



# JACKSON COUNTY BOARD OF EDUCATION JEFFERSON, GEORGIA

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



JACKSON COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 14, 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  
Jackson 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 Jackson County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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



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

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

### ***Opinions***

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

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

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

### ***Other Matters***

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

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor

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

## INTRODUCTION

Our discussion and analysis of the Jackson County School District's (School District) financial performance provides an overview of the School District's financial activities and other highlights for the fiscal year ended June 30, 2018. The main intent of this discussion and analysis is to look at the School District's financial performance as a whole but also provide readers with information for current issues and future events affecting the School District. We encourage our readers to also review the notes to the basic financial statements and financial statement exhibits and schedules to enhance their understanding of the School District's financial performance.

## FINANCIAL AND OPERATING HIGHLIGHTS

Key financial and operating highlights for fiscal year 2018 are as follows:

- Jackson County has a strong economic development council and chamber of commerce who have successfully attracted a variety of solid commercial and industrial corporations. The largest corporate investment in the past decade was announced in 2018 by SK Innovations, a South Korean based company that makes lithium batteries for electric and hybrid vehicles. The company broke ground on the first phase of the plant, a projected \$1.67 billion investment and 2,000 jobs, in March 2019. KEI (Kubota Equipment Industry) in another dominant business in the County as they continue to expand the local facility, increase employment opportunities and invest in and support each of the local school systems. The southeastern regional site for Amazon order fulfillment center, located in Jackson County, is now fully operational and has in excess of 500 employees. The million square foot facility for Williams-Sonoma's national sales center is also equipped and operational in Jackson County. A substantial increase in retail is also beginning to evolve with the construction of several new dining outlets and new hotels. These developments are just a sampling of the largest corporate capital investments in the district. Additionally, Jackson County is experiencing residential growth with thousands of available home-sites under development or slated for construction. Homes are varied in size and value providing balance to the residential market. The School District has five exits off of Interstate 85 and the Department of Transportation has another exit slated in the next decade. The interstate accessibility and convenience to the Savannah Port continues to make Jackson County an attractive site for commercial and industrial growth.
- The School District enrollment continues to increase at a remarkable rate of 200 – 300 new students per year. As a result of suburban Atlanta sprawl, the bulk of this growth is in the west area of Jackson County. Capacity is available in the Eastern most section of the district while growth is exponentially greater in the western part of the district. Ongoing growth of retail establishment sales in the county and continued community support of Education Special Purpose Local Option Sales Tax (ESPLOST), provide the School District with a much needed revenue source. With enrollment increases expected to continue, ESPLOST revenues have been prioritized to serve the West Community facility needs. ESPLOST revenues have also allowed the School District to replace aging computer equipment, expand and enhance the technology infrastructure, replace and add to the bus fleet, add to, renovate and improve existing facilities and pay down existing general obligation bond debt.
- School District management continues to focus on financial stability and growth of the unassigned fund balance. The fiscal year 2018 general fund ending unassigned fund balance (\$12,090,573.37) was another significant increase over the prior fiscal year (fiscal year 2017 ending general fund unassigned fund balance \$8,078,716.59). This steadfast endeavor contributed to the School District's ability to continue to fund daily operations, without the assistance of a Tax Anticipation Note (TAN), until the 2018 property taxes were levied.

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

- The School District had \$86,493,141.35 in expenses relating to governmental activities; \$49,015,009.35 of the expenses is offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$44,959,822.43 not only provided the remaining funding for these programs but contributed to the \$7,481,690.43 increase to net position.
- The Governmental Accounting Standards Board (GASB) issued two standards that have a significant impact on the accounting and reporting of public employee pension plans, the accounting and reporting for other post-employment benefits and the state and local governments (including school districts) that participate in these plans and/or offer these benefits. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 *Accounting and Reporting for Postemployment Benefits Other than Pensions (OPEB)* have a significant impact on the School District's net position. These statements require the School District to report its proportionate share of the collective net pension liability and OPEB liability for each cost sharing benefit pension plan in which the School District participates. These liabilities have proven large enough to force most all districts to report a deficit net position in the government-wide Statement of Net Position. Prior to the implementation of GASB No. 68 and GASB No. 75, school districts only had to report a pension or OPEB liability on the financial statements to the extent that school districts were behind in making the annual actuarially determined pension payments (the required employer TRS and ERS contributions) or contributed less to the State Health Benefit Plan (SHBP) than what they were billed. With the implementation of GASB No. 68, school districts are required to report a liability for their portion of the entire underfunded status of the plan. By recording the liability in the Statement of Net Position, school districts are taking ownership for their share, as actuarially determined, of the liability of the pension plan. Jackson County School District's reported proportionate share of the collective net pension liability for the Teachers Retirement System (TRS) is \$61,987,392.00 and for the Employees' Retirement System (ERS) is \$89,431.00. With the implementation of GASB No. 75, school districts are required to report a liability for the OPEB expenses which have yet to be financed as well as the actual OPEB benefit expenses incurred by the plan during the reporting period. Jackson County School District's reported proportionate share of the collective net OPEB liability is \$59,574,358.00. The reporting of these liabilities created a net deficit of \$106,358,697.45 for net position – unrestricted at the government-wide reporting level.
- GASB No. 75 was implemented in fiscal year 2018, which resulted in a restatement to beginning net position causing a decrease of \$61,157,711.00.
- The Jackson County Board of Education, School District leaders, staff and community stakeholders are committed to aligning all decisions with our strategic plan. The Jackson County School District continues to operate under their Strategic Waiver School System (SWSS) flexibility contract approved by the State Board of Education in December 2015. This contract has provided the flexibility to truly maximize funding and support innovation that aligns with the School District's goals and priorities.
- Student achievement and success is one of the greatest accomplishments a School District can highlight. During the May 2019 graduation ceremonies, the School District celebrated 441 graduates with more than 36% receiving recognition as honor graduates and over \$8,000,000.00 awarded in scholarships.

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The fund financial statements focus on individual parts of the School District, which reports 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. In the case of the Jackson County School District, the general fund, capital projects fund, and debt service fund are all considered to be major 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. Additional supplementary information is presented to facilitate understanding of the financial statements.

### Government-Wide Statements

Given that Jackson County School District has no operations that have been classified as "Business-Type Activities," the government-wide financial statements are basically a consolidation of all of the School District's operating funds into one column called governmental activities. In reviewing the Government-Wide financial statements, a reader might ask the question, are we in a better financial position than last year? The 'Statement of Net Position' and the 'Statement of Activities' provides the basis for answering this question. These financial statements include all of the School District's assets and liabilities. The School District uses the **accrual basis of accounting** similar to the accounting used by most private-sector companies. The "accrual basis of accounting" takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and any changes in that position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial environment of the School District has improved or diminished. The causes of this change may be the result of many factors, including those not under the School District's control, such as the property tax base, status of facility availability, required educational programs, student-teacher ratios, fluctuation in state and federal funding and other circumstances.

The 'Statement of Net Position' and the 'Statement of Activities' reflects 100% of the School District's governmental activities.

### Fund Financial Statements

The School District uses many funds or sub-funds to account for a multitude of financial transactions during the fiscal year. The fund financial statements presented in this report provide detail information about only the School District's significant or major funds.



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

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

Statement of Net Position and the Statement of Activities) and governmental funds (reported in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance) are reconciled within 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.

#### **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. The reader can think of the School District's net position as the difference between its assets (i.e., what the School District owns) and its liabilities (i.e., what the School District owes) at the end of a fiscal year. This balance represents one way to measure the School District's financial health or its financial position. In the case of the Jackson County School District, even with the pension liability reporting required by GASB No. 68 and the OPEB liability required by GASB No. 75, assets exceeded liabilities by \$4,098,664.96 at June 30, 2018.

To better understand the School District's actual financial position and ability to deliver services in future periods, the reader will need to review the various components of the net position total. For example, of the total net position balance of \$4,098,664.96, \$18,766,681.76 was restricted for debt service, capital projects, continuation of Federal and State grant programs and permanent funds. Accordingly, these funds were not available to meet the School District's ongoing obligations to citizens and creditors.

In addition, the School District had a net investment in capital assets (e.g., land, buildings, and equipment) of \$91,690,680.65. The School District uses these capital assets to provide educational services to students within the geographic boundaries served by the School District. Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the total net position is *not* available for future spending.

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

Table 1 provides a summary of the School District's net position for this fiscal year and a comparison to the previous fiscal year (fiscal year 2017).

