



PEACH COUNTY BOARD OF EDUCATION FORT VALLEY, GEORGIA

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



PEACH 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

January 23, 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
Peach 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 Peach County Board of Education (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedules of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages 37 through 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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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.

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 January 23, 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".

Greg S. Griffin
State Auditor

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PEACH COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 8,692,507
Investments	28,735
Accounts Receivable, Net	
Taxes	954,581
State Government	2,467,780
Federal Government	318,174
Inventories	28,309
Prepaid Items	65,607
Capital Assets, Non-Depreciable	1,916,121
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>31,813,452</u>
 Total Assets	 <u>46,285,266</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	<u>8,276,463</u>
<u>LIABILITIES</u>	
Accounts Payable	92,628
Salaries and Benefits Payable	4,009,397
Interest Payable	8,732
Net Pension Liability	33,938,803
Long-Term Liabilities	
Due Within One Year	269,048
Due in More Than One Year	<u>270,058</u>
 Total Liabilities	 <u>38,588,666</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	<u>1,517,273</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	33,721,240
Restricted for	
Continuation of Federal Programs	28,309
Debt Service	4,072,504
Unrestricted (Deficit)	<u>(23,366,263)</u>
 Total Net Position	 \$ <u>14,455,790</u>

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

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 19,512,492	\$ 293,867
Support Services		
Pupil Services	1,449,030	-
Improvement of Instructional Services	1,130,537	-
Educational Media Services	560,648	-
General Administration	873,184	-
School Administration	2,315,194	-
Business Administration	295,729	-
Maintenance and Operation of Plant	4,954,401	-
Student Transportation Services	2,292,398	-
Central Support Services	177,797	-
Other Support Services	1,043,823	-
Operations of Non-Instructional Services		
Enterprise Operations	298,686	-
Food Services	2,585,589	80,312
Interest on Short-Term and Long-Term Debt	8,732	-
	<u>\$ 37,498,240</u>	<u>\$ 374,179</u>
Total Governmental Activities		
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Car Tax		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)	
OPERATING	CAPITAL	REVENUES	
GRANTS AND	GRANTS AND	AND CHANGES IN	
CONTRIBUTIONS	CONTRIBUTIONS	NET POSITION	
\$ 15,468,270	\$ -	\$ (3,750,355)	
480,885	-	(968,145)	
953,460	-	(177,077)	
462,790	-	(97,858)	
677,224	-	(195,960)	
998,789	-	(1,316,405)	
-	-	(295,729)	
1,124,306	-	(3,830,095)	
455,589	154,436	(1,682,373)	
325	-	(177,472)	
179,940	-	(863,883)	
-	-	(298,686)	
2,451,576	10,803	(42,898)	
-	-	(8,732)	
\$ 23,253,154	\$ 165,239	(13,705,668)	
		11,163,901	
		28,002	
		3,385,532	
		191,225	
		44,220	
		26,243	
		917,595	
		15,756,718	
		2,051,050	
		12,404,740	
		\$ 14,455,790	

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

EXHIBIT "C"

	GENERAL FUND	DEBT SERVICE FUND	TOTAL
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 4,903,987	\$ 3,788,520	\$ 8,692,507
Investments	28,735	-	28,735
Accounts Receivable, Net			
Taxes	661,865	292,716	954,581
State Government	2,467,780	-	2,467,780
Federal Government	318,174	-	318,174
Inventories	28,309	-	28,309
Prepaid Items	65,607	-	65,607
	<u> </u>	<u> </u>	<u> </u>
 Total Assets	 \$ 8,474,457	 \$ 4,081,236	 \$ 12,555,693
	<u> </u>	<u> </u>	<u> </u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 92,628	\$ -	\$ 92,628
Salaries and Benefits Payable	4,009,397	-	4,009,397
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	4,102,025	-	4,102,025
	<u> </u>	<u> </u>	<u> </u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue- Property Taxes	438,494	-	438,494
	<u> </u>	<u> </u>	<u> </u>
<u>FUND BALANCES</u>			
Nonspendable	93,916	-	93,916
Restricted	-	4,081,236	4,081,236
Assigned	1,154,260	-	1,154,260
Unassigned	2,685,762	-	2,685,762
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	3,933,938	4,081,236	8,015,174
	<u> </u>	<u> </u>	<u> </u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 8,474,457	 \$ 4,081,236	 \$ 12,555,693
	<u> </u>	<u> </u>	<u> </u>

