



TWIGGS COUNTY BOARD OF EDUCATION JEFFERSONVILLE, GEORGIA

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



TWIGGS 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 16, 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
Twiggs 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 Twiggs County Board of Education (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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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 45, 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 16, 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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TWIGGS COUNTY BOARD OF EDUCATION

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TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "A"

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 1,729,839
Receivables:	
Taxes	464,568
Intergovernmental:	
State	488,570
Federal	498,272
Other	5,996
Inventory	23,725
Capital assets (nondepreciable)	140,642
Capital assets (depreciable, net of accumulated depreciation)	11,971,236
Total assets	<u>15,322,848</u>
 DEFERRED OUTFLOWS	
Pensions	<u>2,670,968</u>
Total deferred outflows	<u>2,670,968</u>
 LIABILITIES	
Accounts payable	187,057
Salaries and benefits payable	894,400
Accrued interest payable	8,204
Unearned revenue	14,672
Bonds payable due within one year	680,000
Bonds payable due in more than one year	1,350,000
Capital leases due within one year	44,322
Capital leases due in more than one year	45,567
Net pension liability	9,440,592
Total liabilities	<u>12,664,814</u>
 DEFERRED INFLOWS	
Pensions	<u>668,630</u>
Total deferred inflows	<u>668,630</u>
 NET POSITION	
Net investment in capital assets	9,991,989
Restricted for:	
Bus replacement	62,443
Continuation of federal programs	365,474
Debt service	647,542
Unrestricted	(6,407,076)
Total net position	<u>\$ 4,660,372</u>

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "B"

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 6,451,442	\$ -	\$ 3,849,703	\$ -	\$ (2,601,739)
Support services:					
Pupil services	538,653	-	197,666	-	(340,987)
Improvement of instructional services	1,530,201	-	1,526,359	-	(3,842)
Educational media services	202,687	-	106,146	-	(96,541)
General administration	393,261	-	437,866	-	44,605
School administration	733,728	-	370,078	-	(363,650)
Business administration	412,391	-	6,978	-	(405,413)
Maintenance and operation of plant	1,276,883	-	272,447	-	(1,004,436)
Student transportation services	870,433	-	335,872	-	(534,561)
Central support services	211	-	211	-	-
Other support services	175,334	-	157,919	-	(17,415)
Food service operations	864,337	16,256	762,309	-	(85,772)
Community service operation	47,611	-	47,000	-	(611)
Interest on long-term debt	43,548	-	-	-	(43,548)
Total governmental activities	<u>\$ 13,540,720</u>	<u>\$ 16,256</u>	<u>\$ 8,070,554</u>	<u>\$ -</u>	<u>(5,453,910)</u>
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations					4,137,508
Sales taxes, for capital projects					528,100
Intangible taxes					22,525
Transfer taxes					8,535
Railroad equipment tax					33,988
Unrestricted investment earnings					4,156
Miscellaneous					263,426
Total general revenues					<u>4,998,238</u>
Change in net position					(455,672)
Net position, beginning of year					5,116,044
Net position, end of year					<u>\$ 4,660,372</u>

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "C"

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

ASSETS	General	Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 1,098,869	\$ 392,325	\$ 238,645	\$ 1,729,839
Receivables:				
Taxes	425,559	39,009	-	464,568
Intergovernmental:				
State	488,570	-	-	488,570
Federal	498,272	-	-	498,272
Other	5,996	-	-	5,996
Due from other funds	14,233	-	-	14,233
Inventory	23,725	-	-	23,725
Total assets	<u>\$ 2,555,224</u>	<u>\$ 431,334</u>	<u>\$ 238,645</u>	<u>\$ 3,225,203</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 187,057	\$ -	\$ -	\$ 187,057
Salaries and benefits payable	894,400	-	-	894,400
Due to other funds	-	14,233	-	14,233
Unearned revenue	14,672	-	-	14,672
Total liabilities	<u>1,096,129</u>	<u>14,233</u>	<u>-</u>	<u>1,110,362</u>
DEFERRED INFLOWS				
Unavailable revenue - property taxes	224,581	-	-	224,581
Total deferred inflows	<u>224,581</u>	<u>-</u>	<u>-</u>	<u>224,581</u>
FUND BALANCES				
Nonspendable: inventory	23,725	-	-	23,725
Restricted for:				
Continuation of federal programs	341,749	-	-	341,749
Bus replacement	62,443	-	-	62,443
Debt service	-	417,101	238,645	655,746
Assigned for student activities	31,446	-	-	31,446
Unassigned	775,151	-	-	775,151
Total fund balances	<u>1,234,514</u>	<u>417,101</u>	<u>238,645</u>	<u>1,890,260</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,555,224</u>	<u>\$ 431,334</u>	<u>\$ 238,645</u>	<u>\$ 3,225,203</u>

TWIGGS 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")	\$	1,890,260
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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 are not reported in the funds.