**Table 1**  
**Summary of Net Position**

	<b>Governmental Activities</b>	
	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017 (1)</b>
<b>Assets</b>		
Current and Other Assets	\$ 43,661,483.92	\$ 40,058,205.77
Capital Assets, Net	142,338,529.90	142,017,477.95
<b>Total Assets</b>	<b>186,000,013.82</b>	<b>182,075,683.72</b>
<b>Deferred Outflows of Resources</b>		
Loss of Refunding of Debt	3,542,445.34	4,067,252.06
Related to Defined Benefit Pension Plans	10,608,568.73	17,194,666.93
Related to OPEB Plan	2,180,757.00	-
<b>Total Deferred Outflows of Resources</b>	<b>16,331,771.07</b>	<b>21,261,918.99</b>
<b>Liabilities</b>		
Current and Other Liabilities	12,895,306.65	10,763,034.03
Long-Term Liabilities	176,740,312.28	129,869,872.15
<b>Total Liabilities</b>	<b>189,635,618.93</b>	<b>140,632,906.18</b>
<b>Deferred Inflows of Resources</b>		
Related to Defined Benefit Pension Plans	3,613,639.00	4,930,011.00
Related to OPEB Plan	4,983,862.00	-
<b>Total Deferred Inflows of Resources</b>	<b>8,597,501.00</b>	<b>4,930,011.00</b>
<b>Net Position</b>		
Net Investment in Capital Assets	91,690,680.65	87,859,844.95
Restricted	18,766,681.76	19,042,410.68
Unrestricted (Deficit)	(106,358,697.45)	(49,127,570.10)
<b>Total Net Position</b>	<b>\$ 4,098,664.96</b>	<b>\$ 57,774,685.53</b>

(1) Fiscal year 2017 balances do not reflect the effects of the restatement of net position.  
See Note 15 in the Notes to the Basic Financial Statements for additional information.

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

Table 2 shows the Changes in Net Position for the current fiscal year (fiscal year 2018) and compares it to the previous fiscal year (fiscal year 2017).

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

	<b>Governmental Activities</b>	
	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017 (1)</b>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 1,942,214.93	\$ 1,606,872.14
Operating Grants and Contributions	46,600,646.57	44,533,511.30
Capital Grants and Contributions	472,147.85	102,351.36
<b>Total Program Revenues</b>	<b>49,015,009.35</b>	<b>46,242,734.80</b>
<b>General Revenues</b>		
Property Taxes		
For Maintenance and Operations	31,115,164.76	29,411,871.22
For Debt Service	4,631,031.29	4,410,791.71
Railroad Cars	30,239.10	26,496.67
Other Taxes	693,658.00	731,512.00
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	7,084,886.62	6,667,503.10
Other Sales Taxes	1,352,374.36	1,342,980.15
Investment Earnings	414,224.29	145,396.42
Miscellaneous	1,066,167.83	1,118,144.28
Special Item		
Loss on Capital Assets	(1,427,923.82)	-
<b>Total General Revenues and Special Item</b>	<b>44,959,822.43</b>	<b>43,854,695.55</b>
<b>Total Revenues</b>	<b>93,974,831.78</b>	<b>90,097,430.35</b>
<b>Program Expenses</b>		
Instruction	52,414,366.51	48,888,320.96
Support Services		
Pupil Services	2,556,975.90	2,284,253.15
Improvement of Instructional Services	2,604,834.34	2,386,273.75
Educational Media Services	1,036,684.82	1,118,241.96
General Administration	1,127,281.92	1,024,577.82
School Administration	4,304,225.37	4,389,631.76
Business Administration	621,786.27	580,938.93
Maintenance and Operation of Plan	6,243,270.88	5,784,002.55
Student Transportation Services	5,402,713.19	4,306,062.72
Central Support Services	2,324,528.49	1,954,685.96
Other Support Services	491,314.20	439,468.43
Operations of Non-Instructional Services		
Enterprise Operations	537,720.28	621,095.01
Community Services	315,358.56	333,609.92
Food Services	4,423,471.81	4,602,775.04
Interest on Short-Term and Long-Term Debt	2,088,608.81	2,314,486.07
<b>Total Expenses</b>	<b>86,493,141.35</b>	<b>81,028,424.03</b>
<b>Increase in Net Position</b>	<b>\$ 7,481,690.43</b>	<b>\$ 9,069,006.32</b>

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

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services, grants revenues and contributions offsetting these services. Table 3 shows the total cost of services and the net cost of services for governmental activities. 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 Year	Fiscal Year	Fiscal Year	Fiscal Year
	2018	2017 (1)	2018	2017 (1)
Instruction	\$ 52,414,366.51	\$ 48,888,320.96	\$ 18,429,695.54	\$ 16,922,382.31
Support Services				
Pupil Services	2,556,975.90	2,284,253.15	2,070,752.62	1,932,934.63
Improvement of Instructional Services	2,604,834.34	2,386,273.75	1,436,944.76	1,270,630.10
Educational Media Services	1,036,684.82	1,118,241.96	51,200.82	169,618.96
General Administration	1,127,281.92	1,024,577.82	(431,795.63)	(283,256.45)
School Administration	4,304,225.37	4,389,631.76	2,371,232.37	2,445,825.76
Business Administration	621,786.27	580,938.93	621,669.51	580,905.25
Maintenance and Operation of Plan	6,243,270.88	5,784,002.55	3,571,331.82	3,493,359.12
Student Transportation Services	5,402,713.19	4,306,062.72	3,996,400.88	3,015,742.50
Central Support Services	2,324,528.49	1,954,685.96	2,304,431.34	1,933,730.22
Other Support Services	491,314.20	439,468.43	278,345.19	43,788.89
Operations of Non-Instructional Services				
Enterprise Operations	537,720.28	621,095.01	537,720.28	621,095.01
Community Services	315,358.56	333,609.92	(48,200.43)	121,861.48
Food Services	4,423,471.81	4,602,775.04	199,794.12	202,585.38
Interest on Short-Term and Long-Term Debt	2,088,608.81	2,314,486.07	2,088,608.81	2,314,486.07
<b>Total Expenses</b>	<b>\$ 86,493,141.35</b>	<b>\$ 81,028,424.03</b>	<b>\$ 37,478,132.00</b>	<b>\$ 34,785,689.23</b>

**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 of \$95,838,676.19 and total expenditures of \$93,972,036.51 during fiscal year 2018. Included in the amount of total expenditures was \$7,174,986.88 of capital outlay expenditures. These expenditures were funded with Education Special Purpose Local Option Sales Tax (ESPLOST) revenue, for which proceeds were received monthly.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the general fund. During the course of fiscal year 2018, the School District made amendments to its original general fund budget.

For the general fund, the total actual expenditure amount of \$79,539,768.80 was more than the final budgeted expenditures amount of \$75,360,234.98 by \$4,179,533.82. This difference (final actual vs. final budget) was due mostly to the Food Services Operation line item expenditures. Budgeted expenditures were not provided by the Food Service department which accounted for \$4,137,935.08 of the \$4,179,533.82 variance between final budgeted and final actual expenditures. The remaining

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

source of the difference is as follows: expenditures for Instruction, pupil services, improvement of instructional services, general administration, school administration, business administration, maintenance and operation of plant, central support services, and other support services collectively being less than the budget by \$1,099,600.20 and expenditures for educational media services, student transportation, enterprise operations and community services collectively exceeding the budget by \$1,141,198.94.

The total final actual revenue amount of \$83,284,452.65 exceeded the total final budgeted revenue of \$74,624,311.94 by \$8,660,140.71. This difference (final budget vs. final actual) was mostly due to the actual federal funds collected being more than the final budget for federal funds by \$3,295,168.00. This difference can be attributed to no budgeted revenues being supplied by food services operations. The remaining source of the difference is as follows: an increase in property taxes collected in excess of the budget of \$1,131,973.85; an increase in sales tax revenues in excess of budget of \$315,133.85; an increase in state revenues in excess of the budget of \$1,673,975.92, an increase in charges for services in excess of budget of \$1,614,331.93; an increase in investment earnings in excess of budget of \$147,430.33; and an increase in miscellaneous revenues in excess of budget of \$482,126.83.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At fiscal year ended June 30, 2018, the School District had \$142,338,529.90 invested in capital assets, all in governmental activities. Additional information on the School District's capital assets can be found in the Notes to the Basic Financial Statements.