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

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")	\$	8,015,174
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	\$	1,916,121	
Land improvements		544,982	
Buildings and improvements		55,175,914	
Equipment		6,820,676	
Accumulated depreciation		<u>(30,728,120)</u>	33,729,573

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

Net pension liability		(33,938,803)
-----------------------	--	--------------

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

6,759,190

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

438,494

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

Accrued interest	\$	(8,732)	
Capital leases payable		(335,629)	
Compensated absences payable		<u>(203,477)</u>	<u>(547,838)</u>

Net position of governmental activities (Exhibit "A")	\$	<u><u>14,455,790</u></u>
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PEACH COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT "E"

	GENERAL FUND	DEBT SERVICE FUND	TOTAL
	<hr/>	<hr/>	<hr/>
<u>REVENUES</u>			
Property Taxes	\$ 11,331,789	\$ -	\$ 11,331,789
Sales Taxes	191,225	3,385,532	3,576,757
Other Taxes	28,002	-	28,002
State Funds	18,303,347	-	18,303,347
Federal Funds	5,145,161	-	5,145,161
Charges for Services	374,179	-	374,179
Investment Earnings	13,408	12,835	26,243
Miscellaneous	917,595	-	917,595
	<hr/>	<hr/>	<hr/>
Total Revenues	36,304,706	3,398,367	39,703,073
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Current			
Instruction	19,396,912	-	19,396,912
Support Services			
Pupil Services	1,449,030	-	1,449,030
Improvement of Instructional Services	1,124,656	-	1,124,656
Educational Media Services	560,648	-	560,648
General Administration	865,661	-	865,661
School Administration	2,308,687	-	2,308,687
Business Administration	295,697	-	295,697
Maintenance and Operation of Plant	2,734,175	-	2,734,175
Student Transportation Services	2,253,373	-	2,253,373
Central Support Services	174,506	-	174,506
Other Support Services	1,040,538	-	1,040,538
Enterprise Operations	298,686	-	298,686
Food Services Operation	2,365,167	-	2,365,167
Capital Outlay	45,101	-	45,101
Debt Services			
Principal	97,561	-	97,561
	<hr/>	<hr/>	<hr/>
Total Expenditures	35,010,398	-	35,010,398
	<hr/>	<hr/>	<hr/>
Excess of Revenues over (under) Expenditures	1,294,308	3,398,367	4,692,675
	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES</u>			
Capital Leases	433,190	-	433,190
Sale of Capital Assets	717	-	717
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	433,907	-	433,907
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	1,728,215	3,398,367	5,126,582
	<hr/>	<hr/>	<hr/>
Fund Balances - Beginning	2,205,723	682,869	2,888,592
	<hr/>	<hr/>	<hr/>
Fund Balances - Ending	\$ 3,933,938	\$ 4,081,236	\$ 8,015,174
	<hr/>	<hr/>	<hr/>

PEACH 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, 2017

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ 5,126,582

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	\$ 396,230	
Depreciation expense	<u>(2,353,064)</u>	(1,956,834)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. (5,493)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (167,888)

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.

Capital Lease issued	\$ (433,190)	
Capital lease payments	<u>97,561</u>	(335,629)

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

Pension expense	(563,420)
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	\$ (37,536)	
Accrued interest on capital lease	<u>(8,732)</u>	<u>(46,268)</u>

Change in net position of governmental activities (Exhibit "B") \$ 2,051,050

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

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>130,259</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>130,259</u>

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

EXHIBIT “H”

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Peach County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board 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 of the Peach County Board of Education. 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.

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

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Statements (Continued)

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 statements are presented for governmental and fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for and reports all financial resources of the School District, except those resources required to be accounted for in another fund.
- The *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

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

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

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 in the financial statements. The government-wide governmental activities and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, with the exception of the School District’s proportionate share of the Net Pension Liability. These collective amounts have been allocated by the pension plan based on actual contributions made to the plan during the measurement period to actuarially determine the proportionate share of each participating employer. Agency funds have no measurement focus; however, they use 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.

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

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net position 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.

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally, teachers are contracted for the school year (July 1 – June 30) and paid over a 12-month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

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

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

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

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

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this statement addresses issues regarding: (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the School District’s financial statement.

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

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Composition of Deposits - Cash and cash equivalents consist of cash on hand, demand deposits 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 (OCGA) 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

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

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

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

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

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.

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.