	Cost	\$ 25,533,597	
	Less accumulated depreciation	<u>(13,421,719)</u>	12,111,878

Other long-term assets are not available to pay for current-period expenditures and are reported as unavailable revenue in the funds.

	Property taxes	224,581
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

	Bonds	\$ (2,030,000)	
	Capital leases	(89,889)	
	Net pension liability	(9,440,592)	
	Deferred outflows - pensions	2,670,968	
	Deferred inflows - pensions	(668,630)	
	Accrued interest	<u>(8,204)</u>	<u>(9,566,347)</u>

Net position of governmental activities (Exhibit "A")	\$	<u><u>4,660,372</u></u>
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TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "E"

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 4,169,182	\$ -	\$ -	\$ 4,169,182
Sales taxes	31,060	528,100	-	559,160
Other taxes	33,988	-	-	33,988
State funds	4,417,474	-	-	4,417,474
Federal funds	3,611,088	-	-	3,611,088
Charges for services	16,256	-	-	16,256
Investment earnings	2,149	632	1,375	4,156
Miscellaneous	263,426	-	-	263,426
Total revenues	<u>\$ 12,544,623</u>	<u>\$ 528,732</u>	<u>\$ 1,375</u>	<u>\$ 13,074,730</u>
EXPENDITURES				
Current:				
Instruction	\$ 5,770,755	\$ 13,996	\$ -	\$ 5,784,751
Support Services:				
Pupil services	525,117	-	-	525,117
Improvement of instructional services	1,515,015	-	-	1,515,015
Educational media services	198,865	-	-	198,865
General administration	384,257	-	-	384,257
School administration	720,260	-	-	720,260
Business administration	404,261	-	-	404,261
Maintenance and operation of plant	1,290,621	5,948	-	1,296,569
Student transportation services	752,537	15,300	-	767,837
Central support services	211	-	-	211
Other support services	172,219	-	-	172,219
Food service operation	828,217	-	-	828,217
Community service operation	47,611	-	-	47,611
Debt service:				
Principal retirement	-	628,110	80,000	708,110
Interest and fees	-	36,969	10,148	47,117
Total expenditures	<u>12,609,946</u>	<u>700,323</u>	<u>90,148</u>	<u>13,400,417</u>
Net change in fund balances	(65,323)	(171,591)	(88,773)	(325,687)
FUND BALANCE, beginning of year	<u>1,299,837</u>	<u>588,692</u>	<u>327,418</u>	<u>2,215,947</u>
FUND BALANCE, end of year	<u>\$ 1,234,514</u>	<u>\$ 417,101</u>	<u>\$ 238,645</u>	<u>\$ 1,890,260</u>

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "F"

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds (Exhibit "E")	\$	(325,687)
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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 those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which depreciation expense exceeded capital outlay is to decrease net position.

Capital outlay	\$	63,799	
Depreciation expense		<u>(705,435)</u>	(641,636)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes			(31,674)
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Issuance of long-term debt provides current financial resources to governmental funds, while 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	\$	665,000	
Pension expense		(168,354)	
Capital lease payments		<u>43,110</u>	539,756

Some expenses 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.

Change in accrued interest			<u>3,569</u>
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Change in net position of governmental activities (Exhibit "B")	\$	<u><u>(455,672)</u></u>
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TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "G"

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

		Agency Funds
ASSETS		
Cash		\$ 10,589
LIABILITIES		
Funds held for others		\$ 10,589

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**TWIGGS 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 Twiggs 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.

The Twiggs County Recreation Authority (the “Recreation Authority”) was created by House Bill 1897 during the 1996 session of the Georgia General Assembly. The purpose of the Authority is to acquire, construct, own and convey real and personal property for the benefit of the citizens of Twiggs County. The members of the Authority consist of the Chairperson of the Twiggs County Board of Education, the Superintendent of the Twiggs County Board of Education, the Chairperson of the Board of Commissioners of Twiggs County, one non-governmental citizen member appointed by the Twiggs County Board of Education and one non-governmental citizen member appointed by the Board of Commissioners of Twiggs County.