As of June 30, 2018, the School District completed the following capital projects: Replacement of and purchase of additional teacher and student technology devices including laptops and chromebooks, new roofs for Maysville Elementary School and North Jackson Elementary School, improvements to various system retention ponds and resealing/restriping of parking lots. Construction in progress consisted of the renovations and improvements to the Gordon Street Center facility, planning/design for the highway 332 property and future facility and major renovations and improvements to the West Jackson Middle School.

### **Debt**

For fiscal year ended June 30, 2018, the School District had \$55,089,131.28 in long-term liabilities. Of this amount, \$6,377,746.43 represents compensated absences, general obligation bonds, and revenue bonds due within one year; \$48,711,384.85 represents compensated absences, general obligation bonds and installment revenue bonds due in more than one year. Additional information can be found on the School District's debt in the Notes to the Basic Financial Statements.

## **CURRENT ISSUES**

Currently known facts, decisions or conditions that are expected to have a significant effect on financial positions or results of operations in future years are as follows:.

- We would like to emphasize that the fund level statements and balances provide a much more accurate representation of the School District's financial position. At the government-wide reporting level there is a significant deficit in Net Position - Unrestricted due to GASB No. 68 and GASB No. 75 reporting requirements. At the fund level, the fiscal year 2018 ending unrestricted

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

balance increased significantly over the unrestricted balance reported for fiscal year 2017. The continued fund balance increase is a testament to the commitment of the School District's management to make decisions that enhance financial stability.

- The School District ended fiscal year 2018 with \$13,616,791.88 in the general fund's fund balance. The actual ending fund balance was more than \$4.4 million more than projected during the initial budgeting process. These results can be attributed to the state restoring additional education funding support, continued growth of the local property tax base and the School District's priority to continue building the fund balance. This stability and growth in the fund balance over the past several years is also greatly driven by the time, effort and detail put in to the budgeting process. School District administrators ensure that all facets (maintenance, transportation, technology, instruction, special programs, facilities, etc.) of the School District are considered during the budget process. Members of the Finance Department and Administrative team meet with teacher advisory committees, parent advisory committees, school leaders, program leaders, community members, school board members and many others to receive information, input and recommendations that aide in the development of the upcoming fiscal year's budget.
- As the County continues to grow, there are exciting opportunities and challenges ahead for the Jackson County School District. The growth has brought new industry and job opportunities and has expanded the need for specialized job skills and training. A community wide effort helped secure state funding and support for the Empower College and Career Center. Not only will this serve the work force development needs of expanded business and industry, but it will also serve as a catalyst for change as an incubator for innovation. The additional industrial growth has also brought an improved tax base and partnership opportunities for the schools. While the economic conditions are much improved over the past decade, the School District is still trying to recover from the effects. Many replacement cycles and support structures were abandoned during the recession, so revenues have been dedicated to replacement of technology and busses, as well as, general maintenance areas. While the School District is dedicating funds to recover from operational challenges, there is also a need for additional facilities to accommodate the growth that has begun and expected to continue at an exponential rate.
- In addition to operational recovery, the School District is trying to reinforce the quality of the instructional program. Over the past decade, professional learning and instructional support was significantly reduced. As the School District begins to recover, it is imperative that instructional materials and professional learning be restored. The School District is committed to providing students and the community remarkable learning experiences. Over the next generation, learning must be transformed to meet the needs of our students and future demands of a global economy. To truly shift the culture and be a future ready School District, significant professional learning and partnerships among community and business leaders will be paramount. The School District is committed to this work and efficiently supporting a strong return on our investment of resources.

#### **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 Ms. Annah Dodge, Chief Financial Officer for the Jackson County School District, 1660 Winder Highway, Jefferson, GA 30549-5458. You may also email your question to Ms. Dodge at [adodge@jcss.us](mailto:adodge@jcss.us).

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JACKSON COUNTY BOARD OF EDUCATION



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

EXHIBIT "A"

		GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	33,962,520.43
Receivables, Net		
Taxes		2,199,466.81
State Government		5,836,554.89
Federal Government		1,049,381.01
Local		180,673.25
Other		46,564.12
Inventories		140,620.32
Prepaid Items		154,549.67
Restricted Assets		
Cash and Investments with Fiscal Agent or Trustee		91,153.42
Capital Assets, Non-Depreciable		13,680,582.55
Capital Assets, Depreciable (Net of Accumulated Depreciation)		128,657,947.35
 Total Assets		 186,000,013.82
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Debt Refunding		3,542,445.34
Related to Defined Benefit Pension Plans		10,608,568.73
Related to OPEB Plan		2,180,757.00
 Total Deferred Outflows of Resources		 16,331,771.07
<u>LIABILITIES</u>		
Accounts Payable		1,546,986.05
Salaries and Benefits Payable		7,786,095.23
Payroll Withholdings Payable		1,139,073.93
Interest Payable		726,733.33
Contracts Payable		1,348,990.11
Retainages Payable		322,428.00
Deposits and Unearned Revenues		25,000.00
Net Pension Liability		62,076,823.00
Net OPEB Liability		59,574,358.00
Long-Term Liabilities		
Due Within One Year		6,377,746.43
Due in More Than One Year		48,711,384.85
 Total Liabilities		 189,635,618.93
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Related to Defined Benefit Pension Plans		3,613,639.00
Related to OPEB Plan		4,983,862.00
 Total Deferred Inflows of Resources		 8,597,501.00
<u>NET POSITION</u>		
Net Investment in Capital Assets		91,690,680.65
Restricted for		
Continuation of Federal Programs		676,503.49
Debt Service		5,514,485.71
Capital Projects		12,481,400.79
Permanent Funds		69,291.77
Other (Middle School State Grant Unearned Revenue)		25,000.00
Unrestricted (Deficit)		(106,358,697.45)
 Total Net Position	\$	 4,098,664.96

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

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 52,414,366.51	\$ 468,205.61
Support Services		
Pupil Services	2,556,975.90	4,896.82
Improvement of Instructional Services	2,604,834.34	2,523.96
Educational Media Services	1,036,684.82	-
General Administration	1,127,281.92	14,398.77
School Administration	4,304,225.37	-
Business Administration	621,786.27	-
Maintenance and Operation of Plant	6,243,270.88	8,998.27
Student Transportation Services	5,402,713.19	-
Central Support Services	2,324,528.49	-
Other Support Services	491,314.20	-
Operations of Non-Instructional Services		
Enterprise Operations	537,720.28	-
Community Services	315,358.56	363,558.99
Food Services	4,423,471.81	1,079,632.51
Interest on Short-Term and Long-Term Debt	2,088,608.81	-
	\$ 86,493,141.35	\$ 1,942,214.93
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Railroad Cars		
Other Taxes		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Special Item		
Loss on Capital Assets		
Total General Revenues and Special Item		
Change in Net Position		
Net Position - Beginning of Year (Restated)		
Net Position - End of Year		

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
\$ 33,516,465.36	\$ -	\$ (18,429,695.54)
481,326.46	-	(2,070,752.62)
1,165,365.62	-	(1,436,944.76)
985,484.00	-	(51,200.82)
1,544,678.78	-	431,795.63
1,932,993.00	-	(2,371,232.37)
116.76	-	(621,669.51)
2,297,733.79	365,207.00	(3,571,331.82)
1,328,992.73	77,319.58	(3,996,400.88)
20,097.15	-	(2,304,431.34)
212,969.01	-	(278,345.19)
-	-	(537,720.28)
-	-	48,200.43
3,114,423.91	29,621.27	(199,794.12)
-	-	(2,088,608.81)
<u>\$ 46,600,646.57</u>	<u>\$ 472,147.85</u>	<u>(37,478,132.00)</u>

31,115,164.76  
4,631,031.29  
30,239.10  
693,658.00

7,084,886.62  
1,352,374.36  
414,224.29  
1,066,167.83

(1,427,923.82)

44,959,822.43

7,481,690.43

(3,383,025.47)

\$ 4,098,664.96



EXHIBIT "C"

DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL
\$ 6,046,877.10	\$ 69,291.77	\$ 33,962,520.43
194,341.94	-	2,199,466.81
-	-	5,836,554.89
-	-	1,049,381.01
-	-	180,673.25
-	-	46,564.12
-	-	140,620.32
-	-	154,549.67
-	-	91,153.42
<u>\$ 6,241,219.04</u>	<u>\$ 69,291.77</u>	<u>\$ 43,661,483.92</u>
\$ -	\$ -	\$ 1,546,986.05
-	-	7,786,095.23
-	-	1,139,073.93
-	-	1,348,990.11
-	-	322,428.00
-	-	25,000.00
-	-	12,168,573.32
<u>100,397.05</u>	<u>-</u>	<u>764,868.86</u>
-	25,000.00	320,169.99
6,140,821.99	44,291.77	17,654,330.53
-	-	662,967.85
-	-	12,090,573.37
<u>6,140,821.99</u>	<u>69,291.77</u>	<u>30,728,041.74</u>
<u>\$ 6,241,219.04</u>	<u>\$ 69,291.77</u>	<u>\$ 43,661,483.92</u>

JACKSON COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 30,728,041.74

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	\$ 7,504,154.56	
Construction in progress	6,176,427.99	
Buildings and improvements	174,464,830.79	
Equipment	16,751,968.57	
Land improvements	4,174,970.20	
Accumulated depreciation	<u>(66,733,822.21)</u>	142,338,529.90

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

Net pension liability	\$ (62,076,823.00)	
Net OPEB liability	<u>(59,574,358.00)</u>	(121,651,181.00)

Deferred charges or credits on debt refundings are applicable to future periods and are therefore not reported in the funds and are amortized over the life of the new debt. 3,542,445.34

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

Related to pensions	\$ 6,994,929.73	
Related to OPEB	<u>(2,803,105.00)</u>	4,191,824.73

Taxes that are not available to pay for current period expenditures are deferred in the funds. 764,868.86

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	\$ (49,340,000.00)	
Accrued interest payable	(726,733.33)	
Revenue Bonds	(170,293.40)	
Compensated absences payable	(210,229.38)	
Unamortized bond premiums	<u>(5,368,608.50)</u>	<u>(55,815,864.61)</u>

Net position of governmental activities (Exhibit "A") \$ 4,098,664.96

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

	GENERAL FUND	CAPITAL PROJECTS FUND
<u>REVENUES</u>		
Property Taxes	\$ 32,255,631.85	\$ -
Sales Taxes	1,185,133.85	7,084,886.62
State Funds	40,157,321.50	365,207.00
Federal Funds	6,510,052.36	-
Charges for Services	1,942,214.93	-
Investment Earnings	167,930.33	149,262.93
Miscellaneous	1,066,167.83	-
	83,284,452.65	7,599,356.55
<u>EXPENDITURES</u>		
Current		
Instruction	48,647,753.38	1,052,650.00
Support Services		
Pupil Services	2,520,168.63	-
Improvement of Instructional Services	2,613,556.26	-
Educational Media Services	962,754.06	-
General Administration	1,110,339.15	5,200.00
School Administration	4,196,509.39	-
Business Administration	626,821.56	-
Maintenance and Operation of Plant	6,082,254.45	16,380.00
Student Transportation Services	5,206,977.22	1,510,324.00
Central Support Services	2,088,606.58	-
Other Support Services	491,314.20	-
Enterprise Operations	537,720.28	-
Community Services	315,358.56	-
Food Services Operation	4,139,635.08	-
Capital Outlay	-	4,499,226.36
Debt Services		
Principal	-	80,186.70
Dues and Fees	-	-
Interest	-	11,019.82
	79,539,768.80	7,174,986.88
Total Expenditures		
Net Change in Fund Balances	3,744,683.85	424,369.67
Fund Balances - Beginning	9,872,108.03	10,476,766.43
Fund Balances - Ending	\$ 13,616,791.88	\$ 10,901,136.10

EXHIBIT "E"

DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL
\$ 4,690,595.45	\$ -	\$ 36,946,227.30
167,240.51	-	8,437,260.98
-	-	40,522,528.50
-	-	6,510,052.36
-	-	1,942,214.93
96,996.30	34.73	414,224.29
-	-	1,066,167.83
4,954,832.26	34.73	95,838,676.19
-	1,955.83	49,702,359.21
-	-	2,520,168.63
-	-	2,613,556.26
-	-	962,754.06
-	-	1,115,539.15
-	-	4,196,509.39
-	-	626,821.56
-	-	6,098,634.45
-	-	6,717,301.22
-	-	2,088,606.58
-	-	491,314.20
-	-	537,720.28
-	-	315,358.56
-	-	4,139,635.08
-	-	4,499,226.36
4,830,000.00	-	4,910,186.70
3,625.00	-	3,625.00
2,421,700.00	-	2,432,719.82
7,255,325.00	1,955.83	93,972,036.51
(2,300,492.74)	(1,921.10)	1,866,639.68
8,441,314.73	71,212.87	28,861,402.06
\$ 6,140,821.99	\$ 69,291.77	\$ 30,728,041.74

JACKSON COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2018

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ 1,866,639.68

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	\$ 6,625,871.19	
Depreciation expense	<u>(4,876,895.42)</u>	1,748,975.77

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. (1,427,923.82)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (476,134.15)

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.

Bond principal retirements	\$ 4,830,000.00	
Revenue bond payments	<u>80,186.70</u>	4,910,186.70

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

Pension expense	\$ 1,687,246.80	
OPEB expense	<u>(1,219,752.00)</u>	467,494.80

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	\$ 80,500.00	
Compensated absences	41,408.77	
Amortization of bond premiums	795,349.40	
Amortization on deferred loss on refunding of bonds	<u>(524,806.72)</u>	<u>392,451.45</u>

Change in net position of governmental activities (Exhibit "B") \$ 7,481,690.43

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

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 454,685.79
Receivables, Net	
Other	<u>340.80</u>
Total Assets	\$ <u><u>455,026.59</u></u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u><u>455,026.59</u></u>

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

### **REPORTING ENTITY**

The Jackson 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds:

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

The School District reports the following nonmajor governmental fund type:

- Permanent Fund accounts for and reports financial resources that are legally restricted to the extent that only earnings and no principal may be used for purposes that support the reporting government or its citizenry.

The School District reports the following fiduciary fund type:

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

### **BASIS OF ACCOUNTING**

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be

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

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

### **NEW ACCOUNTING PRONOUNCEMENTS**

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

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

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

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

## **CASH AND CASH EQUIVALENTS**

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

## **INVESTMENTS**

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

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

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

## **RECEIVABLES**

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

## **INVENTORIES**

### **Food Inventories**

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

## **PREPAID ITEMS**

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

## **RESTRICTED ASSETS**

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of net position because their use is limited by applicable debt statutes, e.g. Rutland Center revenue bonds.

## **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



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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		All	N/A
Land Improvements	\$	5,000.00	20 years
Buildings and Improvements	\$	5,000.00	15 to 50 years
Equipment	\$	5,000.00	5 to 20 years
Intangible Assets	\$	20,000.00	20 years
Software	\$	200,000.00	10 years

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

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

**COMPENSATED ABSENCES**

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

Vacation leave of 10 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 20 days. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements.

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

**LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS**

In the School District's government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the straight-line method. To conform to generally accepted accounting principles, bond premiums and

discounts should be amortized using the effective interest method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

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

## PENSIONS

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

## POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

## FUND BALANCES

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

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

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

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

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

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

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

**USE OF ESTIMATES**

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

**PROPERTY TAXES**

The Jackson County Board of Commissioners adopted the property tax levy for the 2017 tax digest year (calendar year) on October 17, 2017 (levy date) based on property values as of January 1, 2017. Taxes were due on December 20, 2017 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. The Jackson Board of Commissioners bills and collects the property taxes for the School District, withholds 2% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2018, for maintenance and operations amounted to \$30,224,014.10 and for school bonds amounted to \$4,432,583.38.

Tax millage rates levied for the 2017 tax year (calendar year) for the School District were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	19.131 mills
School Bonds	<u>2.700</u> mills
	<u>21.831</u> mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$2,259,390.72 during fiscal year ended June 30, 2018.

**SALES TAXES**

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$7,084,886.62 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

**NOTE 3: BUDGETARY DATA**

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

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

The Superintendent has the authority to amend the budget without Board approval. Financial statements are presented to the Board monthly for review, discussion and approval of actual revenues, expenditures and changes in fund balances as compared to the budget balances.

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

#### **NOTE 4: DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS**

##### **COLLATERALIZATION OF DEPOSITS**

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

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

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

##### **CATEGORIZATION OF DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2018, the School District had deposits with a carrying amount of \$34,417,191.58, and a bank balance of \$37,749,196.80. The bank balances insured by Federal depository insurance were \$1,161,735.42 and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name were \$486,648.57. The bank balances included in the State's Secure Deposit Program (SDP) were \$36,100,812.81.

