | FINAL (1) | AMOUNTS | OVER/UNDER |
| <u>REVENUES</u> | | | | |
| Property Taxes | \$ 10,689,900.00 | \$ 10,452,501.00 | \$ 10,452,074.20 | \$ (426.80) |
| Sales Taxes | - | - | 191,501.07 | 191,501.07 |
| State Funds | 20,897,201.00 | 21,826,974.00 | 22,385,753.76 | 558,779.76 |
| Federal Funds | 3,913,353.00 | 3,917,033.00 | 4,684,143.43 | 767,110.43 |
| Charges for Services | 316,600.00 | 316,600.00 | 531,679.70 | 215,079.70 |
| Investment Earnings | 27,000.00 | 27,000.00 | 6,433.79 | (20,566.21) |
| Miscellaneous | 40,000.00 | 40,000.00 | 1,126,014.28 | 1,086,014.28 |
| | <u>35,884,054.00</u> | <u>36,580,108.00</u> | <u>39,377,600.23</u> | <u>2,797,492.23</u> |
| Total Revenues | | | | |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| Instruction | 25,169,176.17 | 25,453,545.67 | 24,103,884.67 | 1,349,661.00 |
| Support Services | | | | |
| Pupil Services | 1,433,112.71 | 1,685,012.21 | 1,475,721.07 | 209,291.14 |
| Improvement of Instructional Services | 2,558,011.22 | 2,471,798.40 | 1,979,296.03 | 492,502.37 |
| Educational Media Services | 495,693.68 | 507,381.68 | 561,169.06 | (53,787.38) |
| General Administration | 567,306.20 | 597,957.20 | 576,822.59 | 21,134.61 |
| School Administration | 2,125,461.67 | 2,173,122.92 | 2,082,006.27 | 91,116.65 |
| Business Administration | 360,152.90 | 364,990.90 | 330,967.26 | 34,023.64 |
| Maintenance and Operation of Plant | 2,347,755.19 | 2,341,779.19 | 2,262,442.61 | 79,336.58 |
| Student Transportation Services | 2,234,778.52 | 2,279,819.52 | 2,500,117.44 | (220,297.92) |
| Central Support Services | 3,000.00 | 3,000.00 | 178.00 | 2,822.00 |
| Other Support Services | 306,000.00 | 306,000.00 | 295,070.31 | 10,929.69 |
| Enterprise Operations | - | - | 597,205.76 | (597,205.76) |
| Food Services Operation | 1,736,635.69 | 1,736,635.69 | 1,682,385.80 | 54,249.89 |
| | <u>39,337,083.95</u> | <u>39,921,043.38</u> | <u>38,447,266.87</u> | <u>1,473,776.51</u> |
| Total Expenditures | | | | |
| Excess of Revenues over (under) Expenditures | (3,453,029.95) | (3,340,935.38) | 930,333.36 | 4,271,268.74 |
| <u>OTHER FINANCING SOURCES</u> | | | | |
| Other Sources | 103,000.00 | 103,000.00 | - | (103,000.00) |
| | <u>103,000.00</u> | <u>103,000.00</u> | <u>-</u> | <u>(103,000.00)</u> |
| Net Change in Fund Balances | (3,350,029.95) | (3,237,935.38) | 930,333.36 | 4,168,268.74 |
| Fund Balances - Beginning | 4,834,107.84 | 2,457,953.31 | 5,058,341.83 | 2,600,388.52 |
| Adjustments | 30,752.56 | 63,792.19 | - | (63,792.19) |
| | <u>30,752.56</u> | <u>63,792.19</u> | <u>-</u> | <u>(63,792.19)</u> |
| Fund Balances - Ending | \$ <u>1,514,830.45</u> | \$ <u>(716,189.88)</u> | \$ <u>5,988,675.19</u> | \$ <u>6,704,865.07</u> |

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts.
The actual revenues and expenditures of the various principal accounts are \$935,028.91 and \$994,194.27, 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.

FRANKLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

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 National School Lunch Program | 10.553 10.555 | 17175GA324N1099 17175GA324N1099 | \$ 252,019.28 1,371,878.39 |
| Total U. S. Department of Agriculture | | | 1,623,897.67 |
| Education, U. S. Department of Special Education Cluster Pass-Through From Georgia Department of Education Special Education Grants to States Grants to States Preschool Grants Preschool Grants | 84.027 84.027 84.173 84.173 | H027A150073 H027A160073 H173A150081 H173A160081 | 170,229.49 588,888.62 13,711.33 23,521.51 |
| Total Special Education Cluster | | | 796,350.95 |
| Other Programs Pass-Through From Georgia Department of Education Career and Technical Education - Basic Grants to States English Language Acquisition Grants English Language Acquisition Grants Improving Teacher Quality State Grants Migrant Education - State Grant Program Migrant Education - State Grant Program Rural Education Rural Education Striving Readers Title I Grants to Local Educational Agencies Title I Grants to Local Educational Agencies | 84.048 84.365 84.365 84.367 84.011 84.011 84.358 84.358 84.371 84.010 84.010 | V048A150010 S365A150010 S365A160010 S367A150001 S011A150011 S011A160011 S358B150010 S358B160010 S371C110049 S010A150010 S010A160010 | 40,527.50 5,166.00 6,489.92 126,677.64 8,263.96 24,624.07 29,831.00 79,957.87 1,562,399.10 7,764.00 957,835.93 |
| Total Other Programs | | | 2,849,536.99 |
| Total U. S. Department of Education | | | 3,645,887.94 |
| Total Expenditures of Federal Awards | | | \$ 5,269,785.61 |

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 Franklin County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

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

FRANKLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2017

SCHEDULE "7"

| AGENCY/FUNDING | GOVERNMENTAL | |
|--|--------------|----------------------|
| | FUND TYPE | |
| | GENERAL | FUND |
| GRANTS | | |
| Education, Georgia Department of | | |
| Quality Basic Education | | |
| Direct Instructional Cost | | |
| Kindergarten Program | \$ | 867,944.00 |
| Kindergarten Program - Early Intervention Program | | 515,674.00 |
| Primary Grades (1-3) Program | | 2,231,206.00 |
| Primary Grades - Early Intervention (1-3) Program | | 1,368,341.00 |
| Upper Elementary Grades (4-5) Program | | 1,058,563.00 |
| Upper Elementary Grades - Early Intervention (4-5) Program | | 823,921.00 |
| Middle Grades (6-8) Program | | 2,359,797.00 |
| High School General Education (9-12) Program | | 1,953,458.00 |
| Vocational Laboratory (9-12) Program | | 659,789.00 |
| Students with Disabilities | | 3,354,170.00 |
| Gifted Student - Category VI | | 631,420.00 |
| Remedial Education Program | | 729,222.00 |
| Alternative Education Program | | 162,300.00 |
| English Speakers of Other Languages (ESOL) | | 149,715.00 |
| Media Center Program | | 432,079.00 |
| 20 Days Additional Instruction | | 131,767.00 |
| Staff and Professional Development | | 75,472.00 |
| Principal Staff and Professional Development | | 1,577.00 |
| Indirect Cost | | |
| Central Administration | | 557,604.00 |
| School Administration | | 913,354.00 |
| Facility Maintenance and Operations | | 968,109.00 |
| Amended Formula Adjustment | | (302,976.00) |
| Categorical Grants | | |
| Pupil Transportation | | |
| Regular | | 624,721.00 |
| Nursing Services | | 71,220.00 |
| Education Equalization Funding Grant | | 1,504,405.00 |
| Other State Programs | | |
| Food Services | | 43,990.00 |
| Math and Science Supplements | | 18,598.52 |
| Preschool Disability Services | | 112,698.33 |
| Pupil Transportation - State Bonds | | 77,216.25 |
| Teacher of the Year | | 507.25 |
| Teachers Retirement | | 30,578.93 |
| Vocational Education | | 132,921.99 |
| Office of the State Treasurer | | |
| Public School Employees Retirement | | 65,518.00 |
| CONTRACTS | | |
| Human Resources, Georgia Department of | | |
| Family Connection | | 46,517.49 |
| Technical College System of Georgia | | |
| Move on When Ready | | 14,355.00 |
| | \$ | <u>22,385,753.76</u> |

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FRANKLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2017

SCHEDULE "8"