The Recreation Authority qualifies as a component unit of the School District under Government Accounting Standards Board (GASB) Statement No. 14, *the Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *the Financial Reporting Entity: Omnibus*. However, currently there are no standing members of the Recreation Authority and no financial activity. As of the year ended June 30, 2017, the Recreation Authority has no assets or liabilities. The Recreation Authority Bonds, Series 2001, as described in Note 10, are paid by the School District. As such, the basic financial statements of the School District do not include the financial activity of the Recreation Authority.

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 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 Twiggs 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.

TWIGGS 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 Presentation (Continued)

Government-wide Statements

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

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

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

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

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

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

TWIGGS 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 Presentation (Continued)

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 *Capital Projects Fund* accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) and bond proceeds that are restricted, committed, or assigned to the expenditure for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- The *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

Basis of Accounting

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

**TWIGGS 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)

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

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The School District considers all tax 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 collected within 120 days after year-end. Property taxes, sales taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities 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 System 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 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 System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

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

Exhibit “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Account Pronouncements

In fiscal year 2017, the School District adopted 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 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 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.

Cash and Cash Equivalents

Composition of Deposits – Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (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.

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

Exhibit “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Receivables

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

Due to other funds and due from other funds consist of activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year.

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.

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

Exhibit “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Land Improvements	\$ 10,000	15 to 20 Years
Buildings and Improvements	10,000	5 to 50 Years
Equipment	10,000	3 to 20 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or governmental funds 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 a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and/or governmental funds 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 a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time.

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

Exhibit “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Liabilities and Bond Discounts/Premiums

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, 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 of Education. 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.

**TWIGGS 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)

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

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 fund balance of the School District’s General Fund has been accumulated to meet the purpose of providing stability and flexibility to respond to unexpected adversity and/or opportunities. The School District’s basic goal is to maintain annual expenditure increases necessary to provide a consistent educational environment satisfactory to its citizens and to limit expenditures to anticipate revenue in order to maintain a balanced budget.

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.

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 Twiggs County Board of Commissioners set the property tax levy for the 2016 tax digest year (calendar year) on August 23, 2016 (levy date) based on property values as of January 1, 2016. Taxes were due on November 30, 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 Twiggs 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 \$3,963,819.

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

Exhibit “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

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

School Operations	<u>16.600</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$205,363 during fiscal year ended June 30, 2017.

Sales Taxes

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$528,100 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: BUDGETS

The budget is a complete financial plan for the School District’s fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the General Fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, 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 §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.

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

Exhibit “H”

Note 3: BUDGETS (CONTINUED)

The Superintendent is authorized by the Board to approve adjustments for expenditures within any budget function for any fund. Expenditures may not exceed the total appropriation at the aggregate level by function without the board’s approval of a 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.

Note 4: DEPOSITS AND INVESTMENTS

Collateralization of Deposits – The Official Code of Georgia Annotated (OCGA) §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.

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

Exhibit “H”

Note 4: DEPOSITS AND INVESTMENTS (CONTINUED)

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 amount of \$1,502,781 (excluding cash equivalents) and a bank balance of \$1,705,905. The bank balances insured by Federal depository insurance were \$516,013 and the bank balances collateralized with securities held by the pledging institution’s trust department or agent in the School District’s name were \$1,189,892.

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

Statement of Net Position

Cash and cash equivalents	\$ 1,729,839
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Statement of Fiduciary Net Position

Cash and cash equivalents	10,589
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Total cash and cash equivalents	<u>1,740,428</u>
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Less: Investment pool reported as cash and cash equivalents:

Georgia Fund 1	<u>(237,647)</u>
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Total carrying value of deposits - June 30, 2017	<u><u>\$ 1,502,781</u></u>
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Categorization of Cash Equivalents – The School District reported cash equivalents of \$237,647 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 per share, which approximates fair value. The pool is an AA+ 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.

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

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

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

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

Exhibit “H”

Note 4: DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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 OCGA §36-83-4. The School District does not have a formal policy for managing credit quality risk.