The School District participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered

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Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased in amount of up to 125% if economic or financial conditions warrant. The program lists the types of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

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

Cash and cash equivalents		
Statement of Net Position	\$	33,962,520.43
Statement of Fiduciary Net Position		454,685.79
 Total cash and cash equivalents		 34,417,206.22
 Less:		
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		14.64
 Total carrying value of deposits - June 30, 2018	 \$	 34,417,191.58

**CATEGORIZATION OF CASH EQUIVALENTS**

The School District reported cash equivalents of \$14.64 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2018, was 10 days.

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

**CATEGORIZATION OF INVESTMENTS**

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

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Bond Mutual Funds	\$ 91,153.42	\$ 91,153.42

**Fair Value of Investments**

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

Level 1: Quoted prices for identical measurements in active markets;

Level 2: Observable inputs other than quoted market prices; and,

Level 3: Unobservable inputs.

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

Bond Mutual funds of \$91,153.42 are valued using market observable information for identical or similar instruments in the market. (Level 1 inputs)

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

At June 30, 2018, \$91,153.42 of the School District's applicable investments were held by the investment's counterparty, not in the School District's name.

**NOTE 5: RESTRICTED ASSETS**

The restricted assets represent the investment balance, totaling \$91,153.42 for the Rutland Center Revenue Bonds.

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**NOTE 6: CAPITAL ASSETS**

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

	Balances July 1, 2017	Increases	Decreases	Balances June 30, 2018
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 7,314,154.56	\$ 200,000.00	\$ 10,000.00	\$ 7,504,154.56
Construction in Progress	1,853,794.45	4,322,633.54	-	6,176,427.99
Total Capital Assets Not Being Depreciated	9,167,949.01	4,522,633.54	10,000.00	13,680,582.55
Capital Assets Being Depreciated				
Buildings and Improvements	177,265,624.09	143,229.85	2,944,023.15	174,464,830.79
Equipment	15,089,426.37	1,852,284.80	189,742.60	16,751,968.57
Land Improvements	4,155,533.70	107,723.00	88,286.50	4,174,970.20
Less Accumulated Depreciation for:				
Buildings and Improvements	50,085,812.75	3,922,756.38	1,552,559.70	52,456,009.43
Equipment	10,919,126.28	834,312.21	163,282.23	11,590,156.26
Land Improvements	2,656,116.19	119,826.83	88,286.50	2,687,656.52
Total Capital Assets, Being Depreciated, Net	132,849,528.94	(2,773,657.77)	1,417,923.82	128,657,947.35
Governmental Activity Capital Assets - Net	\$ 142,017,477.95	\$ 1,748,975.77	\$ 1,427,923.82	\$ 142,338,529.90

Current year depreciation expense by function is as follows:

Instruction		\$ 3,595,318.00	
Support Services			
Pupil Services	\$ 54,857.03		
Improvements of Instructional Services	2,267.07		
Educational Media Services	101,059.22		
General Administration	33,258.67		
School Administration	171,140.70		
Business Administration	3,281.81		
Maintenance and Operation of Plant	90,860.76		
Student Transportation Services	265,939.39		
Central Support Services	296,891.14	1,019,555.79	
Food Services		262,021.63	
		\$ 4,876,895.42	

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**NOTE 7: LONG-TERM LIABILITIES**

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

	Governmental Activities					
	Balance				Balance	Due Within One
	July 1, 2017	Additions	Deductions	June 30, 2018	Year	
General Obligation (G.O.) Bonds	\$ 54,170,000.00	\$ -	\$ 4,830,000.00	\$ 49,340,000.00	\$ 5,360,000.00	
Unamortized Bond Premiums	6,163,957.90	-	795,349.40	5,368,608.50	795,349.40	
Revenue Bonds	250,480.10	-	80,186.70	170,293.40	83,493.37	
Compensated Absences	251,638.15	303,692.50	345,101.27	210,229.38	138,903.66	
	<u>\$ 60,836,076.15</u>	<u>\$ 303,692.50</u>	<u>\$ 6,050,637.37</u>	<u>\$ 55,089,131.28</u>	<u>\$ 6,377,746.43</u>	

**GENERAL OBLIGATION DEBT OUTSTANDING**

The School District's bonded debt consists of issues of general obligation bonds that are generally noncallable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. Bonds have also been issued to advance-refund previously issued bonds. The School District repays general obligation bonds from voter-approved property taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

General obligation bonds currently outstanding are as follows:

Description	Interest		Maturity Date	Amount Issued	Amount Outstanding
	Rates	Issue Date			
General Government - Refunding - Series 2012	3% - 5%	5/10/2012	3/1/2025	\$ 58,525,000.00	\$ 49,340,000.00

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 Premium
	Principal	Interest	
2019	\$ 5,360,000.00	\$ 2,180,200.00	\$ 795,349.40
2020	5,875,000.00	1,912,200.00	795,349.40
2021	6,365,000.00	1,708,950.00	795,349.40
2022	6,900,000.00	1,518,000.00	795,349.40
2023	7,545,000.00	1,242,000.00	795,349.40
2024 - 2025	17,295,000.00	1,316,500.00	1,391,861.50
Total Principal and Interest	<u>\$ 49,340,000.00</u>	<u>\$ 9,877,850.00</u>	<u>\$ 5,368,608.50</u>

**REVENUE BONDS**

The Jackson County Board of Education entered into an agreement dated June 1, 2006, with the Northeast Georgia Regional Educational Service Agency for the construction and subsequent lease of the Rutland Center, located in Athens, Georgia. This facility was built through the sale of bonds, retirement of which was pledged by funds from various local school districts in the area. Under terms of the agreement, the various School Districts pledged funds annually to retire the bonds as they become due. The obligation of the School District is absolute and unconditional so long as any of the bonds remain outstanding. Under the contract, the School District will exercise its power of taxation to the extent necessary to pay the amounts required to be paid by the contract.



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The following is a schedule of total revenue bond payments:

Fiscal Year Ended June 30:	Principal	Interest
2019	\$ 83,493.37	\$ 7,084.21
2020	86,800.03	3,610.88
Total Principal and Interest	\$ 170,293.40	\$ 10,695.09

**COMPENSATED ABSENCES**

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

**NOTE 8: RISK MANAGEMENT**

**INSURANCE**

**Commercial Insurance**

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

**UNEMPLOYMENT COMPENSATION**

The School District is self-insured with regard to unemployment compensation claims. Claims are accounted for within the same fund that the employee's salary and benefits are paid. The School District accounts for claims with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2017	\$ -	\$ 564.93	\$ 564.93	\$ -
2018	\$ -	\$ 3,020.82	\$ 3,020.82	\$ -

**Surety Bond**

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

Position Covered	Amount
Superintendent	\$ 50,000.00

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**NOTE 9: FUND BALANCE CLASSIFICATION DETAILS**

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

Nonspendable			
Inventories	\$	140,620.32	
Permanent Funds Principal		25,000.00	
Prepaid Assets		154,549.67	\$ 320,169.99
Restricted			
Continuation of Federal Programs	\$	543,080.67	
Capital Projects		10,901,136.10	
Debt Service		6,140,821.99	
Permanent Funds		44,291.77	
Middle School Coding Grant		25,000.00	17,654,330.53
Assigned			
School Activity Accounts	\$	643,825.01	
Catering		19,142.84	662,967.85
Unassigned			12,090,573.37
Fund Balance, June 30, 2018			\$ 30,728,041.74

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

**NOTE 10: BROADBAND SPECTRUM LEASE**

Effective October 1, 2008, the School District entered into a 30 year lease agreement with Sprint/Clearwire for the lease of excess spectrum capacity on Education Broadband Service licenses currently held by School District. These licenses were granted to the School District by the Federal Communications Commission. The lease agreement requires monthly lease payments over the term of the lease, of which \$2,700.00 per month was recognized during Fiscal Year 2018 as a general revenue on the Statement of Activities.