| | ORIGINAL ESTIMATED COST (1) | CURRENT ESTIMATED COSTS (2) | AMOUNT EXPENDED IN CURRENT YEAR (3) (4) (5) | AMOUNT EXPENDED IN PRIOR YEAR (3) (4) (5) | TOTAL COMPLETION COST | EXCESS PROCEEDS NOT EXPENDED | ESTIMATED COMPLETION DATE |
|--|-----------------------------------|-----------------------------------|--|--|-----------------------------|------------------------------------|---------------------------------|
| <u>PROJECT (SPLOST IV)</u> | | | | | | | |
| i) Acquiring, constructing, and equipping replacement school buildings at Franklin County High School, | \$ 16,300,000.00 | \$ 15,300,000.00 | \$ - | \$ 15,245,081.84 | \$ - | \$ - | June 30, 2018 |
| ii) adding to, renovating, repairing, improving, acquiring and equipping school buildings and school system facilities; | 500,000.00 | 2,000,000.00 | 294,708.18 | 1,348,444.38 | - | - | June 30, 2018 |
| iii) acquiring miscellaneous new equipment, fixtures and furnishings for the school system, including computer technology equipment, computer software, school buses and other vehicles, transportation and maintenance equipment, and security and safety equipment; | 1,300,000.00 | 2,500,000.00 | 126,986.81 | 2,304,155.18 | - | - | June 30, 2018 |
| iv) acquiring land or improving land for new or existing schools; | 100,000.00 | 100,000.00 | - | - | - | - | June 30, 2018 |
| v) acquiring textbooks, e-books, and e-book readers for the school system; | 400,000.00 | 100,000.00 | - | - | - | - | June 30, 2018 |
| vi) paying a portion of the payments, including principal and interest , due on the School District's Series 2006 and 2007 Bonds with a maximum payment amount of \$1,700,000, with the maximum cost of the projects described in items (i)-(vi) payable from said tax being \$20,000,000, | 1,700,000.00 | 300,000.00 | - | 227,097.58 | - | - | June 30, 2018 |
| <u>PROJECT (SPLOST V)</u> | | | | | | | |
| i) Constructing, renovating, and equipping a CTAE career academy at Franklin County High School and constructing and equipping additions to Carnesville Intermediate School | 11,000,000.00 | 11,000,000.00 | 100,367.11 | - | - | - | June 30, 2023 |
| ii) adding to, renovating, repairing, improving, acquiring and equipping school buildings and school system facilities; | 3,000,000.00 | 3,000,000.00 | - | - | - | - | June 30, 2023 |
| iii) acquiring miscellaneous new equipment, fixtures and furnishings for the school system, including computer technology equipment, computer software, school buses and other vehicles, transportation and maintenance equipment, and security and safety equipment; | 3,500,000.00 | 3,500,000.00 | - | - | - | - | June 30, 2023 |
| iv) acquiring land or improving land for new or existing schools; | 100,000.00 | 100,000.00 | - | - | - | - | June 30, 2023 |
| v) acquiring textbooks, e-books, and e-book readers for the school system; | 300,000.00 | 300,000.00 | - | - | - | - | June 30, 2023 |
| vi) paying any general obligation debt of the School District issued in conjunction with the imposition of such sales and use tax. | 100,000.00 | 100,000.00 | - | - | - | - | June 30, 2023 |
| | <u>\$ 38,300,000.00</u> | <u>\$ 38,300,000.00</u> | <u>\$ 522,062.10</u> | <u>\$ 19,124,778.98</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 Franklin County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt.
Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

(4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

| | |
|--------------|------------------------|
| Prior Years | \$ 1,619,736.80 |
| Current Year | <u>215,775.00</u> |
| Total | <u>\$ 1,835,511.80</u> |

(5) In addition to the expenditures shown above, the School District has incurred bond issuance cost and related paying agent fees for the above projects as follows:

| | |
|--------------|----------------------|
| Prior Years | \$ 163,672.39 |
| Current Year | <u>2,773.76</u> |
| Total | <u>\$ 166,446.15</u> |

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

June 25, 2019

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin County Board of Education (School District), as of and for the year ended June 30, 2017, 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 June 25, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as items FS 2017-001 and FS 2017-002 that we consider to be material weaknesses.

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Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Greg S. Griffin
State Auditor

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

June 25, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited the Franklin County Board of Education (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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FRANKLIN COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-6591-13-01 **Inadequate Internal Controls**
Control Category: Cash and Cash Equivalents
 Revenues/Receivables/Receipts
 Expenditures/Liabilities/Disbursements
 General ledger
 Capital Assets
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Partially Resolved

All bank reconciliations will be completed in a timely manner. The main cash accounts will be completed within a month and are reviewed and signed off by two staff members in addition to the finance director.

FS 2014-001 **Inadequate Internal Control Procedures**
Control Category: Cash and Cash Equivalents
 Investments
 General Ledger
 Capital Assets
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Partially Resolved

All bank reconciliations will be done in a timely manner with at least two (three for the main cash accounts) staff members reviewing the reconciliation. For the GA Fund cash account, a copy of the monthly Georgia Treasury statement will be included to support the ending fund ledger balance. There has been no formal bank reconciliation form included because there are no checks written from this account-only a monthly deposit and a semi-annual withdrawal. For the NE Georgia Bank account, there has been no formal reconciliation because there are no checks written out of this account and the ending balance equals the general ledger. For the Bus Driver Bank account, the transportation director will review and sign off the reconciliation completed by the transportation bookkeeper. Capital asset additions and deletions will be reviewed and signed off by the assistant superintendent before they are entered into the system by the finance director to provide separation of duties for the Capital Asset module.