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their Federally assigned value. **See Note 2 – Inventories.**

Note 6: 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	\$ 140,642	\$ -	\$ -	\$ -	\$ 140,642
Total	140,642	-	-	-	140,642
Capital assets, being depreciated:					
Buildings and improvements	17,776,574	23,968	-	-	17,800,542
Equipment	2,688,272	39,831	(130,019)	-	2,598,084
Intangible assets	23,750	-	-	-	23,750
Land improvements	4,970,579	-	-	-	4,970,579
Total	25,459,175	63,799	(130,019)	-	25,392,955
Less accumulated depreciation for:					
Buildings and improvements	(7,640,637)	(313,179)	-	-	(7,953,816)
Equipment	(1,614,911)	(177,008)	130,019	-	(1,661,900)
Intangible assets	(14,250)	(4,750)	-	-	(19,000)
Land improvements	(3,576,505)	(210,498)	-	-	(3,787,003)
Total	(12,846,303)	(705,435)	130,019	-	(13,421,719)
Total capital assets, being depreciated, net	12,612,872	(641,636)	-	-	11,971,236
Governmental activities capital assets, net	\$ 12,753,514	\$ (641,636)	\$ -	\$ -	\$ 12,111,878

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

Exhibit "H"

Note 6: CAPITAL ASSETS (CONTINUED)

Current year depreciation expense by function is as follows:

Instruction		\$ 569,248
Support Services		
Maintenance and Operations	\$ 14,889	
Student Transportation	<u>98,089</u>	112,978
Food Services		<u>23,209</u>
Total Depreciation Expense		<u><u>\$ 705,435</u></u>

Note 7: INTERFUND PAYABLES AND RECEIVABLES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. These balances resulted from the time lag between the dates that: (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances at June 30, 2017, consisted of the following:

<u>Due To</u>	<u>Due From</u> <u>General</u> <u>Fund</u>
Capital Projects Fund	<u><u>\$ 14,233</u></u>

Note 8: 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, natural disasters and unemployment compensation.

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, and job related illnesses or injuries to employees. 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 of property due to natural disasters. The School District has not experienced any losses related to this risk in the past three years.

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

Exhibit "H"

Note 8: RISK MANAGEMENT (CONTINUED)

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 the loss can be reasonably estimated.

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2016	<u>\$ -</u>	<u>\$ 3,615</u>	<u>\$ 3,615</u>	<u>\$ -</u>
2017	<u>\$ -</u>	<u>\$ 1,798</u>	<u>\$ 1,798</u>	<u>\$ -</u>

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 100,000
Drivers' Education	10,000

Note 9: SHORT-TERM DEBT

Tax Anticipation Note

The School District issued a tax anticipation note in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections were received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75% of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred. The maturity date of the loan was December 30, 2016. One draw totaling \$1,000,000 was required to meet the cash flow needs of the School District. The note was repaid on December 7, 2016.

Short-term debt activity for the fiscal year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Tax Anticipation Note	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ (1,000,000)</u>	<u>\$ -</u>

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

Exhibit “H”

Note 10: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The changes in long-term debt during the fiscal year ended June 30, 2017, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Twiggs County Recreation					
Authority Bonds, Series 2001	\$ 245,000	\$ -	\$ (80,000)	\$ 165,000	\$ 80,000
General Obligation Series 2014	2,450,000	-	(585,000)	1,865,000	600,000
Capital Leases	132,999	-	(43,110)	89,889	44,322
Net Pension Liability	7,670,768	3,228,353	(1,458,529)	9,440,592	-
Total	<u>\$ 10,498,767</u>	<u>\$ 3,228,353</u>	<u>\$ (2,166,639)</u>	<u>\$ 11,560,481</u>	<u>\$ 724,322</u>

General Obligation Debt Outstanding

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

General obligation bonds currently outstanding are as follows:

Purpose	Maturity	Interest Rates	Amount Issued	Amount Outstanding
General Government - Twiggs County				
Recreation Authority Bonds, Series 2001	2019	4.95%	\$ 1,030,000	\$ 165,000
General Government - Series 2014	2019	1.50%	3,000,000	1,865,000
			<u>\$ 4,030,000</u>	<u>\$ 2,030,000</u>

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

Fiscal Year Ended June 30	Bonds	
	Principal	Interest
2018	\$ 680,000	\$ 29,662
2019	710,000	16,392
2020	640,000	4,800
Total Principal and Interest	<u>\$ 2,030,000</u>	<u>\$ 50,854</u>

Capital Leases

The School District has acquired buses 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.