**NOTE 11: SIGNIFICANT COMMITMENTS**

**COMMITMENTS UNDER CONSTRUCTION CONTRACTS**

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

Project	Unearned Executed Contracts (1)	Payments through June 30, 2018 (2)	Funding Available From State (1)
18-678-006	\$ -	\$ 337,085.48	\$ 63,207.00
18-678-008	-	316,230.70	80,822.00
19-678-001	3,556,606.54	3,557,393.24	1,546,055.00
	\$ 3,556,606.54	\$ 4,210,709.42	\$ 1,690,084.00

(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 and postage machines under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases(s) totaled \$20,000.00 for governmental activities for the year ended June 30, 2018. The following future minimum lease payments were required under operating leases at June 30, 2018:

<u>Year Ending</u>	<u>Governmental Funds</u>
2019	\$ 12,854.88
2020	<u>8,065.92</u>
Total	<u>\$ 20,920.80</u>

**NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES**

**FEDERAL GRANTS**

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

**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 13: OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

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

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

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

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**Contributions:** As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were \$2,163,332.00 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

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

At June 30, 2018, the School District reported a liability of \$59,574,358.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017.

At June 30, 2017, the School District's proportion was 0.424018%, which was a decrease of 0.003562% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$3,383,084.00. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 4,536,435.00
Net difference between projected and actual earnings on OPEB plan investments	17,425.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	447,427.00
School District contributions subsequent to the measurement date	2,163,332.00	-
Total	\$ 2,180,757.00	\$ 4,983,862.00

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School District contributions subsequent to the measurement date of \$2,163,332.00 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB
2019	\$ (892,021.00)
2020	\$ (892,021.00)
2021	\$ (892,021.00)
2022	\$ (892,021.00)
2023	\$ (896,378.00)
Thereafter	\$ (501,975.00)

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

**OPEB:**

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

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

- For ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years or both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement.

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

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

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

Additionally, there was a change of assumptions that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the School OPEB Fund is based on their current or last employer payroll location. Current and former employees of public school districts, libraries, regional educational service agencies and community colleges are allocated to the School OPEB Fund irrespective of retirement system affiliation. In addition, the discount rate increased from 3.07% to 3.85%.

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

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

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

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

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

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	\$ 70,733,879.00	\$ 59,574,358.00	\$ 50,767,236.00

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 49,380,356.00	\$ 59,574,358.00	\$ 72,846,934.00

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

**NOTE 14: RETIREMENT PLANS**

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

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

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

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

**Contributions:** Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their

annual pay during fiscal year 2018. The School District's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual School District payroll, of which 16.80% of payroll was required from the School District and 0.01% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$6,786,487.63 and \$967.44 from the School District and the State, respectively.

#### **EMPLOYEES' RETIREMENT SYSTEM**

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

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

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

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

**Contributions:** Member contributions under the old plan are 4% of annual compensation, up to \$4,200.00, plus 6% of annual compensation in excess of \$4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's required contribution rate for the year ended June 30, 2018 was 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were \$14,043.10 for the current fiscal year.



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

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

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

Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon 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 \$156,967.00.

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

At June 30, 2018, the School District reported a liability of \$62,076,823.00 for its proportionate share of the net pension liability for TRS (\$61,987,392.00) and ERS (\$89,431.00).

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	\$ 61,987,392.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>43,861.00</u>
Total	<u>\$ 62,031,253.00</u>

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

At June 30, 2017, the School District's TRS proportion was 0.333529%, which was a decrease of 0.000551% from its proportion measured as of June 30, 2016. At June 30, 2017, the School District's ERS proportion was 0.002202%, which was a decrease of 0.000110% from its proportion measured as of June 30, 2016.

At June 30, 2018, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$812,773.00.

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

For the year ended June 30, 2018, the School District recognized pension expense of \$5,069,524.00 for TRS, \$9,417.00 for ERS and \$163,805.00 for PSERS and revenue of \$34,343.00 for TRS and \$163,805.00 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, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,318,710.00	\$ 233,934.00	\$ 980.00	\$ 1.00
Changes of assumptions	1,358,841.00	-	204.00	-
Net difference between projected and actual earnings on pension plan investments	-	426,577.00	-	223.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	128,835.00	2,950,047.00	468.00	2,857.00
School District contributions subsequent to the measurement date	<u>6,786,487.63</u>	<u>-</u>	<u>14,043.10</u>	<u>-</u>
Total	<u>\$ 10,592,873.63</u>	<u>\$ 3,610,558.00</u>	<u>\$ 15,695.10</u>	<u>\$ 3,081.00</u>

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The School District contributions subsequent to the measurement date of \$6,786,487.63 for TRS and \$14,043.10 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2019	\$ (2,088,182.00)	\$ (2,367.00)
2020	\$ 2,259,616.00	\$ 2,470.00
2021	\$ 1,583,228.00	\$ 1,004.00
2022	\$ (1,594,464.00)	\$ (2,536.00)
2023	\$ 35,630.00	\$ -

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

***Teachers Retirement System:***

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

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

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

***Employees' Retirement System:***

Inflation	2.75%
Salary increases	3.25% - 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries’ projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP- 2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries’ projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

***Public School Employees Retirement System:***

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

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

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

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

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

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

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

JACKSON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2018

EXHIBIT "H"

***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:

<b>Teachers Retirement System:</b>	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 101,728,583.00	\$ 61,987,392.00	\$ 29,249,583.00
<b>Employees' Retirement System:</b>	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 126,227.00	\$ 89,431.00	\$ 58,042.00

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

**NOTE 15: RESTATEMENT OF PRIOR YEAR NET POSITION**

For fiscal year 2018, the School District made prior period adjustments due to the adoption of GASB Statement No. 75, as described in "New Accounting Pronouncements", which require the restatement of the June 30, 2017, net position in Governmental Activities. The result is a decrease in net position at July 1, 2017 of \$61,157,711.00. This change is in accordance with generally accepted accounting procedures.

Net Position, July 1, 2017 as previously reported	\$ 57,774,685.53
Prior Period Adjustment - Implementation of GASB No. 75: Net OPEB Liability (measurement date)	(63,368,578.00)
Deferred Outflows - School District's Contributions made during fiscal year 2017	<u>2,210,867.00</u>
Net Position, July 1, 2017, as restated	\$ <u>(3,383,025.47)</u>

**NOTE 16: TAX ABATEMENTS**

The School District property tax revenues were reduced by \$1,532,322.00 under agreements entered into by the Jackson County Industrial Development Authority. Under the Jackson County Industrial Development Authority annual budget for fiscal year 2018, the Development Authority reimburses the School District for a portion of the reduction in tax revenues. The School District received \$693,568.00 in fiscal year 2018.

**NOTE 17: SUBSEQUENT EVENTS**

In the subsequent fiscal year, voters authorized the School District to issue general obligation bonds in the amount of \$52,660,000.00. The proceeds from these bonds will be used for a new high school in the west side community, renovations for the Empower College and Career Academy, renovations at East Jackson Middle School, HVAC replacements and upgrades at East Jackson High School and installation of air conditioners in gym at East Jackson Middle School, East Jackson Elementary School, Maysville Elementary School and West Jackson Middle School. The School District has not issued \$52,660,000.00 of these general obligation bonds as of the report date.

**NOTE 18: SPECIAL ITEMS**

The School District incurred a loss in the amount of \$1,427,923.82 on the disposal of the old Benton Elementary school building. The building was removed from the School District's capital asset listing at its carrying value of \$1,427,923.82 at the date of its disposal. This activity was reported as a Special Item on the Statement of Activities.

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

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.333529%	\$ 61,987,392.00	\$ 43,861.00	\$ 62,031,253.00	\$ 38,323,920.47	161.75%	79.33%
2017	0.334080%	\$ 68,924,429.00	\$ 160,510.00	\$ 69,084,939.00	\$ 36,739,204.28	187.60%	76.06%
2016	0.332822%	\$ 50,668,845.00	\$ 134,885.00	\$ 50,803,730.00	\$ 35,266,439.96	143.67%	81.44%
2015	0.350825%	\$ 44,322,111.00	\$ 112,566.00	\$ 44,434,677.00	\$ 35,882,020.61	123.52%	84.03%



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

SCHEDULE "2"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total net pension liability
2018	0.002202%	\$ 89,431.00	\$ 54,021.62	165.55%	76.33%
2017	0.002312%	\$ 109,367.00	\$ 53,760.88	203.43%	72.34%
2016	0.002230%	\$ 90,346.00	\$ 50,989.99	177.18%	76.20%
2015	0.002155%	\$ 80,826.00	\$ 48,516.64	166.59%	77.99%