FRANKLIN COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-001 Inadequate Internal Control Procedures

Control Category: Cash and Cash Equivalents
 Investments
 Revenues/Receivables/Receipts
 Employee Compensation
 General Ledger
 Capital Assets
 Accounting System
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Partially Resolved

All bank accounts will be performed in a timely manner with at least two staff members approving the reconciliation. Receipts received at the central office are opened, processed and then recorded by a different staff member for adequate separation of duties. All journal entries will be signed off by the superintendent. All capital asset additions and deletions will be reviewed by the assistant superintendent before the finance director records them. One method of strengthening the financial statement reporting process will be having a third party contractor assist and review the financial statements at year end.

FS 2016-001 Control Procedures at the Central Office

Control Category: Cash and Cash Equivalents
 Capital Assets
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

All bank statements will be reconciled monthly. Also, Matt Adams will review changes to the capital asset listing for additional assurance for accuracy and to maintain a separation of duties.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2015-001 Inadequate Controls over Equipment

Compliance Category: Equipment and Real Property Management
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance
Federal Award Agency: U.S. Department of Agriculture
CFDA Number and Title: 10.553 and 10.555 Child Nutrition Cluster

Finding Status: Unresolved

A new spreadsheet will be created to record all required descriptions of inventory. In addition, the food service staff will retagged all equipment to make sure all equipment is recorded.

FRANKLIN COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

| | |
|---------------------------------|---|
| FA 2016-001 | <u>Controls over Equipment</u> |
| Compliance Category: | Equipment and Real Property Management |
| Internal Control Impact: | Significant Deficiency |
| Compliance Impact: | Nonmaterial Noncompliance |
| Federal Award Agency: | U.S. Department of Agriculture |
| Pass-Through Entity: | Georgia Department of Education |
| CFDA Number and Title: | 10.553 and 10.555 Child Nutrition Cluster |
| Federal Award Numbers: | 16165GA324N1099 |
| Questioned Costs: | None Identified |
| Finding Status: | Unresolved |

New tags for equipment will be purchased and applied to all equipment. This will strengthen the physical controls on equipment and their financial reporting.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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FRANKLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:
Governmental Activities; General Fund; Capital Projects Fund; Debt
Service Fund; Aggregate Remaining Fund Information Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiency identified? No

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> |
|---------------------|--|
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.371 | Striving Readers |

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

Auditee qualified as low-risk auditee? No

FRANKLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

| | |
|--------------------------|------------------------------------|
| FS 2017-001 | <u>Financial Reporting Process</u> |
| Control Category: | Financial Reporting |
| Internal Control Impact: | Material Weakness |
| Compliance Impact: | None |

Description:

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

Criteria:

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

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

Chapter II – Section 2, *Annual Financial Reporting of the Financial Management for Georgia Local Units of Administration* provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

Condition:

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

- A material audit adjustment totaling \$223,164.00 was proposed and accepted by the client to correctly record contracts and retainage payable in the capital projects fund.
- A material audit adjustment totaling \$21,953.97 was proposed and accepted by the client to correctly record certificate of deposit in the agency fund.
- A material audit adjustment totaling \$1,915,414.00 was proposed and accepted by the client to correctly record deferred outflows related to pension plans, deferred inflows related to pension plans, and pension expense.
- An audit adjustment totaling \$778,433.68 was proposed and accepted by the client to correctly record accounts receivable, and revenue.
- Numerous other audit adjustments and reclassification entries were proposed and accepted by management to properly present the School District's financial statements, notes to the financial statements and schedules.

Cause:

In discussing these deficiencies with the School District, they indicated the errors occurred due to oversights in preparing the financial statements.

FRANKLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:

Material misstatements were included in the financial statements presented for audit. The lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations. Numerous adjustments were necessary in order for the School District's financial statements to be in conformity with generally accepted accounting principles (GAAP).

Recommendation:

The School District should strengthen their internal controls and preparation and review procedures over financial reporting to ensure that the financial statements, including disclosures and schedules, presented for audit are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of GAAP, the applicable GASB pronouncements and knowledge of the School District's activities and operations. The School District should also consider implementing the use of a review checklist to assist in the review process over the financial statements.