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

Exhibit “H”

Note 10: LONG-TERM LIABILITIES (CONTINUED)

Capital Leases (Continued)

The following assets were acquired through capital leases and are reflected in the capital asset note at fiscal year-end:

	<u>Governmental Activities</u>
Equipment	\$ 179,432
Less: Accumulated depreciation	<u>(26,915)</u>
	<u><u>\$ 152,517</u></u>

Capital leases currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued Issued</u>	<u>Amount Outstanding</u>
Purchase of buses	2.81%	2015	2019	<u>\$ 179,432</u>	<u>\$ 89,889</u>

The following is a schedule of total capital lease payments:

<u>Fiscal Year Ended June 30</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 44,322	\$ 2,526
2019	<u>45,567</u>	<u>1,280</u>
Total Principal and Interest	<u><u>\$ 89,889</u></u>	<u><u>\$ 3,806</u></u>

Note 11: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction commitments executed by the School District as of June 30, 2017:

<u>Project</u>	<u>Unearned Executed Contracts</u>	<u>Funding Available From State</u>
Twiggs County Middle/High School HVAC	<u><u>\$ -</u></u>	<u><u>\$ 107,308</u></u>

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

Exhibit “H”

Note 12: 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. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

Note 13: 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 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 no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

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

Exhibit “H”

Note 13: 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</u>
July 2016 - June 2017	\$945.00 per member per month

For non-certificated school personnel:

<u>Period</u>	<u>Contribution</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 pre-fund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

Currently, the state is requiring that local Boards of Education pay only on active employees. The District’s contributions to the health insurance plans for the fiscal years ended June 30, 2017, 2016, and 2015, were \$1,131,845, \$1,022,853, and \$1,031,168, respectively, which equaled the required contribution.

Note 14: 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.

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

Exhibit “H”

Note 14: RETIREMENT PLANS (CONTINUED)

Teachers Retirement System of Georgia (TRS)

Plan Description. All teachers of the School District as defined in §47-3-60 of the 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). 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, of which 13.90% of payroll was required from the School District and 0.37% of payroll was required from the state. For the current fiscal year, employer contributions to the pension plan were \$812,578 and \$20,941 from 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 OCGA 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.

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

Exhibit “H”

Note 14: RETIREMENT PLANS (CONTINUED)

Public School Employees’ Retirement System (PSERS) (Continued)

Benefits provided. A member may retire and elect to receive normal monthly retirement benefits after completion of 10 years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of 10 years of service.

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

Contributions. The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with 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 \$20,383.

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 \$9,440,592 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 amounts 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	\$ 9,440,592
State of Georgia's proportionate share of the Net Pension Liability associated with the School District	269,442
	<u><u>\$ 9,710,034</u></u>

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

Exhibit "H"

Note 14: RETIREMENT PLANS (CONTINUED)

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

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 0.045759%, which was a decrease of 0.004627% from its proportion measured as of June 30, 2015.

At June 30, 2017, the School District did not have a PSERS liability for a proportionate share of the Net Pension Liability because of a Special Funding Situation with the State of Georgia, which is responsible for the Net Pension Liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is \$129,766.

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 \$1,038,169 for TRS and \$21,273 for PSERS, and revenue of \$62,043 for TRS and \$21,273 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.

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

Exhibit “H”

Note 14: RETIREMENT PLANS (CONTINUED)

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

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	\$ 140,639	\$ 46,684
Changes of assumptions	244,687	-
Net difference between projected and actual earnings on pension plan investments	1,194,274	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	278,790	621,946
School District contributions subsequent to the measurement date	<u>812,578</u>	<u>-</u>
Total	<u>\$ 2,670,968</u>	<u>\$ 668,630</u>

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:

<u>Fiscal Year Ended June 30</u>	<u>TRS</u>
2018	\$ 148,979
2019	148,979
2020	584,679
2021	318,389
2022	(11,266)

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

Exhibit “H”

Note 14: RETIREMENT PLANS (CONTINUED)

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

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

Teachers Retirement System:

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

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

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

Public School Employees' Retirement System

Inflation	2.75%
Salary 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 three years for males and two 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 five 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.