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

SCHEDULE "3"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.00%	\$ -	\$ 812,773.00	\$ 812,773.00	\$ 3,079,223.28	N/A	85.69%
2017	0.00%	\$ -	\$ 1,108,414.00	\$ 1,108,414.00	\$ 2,935,321.54	N/A	81.00%
2016	0.00%	\$ -	\$ 697,001.00	\$ 697,001.00	\$ 2,769,846.73	N/A	87.00%
2015	0.00%	\$ -	\$ 608,052.00	\$ 608,052.00	\$ 2,568,194.77	N/A	88.29%

JACKSON COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 SCHOOL OPEB FUND  
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "4"

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.424018%	\$ 59,574,358.00	-	\$ 59,574,358.00	\$ 31,338,069.57	190.10%	1.61%

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

SCHEDULE "5"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2018	\$ 6,786,487.63	\$ 6,786,487.63	\$ -	\$ 40,374,690.66	16.80%
2017	\$ 5,464,956.13	\$ 5,464,956.13	\$ -	\$ 38,323,920.47	14.26%
2016	\$ 5,230,503.67	\$ 5,230,503.67	\$ -	\$ 36,739,204.28	14.24%
2015	\$ 4,625,215.41	\$ 4,625,215.41	\$ -	\$ 35,266,439.96	13.12%
2014	\$ 4,395,148.16	\$ 4,395,148.16	\$ -	\$ 35,882,020.61	12.25%
2013	\$ 4,426,963.12	\$ 4,426,963.12	\$ -	\$ 38,934,892.55	11.37%
2012	\$ 3,972,559.40	\$ 3,972,559.40	\$ -	\$ 38,791,213.52	10.24%
2011	\$ 3,854,561.95	\$ 3,854,561.95	\$ -	\$ 37,750,179.13	10.21%
2010	\$ 3,880,881.43	\$ 3,880,881.43	\$ -	\$ 40,110,091.25	9.68%
2009	\$ 3,746,950.31	\$ 3,746,950.31	\$ -	\$ 40,640,273.93	9.22%

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

SCHEDULE "6"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2018	\$ 14,043.10	\$ 14,043.10	\$ -	\$ 56,602.66	24.81%
2017	\$ 13,402.80	\$ 13,402.80	\$ -	\$ 54,021.62	24.81%
2016	\$ 13,289.67	\$ 13,289.67	\$ -	\$ 53,760.88	24.72%
2015	\$ 11,197.42	\$ 11,197.42	\$ -	\$ 50,989.99	21.96%
2014	\$ 8,956.27	\$ 8,956.27	\$ -	\$ 48,516.64	18.46%
2013	\$ 7,111.44	\$ 7,111.44	\$ -	\$ 47,728.04	14.90%
2012	\$ 5,309.98	\$ 5,309.98	\$ -	\$ 45,657.36	11.63%
2011	\$ 5,625.16	\$ 5,625.16	\$ -	\$ 54,015.96	10.41%
2010	\$ 10,983.17	\$ 10,983.17	\$ -	\$ 104,905.41	10.47%
2009	\$ 11,116.74	\$ 11,116.74	\$ -	\$ 106,182.73	10.47%

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

SCHEDULE "7"

<u>Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>School District's covered-employee payroll</u>	<u>Contribution as a percentage of covered-employee payroll</u>
2018	\$ 2,163,332.00	\$ 2,163,332.00	\$ -	\$ 32,816,203.02	6.59%
2017	\$ 2,210,867.00	\$ 2,210,867.00	\$ -	\$ 31,338,069.57	7.05%

**Teachers Retirement System**

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

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

**Employees' Retirement System**

**Changes of assumptions:** On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

**Public School Employees Retirement System**

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

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

**School OPEB Fund**

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

**Changes in assumptions:** In the revised June 30, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location.

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

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

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

SCHEDULE "9"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
<b>REVENUES</b>				
Property Taxes	\$ 31,123,658.00	\$ 31,123,658.00	\$ 32,255,631.85	\$ 1,131,973.85
Sales Taxes	870,000.00	870,000.00	1,185,133.85	315,133.85
State Funds	38,461,961.00	38,483,345.58	40,157,321.50	1,673,975.92
Federal Funds	3,142,613.64	3,214,884.36	6,510,052.36	3,295,168.00
Charges for Services	327,883.00	327,883.00	1,942,214.93	1,614,331.93
Investment Earnings	20,500.00	20,500.00	167,930.33	147,430.33
Miscellaneous	680,658.00	584,041.00	1,066,167.83	482,126.83
<b>Total Revenues</b>	<b>74,627,273.64</b>	<b>74,624,311.94</b>	<b>83,284,452.65</b>	<b>8,660,140.71</b>
<b>EXPENDITURES</b>				
Current				
Instruction	48,463,222.12	48,837,731.10	48,647,753.38	189,977.72
Support Services				
Pupil Services	2,477,335.52	2,611,419.76	2,520,168.63	91,251.13
Improvement of Instructional Services	2,301,076.45	2,709,957.40	2,613,556.26	96,401.14
Educational Media Services	957,406.76	957,227.26	962,754.06	(5,526.80)
General Administration	1,169,321.54	1,174,379.54	1,110,339.15	64,040.39
School Administration	4,348,904.91	4,348,427.73	4,196,509.39	151,918.34
Business Administration	783,716.16	783,716.16	626,821.56	156,894.60
Maintenance and Operation of Plant	6,284,478.66	6,285,178.66	6,082,254.45	202,924.21
Student Transportation Services	4,177,298.34	4,614,383.92	5,206,977.22	(592,593.30)
Central Support Services	2,265,701.45	2,160,701.45	2,088,606.58	72,094.87
Other Support Services	543,000.00	565,412.00	491,314.20	74,097.80
Enterprise Operations	-	-	537,720.28	(537,720.28)
Community Services	310,000.00	310,000.00	315,358.56	(5,358.56)
Food Services Operation	-	1,700.00	4,139,635.08	(4,137,935.08)
<b>Total Expenditures</b>	<b>74,081,461.91</b>	<b>75,360,234.98</b>	<b>79,539,768.80</b>	<b>(4,179,533.82)</b>
Excess of Revenues over (under) Expenditures	545,811.73	(735,923.04)	3,744,683.85	4,480,606.89
<b>OTHER FINANCING SOURCES (USES)</b>				
Other Sources	23,368,885.00	23,368,885.00	-	(23,368,885.00)
Other Uses	(23,388,445.00)	(23,388,445.00)	-	23,388,445.00
<b>Total Other Financing Sources (Uses)</b>	<b>(19,560.00)</b>	<b>(19,560.00)</b>	<b>-</b>	<b>19,560.00</b>
<b>Net Change in Fund Balances</b>	<b>526,251.73</b>	<b>(755,483.04)</b>	<b>3,744,683.85</b>	<b>4,500,166.89</b>
Fund Balances - Beginning	9,938,924.64	10,002,444.18	9,872,108.03	(130,336.15)
Adjustments	-	(39,152.48)	-	39,152.48
<b>Fund Balances - Ending</b>	<b>\$ 10,465,176.37</b>	<b>\$ 9,207,808.66</b>	<b>\$ 13,616,791.88</b>	<b>\$ 4,408,983.22</b>

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts or food services. The actual revenues and expenditures of the various principal accounts are \$1,294,847.01 and \$1,229,781.84, respectively. The actual revenues and expenditures of the food services accounts are \$4,163,870.11 and \$4,133,649.27, 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.