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

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (first-in, first-out). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

Capital Assets

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

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

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Construction in Progress	All	N/A
Land Improvements	\$ 10,000	20 to 80 Years
Buildings and Improvements	10,000	10 to 80 Years
Intangible Assets	100,000	Assigned individually
Equipment	10,000	3 to 14 Years

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

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of resources that applies to 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 net position and/or balance sheet will report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of resources that applies to 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 12 days is awarded on a fiscal year basis to all full-time personnel employed on a 12 - month basis. The Superintendent is awarded 15 days on a fiscal year basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the (calendar/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. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal-year end.

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

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

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

Fund Balances

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

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

Nonspendable – Amounts that are not in spendable form (e.g., inventory and prepaid items) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

Restricted – Constraints placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for the specific purposes determined by a formal action of the Board. The Board of Education 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 – Amounts intended to be used by the School District for specific purposes. Intent can be expressed by the Board of Education or by a designee to whom the Board of Education delegates authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates the resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

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

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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

The responsibility for designating funds to specific classification is as follows:

Committed Fund Balance – The Board of Education 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. Funds should be committed prior to the end of the fiscal year, although the exact amount may be determined in the subsequent fiscal year.

Assigned Fund Balance – The Board of Education has authorized the Superintendent as the official authorized to assign fund balance to a specific purpose in accordance with the School District’s policy.

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the General Fund at fiscal year-end not to exceed 15% of the total budget of the subsequent fiscal year, net of any committed fund balance for capital expenditures and assigned fund balances “to cover unanticipated deficiencies in revenue or unanticipated expenditures”, in compliance with OCGA Section 20-2-167(a)5. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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.

Deficit Fund Balances

The fund reporting a deficit at June 30, 2017, is as follows:

<u>Fund Type/Fund Name</u>	<u>Deficit Balance</u>
General Fund	
School Food Services	<u>\$ 83,586</u>

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

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deficit Fund Balances (Continued)

The School District’s plan to eliminate this deficit is as follows:

- Reduce the number of school nutrition workers,
- Provide more training on relevant topics for all school food service employees,
- Continue Community Eligibility Program to increase reimbursements,
- Continue Seamless Summer feeding and add after-school snacks to increase reimbursements, and
- Continue to review and evaluate operations to determine other cost saving measures.

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 Peach County Board of Commissioners adopted the property tax levy for the 2016 tax digest year (calendar year) on July 27, 2016 (levy date) based on property values as of January 1, 2016. Taxes were due on December 20, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. The Peach County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District.

Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2017, for maintenance and operations amounted to \$10,543.835.

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

School Operations	17.000 mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amount to \$787,954 during the fiscal year ended June 30, 2017.

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

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales Taxes

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$3,385,532 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Note 3: BUDGETARY DATA

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

The budgetary process begins with the School District’s administration presenting an initial budget for the Board’s review. The administration makes revisions as necessary based on the Board’s guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School 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 OCGA Section 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

The Superintendent is authorized by the Board to approve adjustments of no more than 5% of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 5% of the budgeted amount, the Superintendent shall request Board approval for the budget amendment.

Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

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

EXHIBIT “H”

Note 4: DEPOSITS

Collateralization of Deposits - OCGA Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than 10 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 (OCGA 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 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 bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2017, the School District had deposits with a carrying value of \$1,445,970, which includes \$28,735 in a certificate of deposit which is reported in investments and bank balances of \$2,089,135. The bank balances insured by Federal Depository insurance were \$250,000. The amounts exposed to custodial credit risk are classified into three categories as follows:

- Category 1 – Uncollateralized,
- Category 2 – Cash collateralized with securities held by the pledging financial institution, or
- Category 3 – Cash collateralized with securities held by the pledging financial institution’s trust department or agent but not in the School District’s name.

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

EXHIBIT “H”

Note 4: DEPOSITS (CONTINUED)

The School District’s deposits by custodial credit risk category at June 30, 2017, are as follows:

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ -
2	-
3	1,839,135
	<u>\$ 1,839,135</u>

Categorization of Cash Equivalents

The School District reported cash equivalents of \$7,405,531 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 AAAs rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2017, was 26 days.

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

Categorization of Investments

At June 30, 2017, the School District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of deposit	July 12, 2018	<u>\$ 28,735</u>

Interest Rate Risk

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

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

EXHIBIT “H”

Note 4: DEPOSITS (CONTINUED)

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.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those prescribed by Official Code of Georgia Annotated (OCGA) Section 36-83-4. The School District does not have a formal policy for managing credit quality risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk.