Views of Responsible Officials:

FS 2017-002

Control Category:

Internal Controls at the Central Office

Cash and Cash Equivalents

Revenues/Receivables/Receipts

Expenditures/Liabilities/Disbursements

Capital Assets

Internal Control Impact:

Material Weakness

Compliance Impact:

None

Repeat of Prior Year Finding:

FS 6591-13-01, FS 2014-001, FS 2015-001, and FS 2016-001

Description:

The accounting procedures of the School District were insufficient to provide for adequate internal controls at the Central Office.

Criteria:

The School District's management is responsible for designing and maintaining an adequate system of internal controls that provide reasonable assurance that transactions are processed according to established procedures. Such internal controls would limit any one individual's access to both physical assets and the related accounting records.

Condition:

Cash and Cash Equivalents

- The School District did not provide a reconciliation of total cash which agreed to the financial statements.
- The September 2016 bank reconciliation of the Franklin County Middle School account was not prepared until April 14, 2017 and the June 2017 bank reconciliation of the operating account was not prepared until August 21, 2017 which is not considered timely.
- One bank reconciliation lacked evidence of review and paper approval.
- The School District recorded cash transactions in the amount of \$461,681.48 as accounts payable at June 30th.
- The School District did not properly maintain their cash by bank and fund.
- Controls were not in place to ensure that the internally pooled cash accounts net to zero.

FRANKLIN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Revenues/Receivables/Receipts

- The School District could not provide a listing of accounts receivable by person/project/vendor at June 30th.
- Journal entries were posted incorrectly causing misstatements to state accounts receivable, Federal accounts receivable, Federal revenue, beginning fund balance, and unavailable revenue.
- The School District did not adequately separate the duties of initiating, authorizing, and recording of revenues.

Expenditures/Liabilities/Disbursements

- The School District was unable to provide an accounts payable listing that agreed to the financial statements at June 30th.
- The School District was unable to provide a listing of funds held for others that agreed to the financial statements at June 30th.

Capital Assets

- The School District did not adequately separate the duties of initiating, authorizing, and recording transactions, reconciliations, and maintaining the custody of capital assets.

Cause:

These issues were a result of oversights by entity personnel, lack of separation of duties, and internal control procedures within their finance department.

Effect or Potential Effect:

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

Recommendation:

The School District should review accounting procedures in place and design and implement procedures relative to the above control categories to strengthen the internal controls over the accounting functions. Management should ensure proper separation of duties exists. In the case when management determines that separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring that transactions are properly processed and reported.

Views of Responsible Officials:

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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Franklin County School System



“Preparing Students for the Challenges of Tomorrow”

Chris Forrer
Superintendent

(706) 384-4554
Fax (706) 384-7472

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

| | |
|--------------------------|------------------------------------|
| FS 2017-001 | <u>Financial Reporting Process</u> |
| Control Category: | Financial Reporting |
| Internal Control Impact: | Material Weakness |
| Compliance Impact: | None |

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

Corrective Action Plans:

A third party consultant will be employed to assist and review in the preparation of the financial statements. This will provide another level of assurance of accuracy and adherence to proper GAAP standards.

Estimated Completion Date: July 2018

Contact Person: Tom Porter
Telephone: 706-384-4554; E-mail: tom.porter@franklin.k12.ga.us

| | |
|-------------------------------|--|
| FS 2017-002 | <u>Internal Controls at the Central Office</u> |
| Control Category: | Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Capital Assets |
| Internal Control Impact: | Material Weakness |
| Compliance Impact: | None |
| Repeat of Prior Year Finding: | FS-6591-13-01, FS 2014-001, FS 2015-001, and FS 2016-001 |

The accounting procedures of the School District were insufficient to provide for adequate internal controls at the Central Office.

Corrective Action Plans:

In the event of long absences by a bookkeeper, timely reconciliation of bank statements at the school level will be achieved by the financial director temporarily completing the reconciliation to prevent long periods between reconciliations. At year end, electronic payment of payroll taxes will be properly recorded as cash payments when the general ledger reflects payment in the preceding month. A schedule of cash by fund and bank will be maintained. The internally pooled cash accounts will be monitored each month to ensure that they net to zero. A separate schedule will be created and maintained to list all accounts receivable by person/project/vendor.

Estimated Completion Date: June 2019

Contact Person: Tom Porter
Telephone: 706-384-4554; E-mail: tom.porter@franklin.k12.ga.us

280 Busha Road ■ Carnesville, Georgia 30521
www.franklin.k12.ga.us

The Franklin County School System does not discriminate on the basis of sex, race, religion, age, national origin, marital status, or handicapping conditions.

Franklin County School System



“Preparing Students for the Challenges of Tomorrow”

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

No matters were reported.