JACKSON COUNTY BOARD OF EDUCATION  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

SCHEDULE "10"

	<u>BAND INSTRUMENT FUND</u>	<u>PHYSICAL EDUCATION EQUIPMENT AND SUPPLY FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 25,780.25	\$ 43,511.52	\$ 69,291.77
 <u>FUND BALANCES</u>			
Nonspendable	\$ 25,000.00	\$ -	\$ 25,000.00
Restricted	780.25	43,511.52	44,291.77
 Total Fund Balances	 \$ 25,780.25	 \$ 43,511.52	 \$ 69,291.77

JACKSON COUNTY BOARD OF EDUCATION  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2018

SCHEDULE "11"

	BAND INSTRUMENT FUND	PHYSICAL EDUCATION EQUIPMENT AND SUPPLY FUND	TOTAL
<u>REVENUES</u>			
Investment Earnings	\$ 12.83	\$ 21.90	\$ 34.73
<u>EXPENDITURES</u>			
Current Instruction	-	1,955.83	1,955.83
Net Change in Fund Balances	12.83	(1,933.93)	(1,921.10)
Fund Balances - Beginning	25,767.42	45,445.45	71,212.87
Fund Balances - Ending	\$ 25,780.25	\$ 43,511.52	\$ 69,291.77

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

SCHEDULE "12"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	18185GA324N1099	\$ 703,067.95
National School Lunch Program	10.555	18185GA324N1100	3,285,121.49
Total Child Nutrition Cluster			3,988,189.44
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Child Nutrition Discretionary Grants Limited Availability	10.579	16165GA350N8103	29,621.27
Total U. S. Department of Agriculture			4,017,810.71
Education, U. S. Department of Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	327,272.00
Grants to States	84.027	H027A170073	1,114,124.68
Preschool Grants	84.173	H173A160081	10,621.00
Preschool Grants	84.173	H173A170081	57,697.00
Total Special Education Cluster			1,509,714.68
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A170010	73,900.62
English Language Acquisition State Grants	84.365	S365A160010	1,324.00
English Language Acquisition State Grants	84.365	S365A170010	34,218.65
Mathematics and Science Partnerships	84.366	S366B160011	139,544.89
Mathematics and Science Partnerships	84.366	S366B170011	51,341.74
Migrant Education - State Grant Program	84.011	S011A160011	5,000.00
Migrant Education - State Grant Program	84.011	S011A170011	35,337.32
Student Support and Academic Enrichment Program	84.424A	S424A170011	29,753.51
Supporting Effective Instruction State Grants	84.367	S367A160001	25,011.00
Supporting Effective Instruction State Grants	84.367	S367A170001	176,783.71
Title I Grants to Local Educational Agencies	84.010	S010A160010	168,878.00
Title I Grants to Local Educational Agencies	84.010	S010A170010	1,113,270.79
Total Other Programs			1,854,364.23
Total U. S. Department of Education			3,364,078.91
National Aeronautics and Space Administration (NASA) Pass-Through From the University System of Georgia			
The Georgia Institute of Technology	43.008		
National Space Grant College and Fellowship Program		NNX15AP85H	4,000.00
National Science Foundation Pass-Through From the University System of Georgia			
The University of Georgia			
CALC Program	47.076	1741910	17,289.03
Defense, U. S. Department of Direct			
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		156,587.32
Total Expenditures of Federal Awards			\$ 7,559,765.97

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 Jackson County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

SCHEDULE "13"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
<b>GRANTS</b>			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 1,122,167.24	\$ -	\$ 1,122,167.24
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	1,947,894.00	-	1,947,894.00
Kindergarten Program - Early Intervention Program	651,642.00	-	651,642.00
Primary Grades (1-3) Program	4,167,862.00	-	4,167,862.00
Primary Grades - Early Intervention (1-3) Program	1,721,010.00	-	1,721,010.00
Upper Elementary Grades (4-5) Program	1,737,262.00	-	1,737,262.00
Upper Elementary Grades - Early Intervention (4-5) Program	1,508,033.00	-	1,508,033.00
Middle School (6-8) Program	4,572,935.00	-	4,572,935.00
High School General Education (9-12) Program	3,646,048.00	-	3,646,048.00
Vocational Laboratory (9-12) Program	1,235,952.00	-	1,235,952.00
Students with Disabilities	6,409,437.00	-	6,409,437.00
Gifted Student - Category VI	3,417,369.00	-	3,417,369.00
Remedial Education Program	278,709.00	-	278,709.00
Alternative Education Program	313,555.00	-	313,555.00
English Speakers of Other Languages (ESOL)	450,615.00	-	450,615.00
Media Center Program	804,657.00	-	804,657.00
20 Days Additional Instruction	229,088.00	-	229,088.00
Staff and Professional Development	146,834.00	-	146,834.00
Principal Staff and Professional Development	2,495.00	-	2,495.00
Indirect Cost			
Central Administration	1,172,287.00	-	1,172,287.00
School Administration	1,577,841.00	-	1,577,841.00
Facility Maintenance and Operations	1,831,127.00	-	1,831,127.00
Amended Formula Adjustment	(621,381.00)	-	(621,381.00)
Categorical Grants			
Pupil Transportation			
Regular	937,326.00	-	937,326.00
Nursing Services	148,620.00	-	148,620.00
Other State Programs			
Food Services	105,748.00	-	105,748.00
Math and Science Supplements	60,987.28	-	60,987.28
Preschool Disability Services	105,280.78	-	105,280.78
Pupil Transportation - State Bonds	77,319.58	-	77,319.58
Teacher of the Year	507.25	-	507.25
Teachers Retirement	967.44	-	967.44
Vocational Education	230,881.00	-	230,881.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects	-	365,207.00	365,207.00
Governor's Office of Student Achievement			
Innovation Fund	9,278.93	-	9,278.93
Office of the State Treasurer			
Public School Employees Retirement	156,967.00	-	156,967.00
	<u>\$ 40,157,321.50</u>	<u>\$ 365,207.00</u>	<u>\$ 40,522,528.50</u>

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

SCHEDULE "14"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED (4)	ESTIMATED COMPLETION DATE
<b>SPLIST IV</b>							
(1) Paying all or a portion of the debt service on outstanding Series 2005 General Obligation Bonds previously issued.	\$ 30,000,000.00	\$ 10,290,000.00	\$ -	\$ 10,289,515.44	\$ 10,289,515.44	\$ 484.56	3/1/2016
<i>All Projects Below</i>	32,699,000.00	52,409,000.00	-	-	-	-	
(2) Acquiring, constructing and equipping new school buildings and other buildings or facilities useful or desirable in connection therewith, including a new middle school	-	-	1,890,875.46	601,707.11	-	-	8/31/2018
(3) acquiring new technology equipment, safety and security equipment and other school equipment	-	-	1,059,294.71	1,074,199.47	-	-	8/31/2018
(4) adding to, renovating, repairing, improving, equipping and furnishing existing school buildings or other buildings or facilities useful or desirable in connection therewith	-	-	2,423,010.78	7,725,574.59	-	-	8/31/2018
(5) acquiring a portion of a psychoeducational facility,	-	-	91,292.78	365,101.31	-	-	8/1/2021
(6) acquiring land,	-	-	200,189.15	733,639.81	-	-	8/31/2018
(7) purchasing textbooks and band instruments	-	-	-	-	-	-	8/31/2018
(8) purchasing school buses and school vehicles;	-	-	1,510,324.00	89,343.73	-	-	8/31/2018
(9) acquiring any property necessary or desirable therefore, both real and personal.	-	-	-	-	-	-	8/31/2018
<b>SPLIST V</b>							
(1) Paying all or a portion of the debt service on outstanding Series 2012 General Obligation Refunding Bonds previously issued.	25,000,000.00	25,000,000.00	-	-	-	-	3/1/2025
<i>All Projects Below</i>	35,129,000.00	35,129,000.00					
(2) Acquiring, constructing, equipping and furnishing new school buildings and other buildings or facilities useful or desirable in connection therewith, including a new high school and a new middle school,	-	-	-	-	-	-	6/30/2022
(3) acquiring new technology equipment, safety and security equipment and other school equipment	-	-	-	-	-	-	6/30/2022
(4) adding to, renovating, repairing, improving, equipping and furnishing existing school buildings or other buildings or facilities useful or desirable in connection therewith	-	-	-	-	-	-	6/30/2022
(5) acquiring a portion of a psychoeducational facility,	-	-	-	-	-	-	8/1/2021
(6) acquiring land,	-	-	-	-	-	-	6/30/2022
(7) purchasing textbooks and band instruments	-	-	-	-	-	-	6/30/2022
(8) purchasing school buses and school vehicles;	-	-	-	-	-	-	6/30/2022
(9) acquiring any property necessary or desirable therefore, both real and personal.	-	-	-	-	-	-	6/30/2022
	<u>\$ 122,828,000.00</u>	<u>\$ 122,828,000.00</u>	<u>\$ 7,174,986.88</u>	<u>\$ 20,879,081.46</u>	<u>\$ 10,289,515.44</u>	<u>\$ 484.56</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 Jackson 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) The excess SPLIST proceeds will be applied to ongoing projects.

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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

October 14, 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  
Jackson 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 Jackson County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 14, 2019.

#### **Internal Control Over Financial Reporting**

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

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

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

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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*.

## Purpose of this Report

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor

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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

October 14, 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  
Jackson 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 Jackson County Board of Education (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

### *Management's Responsibility*

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

### *Auditor's Responsibility*

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin  
State Auditor



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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION IV  
FINDINGS AND QUESTIONED COSTS

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

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

**Federal Awards**

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

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.