Note 5: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Governmental activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 1,916,121	\$ -	\$ -	\$ -	\$ 1,916,121
Construction in progress	318,994	148,866	-	(467,860)	-
Total	2,235,115	148,866	-	(467,860)	1,916,121
Capital assets, being depreciated:					
Buildings and improvements	55,130,813	45,101	-	-	55,175,914
Equipment	6,950,535	202,263	(799,982)	467,860	6,820,676
Land improvements	544,982	-	-	-	544,982
Total	62,626,330	247,364	(799,982)	467,860	62,541,572
Less accumulated depreciation for:					
Buildings and improvements	(23,739,648)	(1,834,110)	-	-	(25,573,758)
Equipment	(5,091,265)	(505,250)	794,489	-	(4,802,026)
Land improvements	(338,632)	(13,704)	-	-	(352,336)
Total	(29,169,545)	(2,353,064)	794,489	-	(30,728,120)
Total capital assets, being depreciated, net	33,456,785	(2,105,700)	(5,493)	467,860	31,813,452
Governmental activities capital assets, net	\$ 35,691,900	\$ (1,956,834)	\$ (5,493)	\$ -	\$ 33,729,573

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

EXHIBIT “H”

Note 5: CAPITAL ASSETS

Current year depreciation expense by function is as follows:

Instruction		\$	251,557
Support Services			
Maintenance and Operations	\$	1,862,358	
Student Transportation		<u>209,876</u>	2,072,234
Food Services			<u>29,273</u>
Total Depreciation Expense		\$	<u>2,353,064</u>

Note 6: RISK MANAGEMENT

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; acts of God and unemployment compensation.

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District has elected to self-insure for all potential losses related to acts of God. The School District has not experienced any losses related to this risk in the past three years.

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The School District has not incurred any unemployment claims in the current or previous fiscal years.

The School District participates in the Georgia Education Workers' Compensation Trust (the “Trust”), a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1,000,000 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2 million. The Trust covers the first \$1 million of each Employers Liability claim with Safety National Casualty Company providing additional Employers Liability limits up to a \$2 million per occurrence maximum. Safety National Casualty Company also provides \$2 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

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

EXHIBIT “H”

Note 6: RISK MANAGEMENT (CONTINUED)

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 50,000
Finance Director	50,000

Note 7: OPERATING LEASES

The School District leases copiers under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$70,760 for governmental activities for the year ended June 30, 2017. The following future minimum lease payments were required under operating leases as of June 30, 2017:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>
2018	\$ 37,591
2019	32,146
Total	<u>\$ 69,737</u>

Note 8: LONG-TERM LIABILITIES

Capital Leases

The School District has acquired equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

Assets acquired through capital leases, consisted of the following:

Equipment	\$ 25,000
Less: Accumulated Depreciation	<u>(7,500)</u>
	<u>\$ 17,500</u>

During the current fiscal year, the School District entered into a lease agreement as lessee for financing the acquisition of technology equipment at a cost of \$25,000 with a down payment of \$8,333. This lease qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

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

EXHIBIT “H”

Note 8: LONG-TERM LIABILITIES (CONTINUED)

Capital Leases (Continued)

During the current fiscal year, the School District entered into a lease agreement as lessee for financing the acquisition of technology software and equipment at a cost of \$416,524 with a down payment of \$89,228. This lease qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

Capital leases currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>
Technology equipment	0.00%	September 30, 2015	September 30, 2018	\$ 8,333
Computers and equipment	3.56%	July 26, 2016	October 1, 2020	327,296
				<u>\$ 335,629</u>

The following future minimum lease payments were required under operating leases as of June 30, 2017:

<u>Fiscal Year Ended June 30</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 85,919	\$ 11,643
2019	80,345	8,883
2020	83,203	6,025
2021	86,162	3,065
Total Principal and Interest	<u>\$ 335,629</u>	<u>\$ 29,616</u>

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.

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

EXHIBIT “H”

Note 8: LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities

The changes in long-term liabilities during the fiscal year ended June 30, 2017, for governmental activities, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Capital Leases	\$ -	\$ 433,190	\$ (97,561)	\$ 335,629	\$ 85,919
Net Pension Liability	25,270,025	11,272,048	(2,603,270)	33,938,803	-
Compensated Absences	165,941	167,739	(130,203)	203,477	183,129
Total	<u>\$ 25,435,966</u>	<u>\$ 11,872,977</u>	<u>\$ (2,831,034)</u>	<u>\$ 34,477,909</u>	<u>\$ 269,048</u>

Note 9: SIGNIFICANT COMMITMENTS

On December 1, 2012, the School District entered into an agreement with Durham School Services, L.P. for the transportation of pupils. The term of this agreement shall be December 1, 2012 through June 30, 2018.

The following is an analysis of the significant outstanding service contract executed by the School District as of June 30, 2017.

Service	Unearned Executed Contracts
Transportation of Pupils	<u>\$ 1,509,947</u>

Note 10: SIGNIFICANT CONTINGENT LIABILITIES

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.

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 be material to the basic financial statements.

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

EXHIBIT “H”

Note 11: OTHER POST- EMPLOYMENT BENEFITS

Georgia School Personnel Employees Post-employment Health Benefit Fund

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

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

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected “pay-as-you-go” financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

EXHIBIT “H”

Note 11: OTHER POST- EMPLOYMENT BENEFITS (CONTINUED)

Georgia School Personnel Employees Post-employment Health Benefit Fund (Continued)

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

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

<u>Period</u>	<u>Contribution Rate</u>
July 2016 - June 2017	\$945.00 per member per month

For non-certificated school personnel:

<u>Period</u>	<u>Contribution Rate</u>
July 2016 - December 2016	\$746.20 per member per month
January 2017 - June 2017	\$846.20 per member per month

No additional contribution was required by the Board for fiscal year 2017 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other postemployment benefits and are subject to appropriation.

Currently the state is requiring that local Boards of Education pay only on active employees. The School District’s contribution to the health insurance plans for the fiscal years ended June 30, 2017, 2016, 2015 was \$3,508,534, \$3,519,076, and \$3,444,892, respectively, which equaled the required contribution.

Note 12: RETIREMENT PLANS

The School District participates in various retirement plans administered by the State of Georgia. There are two major retirement systems in which the School District participates. These systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

Teachers Retirement System of Georgia (TRS)

Plan Description. All teachers of the School District as defined in §47-3-60 of the Official Code of Georgia Annotated (OCGA) 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).

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

EXHIBIT “H”

Note 12: RETIREMENT PLANS (CONTINUED)

Teachers Retirement System of Georgia (TRS) (Continued)

Title 47 of the OCGA assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

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

Contributions. Per Title 47 of the OCGA, contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to OCGA §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2017. The school district’s contractually required contribution rate for the year ended June 30, 2017, was 14.27% of annual school district payroll. For the current fiscal year, employer contributions to the pension plan were \$2,597,821 and \$21,588 from the School District and the State, respectively.

Public School Employees Retirement System (PSERS)

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

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

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

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

EXHIBIT “H”

Note 12: RETIREMENT PLANS (CONTINUED)

Public School Employees Retirement System (PSERS) (Continued)

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 OCGA §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$53,142.

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

At June 30, 2017, the School District reported a liability of \$33,938,803 for its proportionate share of the net pension liability for TRS.

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

School District's proportionate share of the Net Pension Liability	\$ 33,938,803
State of Georgia's proportionate share of the Net Pension Liability associated with the School District	400,450
	<u>\$ 34,339,253</u>

The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016, was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2016.

At June 30, 2016, the School District's TRS proportion was 0.164503%, which was a decrease of 0.001485% from its proportion measured as of June 30, 2015.

At June 30, 2016, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$297,380.

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

EXHIBIT “H”

Note 12: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions (Continued)

The PSERS net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The State’s proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of \$3,161,241 for TRS and \$48,752 for PSERS and revenue of \$48,752 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2017, the School District reported deferred outflows of resource and deferred inflows of resources related to pension from the following sources:

	TRS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 505,597	\$ 167,828
Changes in assumptions	879,647	-
Net difference between projected and actual earnings on pension plan investments	4,293,398	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,349,445
School District contributions subsequent to the measurement date	2,597,821	-
Total	<u>\$ 8,276,463</u>	<u>\$ 1,517,273</u>

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

EXHIBIT “H”

Note 12: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions (Continued)

School District contributions subsequent to the measurement date of June 30, 2016 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30	TRS
2018	159,340
2019	159,339
2020	2,178,178
2021	1,608,055
2022	56,457
Thereafter	0

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

Teachers Retirement System:

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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

EXHIBIT “H”

Note 12: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions (Continued)

Public School Employees Retirement System

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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

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

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

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

EXHIBIT “H”

Note 12: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions (Continued)

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

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

		1%		Current		1%
		Decrease		discount rate		Increase
		(6.50%)		(7.50%)		(8.50%)
School District's proportionate share of the						
net pension liability	\$	52,826,166	\$	33,398,803	\$	18,388,173

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS and PSERS financial reports which are publically available at www.trsga.com/publications.

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

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.164503%	\$ 33,938,803	\$ 400,450	\$ 34,339,253	\$ 18,242,957	186.04%	76.06%
2016	0.165988%	\$ 25,270,025	\$ 261,092	\$ 25,531,117	\$ 17,701,468	142.76%	81.44%
2015	0.169038%	\$ 21,355,722	\$ 225,764	\$ 21,581,486	\$ 17,245,228	123.84%	84.03%

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

SCHEDULE "2"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.00%	\$ -	\$ 297,380	\$ 297,380	\$ 921,461	N/A	81.00%
2016	0.00%	\$ -	\$ 218,463	\$ 218,463	\$ 1,054,135	N/A	87.00%
2015	0.00%	\$ -	\$ 200,687	\$ 200,687	\$ 1,111,727	N/A	88.29%

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

SCHEDULE "3"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2017	\$ 2,597,821	\$ 2,597,821	\$ -	\$ 18,204,772	14.27%
2016	\$ 2,603,270	\$ 2,603,270	\$ -	\$ 18,242,957	14.27%
2015	\$ 2,327,743	\$ 2,327,743	\$ -	\$ 17,701,468	13.15%

Teachers Retirement System

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

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

Public School Employees Retirement System

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

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

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

SCHEDULE "5"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 11,113,730	\$ 11,113,730	\$ 11,331,789	\$ 218,059
Sales Taxes	125,000	125,000	191,225	66,225
Other Taxes	-	-	28,002	28,002
State Funds	17,092,365	17,228,869	18,303,347	1,074,478
Federal Funds	4,804,714	5,398,656	5,145,161	(253,495)
Charges for Services	109,067	109,067	374,179	265,112
Investment Earnings	2,010	2,010	13,408	11,398
Miscellaneous	210,000	210,000	917,595	707,595
Total Revenues	33,456,886	34,187,332	36,304,706	2,117,374
<u>EXPENDITURES</u>				
Current				
Instruction	18,207,047	19,811,736	19,396,912	414,824
Support Services				
Pupil Services	950,956	1,441,750	1,449,030	(7,280)
Improvement of Instructional Services	260,371	1,132,017	1,124,656	7,361
Educational Media Services	530,300	530,300	560,648	(30,348)
General Administration	857,273	948,642	865,661	82,981
School Administration	2,189,630	2,173,440	2,308,687	(135,247)
Business Administration	311,352	311,352	295,697	15,655
Maintenance and Operation of Plant	2,847,052	2,842,052	2,734,175	107,877
Student Transportation Services	2,292,186	2,463,472	2,253,373	210,099
Central Support Services	199,841	202,141	174,506	27,635
Other Support Services	557,226	557,226	1,040,538	(483,312)
Enterprise Operations	-	-	298,686	(298,686)
Food Services Operation	2,492,758	2,392,758	2,365,167	27,591
Capital Outlay	-	-	45,101	(45,101)
Debt Service	-	-	97,561	(97,561)
Total Expenditures	31,695,992	34,806,886	35,010,398	(203,512)
Excess of Revenues over (under) Expenditures	1,760,894	(619,554)	1,294,308	1,913,862
<u>OTHER FINANCING SOURCES</u>				
Other Long-Term Debt Proceeds	-	-	433,190	433,190
Proceeds from sale of capital assets	-	-	717	717
Total Other Financing Sources	-	-	433,907	433,907
Net Change in Fund Balances	1,760,894	(619,554)	1,728,215	2,347,769
Fund Balances - Beginning	2,205,723	2,205,723	2,205,723	-
Fund Balances - Ending	\$ 3,966,617	\$ 1,586,169	\$ 3,933,938	\$ 2,347,769

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are \$579,180 and \$575,339, 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.

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

SCHEDULE "6"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	17175GA324N1099	\$ 546,103
National School Lunch Program	10.555	17175GA324N1099	<u>1,718,701</u>
Total Child Nutrition Cluster			2,264,804
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Child Nutrition Discretionary Grants	10.579	1616GA350N8103	<u>10,803</u>
Total U. S. Department of Agriculture			<u>2,275,607</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	196,255
Grants to States	84.027	H027A170073	573,710
Preschool Grants	84.173	H173A160081	17,281
Preschool Grants	84.173	H173A170081	<u>9,888</u>
Total Special Education Cluster			<u>797,134</u>
Other Programs			
Direct			
Career and Technical Education - Basic Grants to States	84.048	V048A160010	2,820
Career and Technical Education - Basic Grants to States	84.048	V048A170010	40,866
English Language Acquisition Grants	84.365	S365A160010	17,189
English Language Acquisition Grants	84.365	S365A170010	20,254
Improving Teacher Quality State Grants	84.367	S367A160001	52,343
Improving Teacher Quality State Grants	84.367	S367A170001	235,718
Migrant Education - State Grant Program	84.011	S011A160011	6,915
Migrant Education - State Grant Program	84.011	S011A170011	19,199
Title I Grants to Local Educational Agencies	84.010	S010A160010	208,625
Title I Grants to Local Educational Agencies	84.010	S010A170010	<u>1,318,443</u>
Total Other Programs			<u>1,922,372</u>
Total U. S. Department of Education			<u>2,719,506</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.UNKNOWN		<u>54,800</u>
Total Expenditures of Federal Awards			<u>\$ 5,049,913</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

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

See notes to the basic financial statements.

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

SCHEDULE "7"

<u>AGENCY/FUNDING</u>	GOVERNMENTAL	
	FUND TYPE	
	GENERAL FUND	
GRANTS		
Bright From the Start:		
Georgia Department of Early Care and Learning		
Pre-Kindergarten Program	\$	244,357
Education, Georgia Department of		
Quality Basic Education		
Direct Instructional Cost		
Kindergarten Program		1,136,970
Kindergarten Program - Early Intervention Program		127,917
Primary Grades (1-3) Program		2,819,831
Primary Grades - Early Intervention (1-3) Program		216,417
Upper Elementary Grades (4-5) Program		1,318,610
Upper Elementary Grades - Early Intervention (4-5) Program		149,512
Middle Grades (6-8) Program		2,091,376
High School General Education (9-12) Program		1,875,832
Vocational Laboratory (9-12) Program		709,125
Students with Disabilities		2,331,469
Gifted Student - Category VI		528,301
Remedial Education Program		201,139
Alternative Education Program		153,523
English Speakers of Other Languages (ESOL)		169,586
Media Center Program		386,459
20 Days Additional Instruction		119,487
Principal Staff and Professional Development		65,680
Indirect Cost		
Central Administration		487,141
School Administration		833,906
Facility Maintenance and Operations		893,354
Mid-term Adjustment Hold-Harmless		7,345
Amended Formula Adjustment		(245,762)
Categorical Grants		
Pupil Transportation		452,308
Nursing Services		72,623
State Bonds		154,436
Education Equalization Funding Grant		44,220
Vocational Education		49,076
Food Services		57,116
Other State Programs		
Charter Schools		327,866
Math and Science Supplements		33,094
Teachers Retirement		21,588
Preschool Handicapped Program		59,360
Teacher of the Year		507
Technology for Connections to Classrooms Bonds		95,318
Vocational Supervisors		13,306
Governor's Office of Student Achievement		
Connections for Classrooms Grant		179,379
Digital Learning Grant		66,954
K-3 Literacy Grant		1,479
Office of the State Treasurer		
Public School Employees Retirement		53,142
	\$	<u>18,303,347</u>

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PEACH COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SCHEDULE "8"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
(2016-1) Acquiring, constructing, and equipping a new Peach County High School to include athletic facilities to be located in the central portion of Peach County	32,000,000	35,000,000	-	811,905	-	-	7/1/2021
(2016-2) Improving, repairing, and equipping existing buildings and facilities to include athletic facilities, acquiring technology, safety and security equipment, acquiring buses, purchasing vocational, fine arts and athletic equipment, and purchasing textbooks and e-books (collectively, the "Projects")	3,000,000	3,000,000	-	-	-	-	7/1/2021
(2016-3) The payment of principal and interest on previously incurred general obligation debt of the School District in a maximum amount of \$200,000	200,000	113,761	-	113,761	113,761	-	Completed
(2016-4) The payment of a portion of the principal and interest on the Bonds issues to fund the above projects related to the 2016 resolution in the maximum of \$17,600,000	17,600,000	17,600,000	-	-	-	-	7/1/2021
	\$ 52,800,000	\$ 55,713,761	\$ -	\$ 925,666	\$ 113,761	\$ -	

- (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 Peach 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.

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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

January 23, 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
Peach 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 Peach County Board of Education (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 23, 2019.

Internal Control Over Financial Reporting

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

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

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

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deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item FS 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

School District Response to Findings

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

Purpose of this Report

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

Respectfully submitted,

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

Greg S. Griffin
State Auditor

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

January 23, 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
Peach 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 Peach County Board of Education (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,

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

Greg S. Griffin
State Auditor

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2014-001	<u>Deficit Fund Balance – School Nutrition Fund</u>
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

Finding Status: Unresolved

This is a re-occurring finding which began with the fiscal year 13 audit. Since that time, the School District has hired a full-time bookkeeper for the School Nutrition Department, hired a new School Nutrition Director and implemented CEP at all schools. The School Nutrition Department is no longer borrowing funds from the general fund to cover their monthly payroll or pay their bills. The School Nutrition Department is also re-paying all funds borrowed from the general fund in prior years. The School Nutrition Department has made great progress in decreasing their deficit fund balance each year and are ahead of schedule on their elimination plan.

2015-001	<u>Deficit Fund Balance – School Nutrition Fund</u>
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

Finding Status: Unresolved

This is a re-occurring finding which began with the fiscal year 13 audit. Since that time, the School District has hired a full-time bookkeeper for the School Nutrition Department, hired a new School Nutrition Director and implemented CEP at all schools. The School Nutrition Department is no longer borrowing funds from the general fund to cover their monthly payroll or pay their bills. The School Nutrition Department is also re-paying all funds borrowed from the general fund in prior years. The School Nutrition Department has made great progress in decreasing their deficit fund balance each year and are ahead of schedule on their elimination plan.

FS 2016-001	<u>Deficit Fund Balance</u>
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Non-Material Noncompliance

Finding Status: Unresolved

This is a re-occurring finding which began with the fiscal year 13 audit. Since that time, the School District has hired a full-time bookkeeper for the School Nutrition Department, hired a new School Nutrition Director and implemented CEP at all schools. The School Nutrition Department is no longer borrowing funds from the general fund to cover their monthly payroll or pay their bills. The School Nutrition Department is also re-paying all funds borrowed from the general fund in prior years. The School Nutrition Department has made great progress in decreasing their deficit fund balance each year and are ahead of schedule on their elimination plan.

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

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

- Material weakness identified? No
- Significant deficiency identified? None Reported

Type of auditor's report issued on compliance for major programs:
All major programs Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? No

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-001	<u>Deficit Fund Balance</u>
Control Categories:	Budget Preparation/Execution
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2016-001, 2015-001, 2014-001

Description:

At June 30, 2017, the school nutrition fund reported a deficit fund balance.

Criteria:

Chapter II - 8 *Governmental Fund Deficits* of the Financial Management for Georgia Local Units of Administration states in part: "The seriousness of fund balance deficits cannot be overstated. The Georgia Department of Education requires those LUAs with deficit governmental fund balances to meet certain reporting requirements."

The Department of Audits and Accounts is required to report all instances of budget deficits in accordance with the Official Code of Georgia Annotated §20-2-67(a) which states: "When an audit by the Georgia Department of Audits and Accounts finds and reports irregularities or budget deficits in the fund accounting information regarding a local school system or a school within the local school system, the Department of Audits and Accounts shall report the findings of irregularities or budget deficits to the State Board of Education and the local board of education."

Condition:

The School District's school nutrition fund reported a deficit fund balance of \$83,586 at June 30, 2017. This amount represents a decrease from the prior year amount of \$259,176.

Cause:

In prior years, expenditures in the school nutrition fund exceeded its expenditures.

Effect or Potential Effect:

The fund balance of the school nutrition fund was not sufficient to meet the fund's obligations at June 30, 2017. Resources from the general fund were needed to meet the obligation of the school nutrition fund.

Recommendation:

The School District should continue to strengthen internal controls to ensure the school nutrition fund expenditures do not exceed available resources. We also recommend the School District continues to take appropriate steps to eliminate the accumulated deficit.

Views of Responsible Officials:

We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION FOR CURRENT YEAR FINDINGS

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FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS 2017-001 Deficit Fund Balance

We concur with this finding. The School District's plan to eliminate this deficit is as follows:

- Evaluate number of employees,
- Provide more training on relevant topics for all school food service employees,
- Continue Community Eligibility Program to increase reimbursements,
- Continue Seamless Summer feeding and add after-school snacks to increase reimbursements, and
- Continue to review and evaluate operations to determine other cost saving measures.

Estimated Completion Date: June 30, 2019

Contract Person: Susan Perry, Finance Director
Telephone: (478) 825-5933 Ext. 1004
E-mail: sperry@peachschools.org