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

Exhibit “H”

Note 14: RETIREMENT PLANS (CONTINUED)

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

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

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

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

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

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

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

Exhibit “H”

Note 14: RETIREMENT PLANS (CONTINUED)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 14,694,398	\$ 9,440,592	\$ 5,114,949

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

Note 15: BROADBAND SPECTRUM LEASE

Effective June 10, 2005, The School District entered into a 19-year lease agreement with Fixed Wireless Holdings, LLC for the lease of excess spectrum capacity on Education Broadband Service licenses currently held by the School District. These licenses were granted to the School District by the Federal Communications Commission. The lease agreement requires monthly lease payments over the term of the lease, of which \$12,000 was recognized during fiscal year 2017 as a general revenue on the Statement of Activities.

Note 16: SUBSEQUENT EVENTS

Tax Anticipation Note

On August 28, 2017, the Twiggs County Board of Education issued a temporary loan in advance of property tax collections with a financial institution in the amount of \$1,000,000. Proceeds from this short-term loan were issued to provide cash for operations until property tax collections were received by the School District. The maturity date of the loan was December 29, 2017. One draw totaling \$750,000 was required to meet the cash flow needs of the School District. The note was repaid on December 5, 2017.

General Obligation Bonds

On April 26, 2018, the School District issued General Obligation (Sales Tax) Bonds, Series 2018, in the amount of \$1,365,000 to fund capital projects. The bonds carry an interest rate of 2.78% and are due in semi-annual payments through December 1, 2024.

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

Exhibit “H”

Note 17: TAX ABATEMENTS

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

For the fiscal year ended June 30, 2017, Twiggs County abated property taxes due to the School District that were levied on August 30, 2016, and due on November 30, 2016, totaling \$87,160. Included in that amount abated, the following are individual tax abatement agreements that each exceeded 10% of the total amount abated:

- A 70% property tax abatement to a company that harnesses an alternative form of energy. The abatement amounted to \$58,915.
- An 80% property tax abatement to a retail distribution center. The abatement amounted to \$28,245.

Note 18: RELATED PARTY TRANSACTIONS

The Twiggs County Board of Education entered into a contract for speech therapy services for fiscal year 2017 with expenditures totaling \$33,070. The contract was entered into with a relative of an employee of the Twiggs County Board of Education.

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TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "1"

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
School District's proportion of the net pension liability	0.050327%	0.050386%	0.045759%
School District's proportionate share of the net pension liability	\$ 6,358,153	\$ 7,670,768	\$ 9,440,592
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>27,541</u> 6,385,694	<u>29,687</u> 7,700,455	<u>269,442</u> 9,710,034
School District's employee payroll	\$ 5,134,308	\$ 5,363,490	\$ 5,196,288
School District's proportionate share of the net pension liability as a percentage of its employee payroll	123.84%	143.02%	181.68%
Plan fiduciary net position as a percentage of the total pension liability	84.03%	81.44%	76.06%

Note: The measurement date for the year ended June 30, 2017 is June 30, 2016.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "2"

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
School District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%
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	<u>86,865</u> <u>\$ 86,865</u>	<u>79,756</u> <u>\$ 79,756</u>	<u>129,766</u> <u>\$ 129,766</u>
School District's employee payroll	\$ 285,608	\$ 278,098	\$ 268,145
School District's proportionate share of the net pension liability as a percentage of its employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	88.29%	87.00%	81.00%

Note: The measurement date for the year ended June 30, 2017 is June 30, 2016.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "3"

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 705,299	\$ 721,066	\$ 812,578
Contributions in relation to the contractually required contribution	<u>705,299</u>	<u>721,066</u>	<u>812,578</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's employee payroll	\$ 5,363,490	\$ 5,196,288	\$ 5,843,874
Contributions as a percentage of employee payroll	13.15%	13.88%	13.90%

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "4"

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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).

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "5"

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Nonappropriated Budget		Actual	Variance With Final Budget
	Original ⁽¹⁾	Final ⁽¹⁾		
REVENUES				
Property taxes	\$ 4,557,298	\$ 4,950,930	\$ 4,169,182	\$ (781,748)
Sales taxes	-	-	31,060	31,060
Other taxes	-	-	33,988	33,988
State funds	4,238,993	4,275,633	4,417,474	141,841
Federal funds	3,075,221	2,698,278	3,611,088	912,810
Charges for services	-	-	16,256	16,256
Investment earnings	-	-	2,149	2,149
Miscellaneous	948	948	263,426	262,478
Total revenues	<u>\$ 11,872,460</u>	<u>\$ 11,925,789</u>	<u>\$ 12,544,623</u>	<u>\$ 618,834</u>
EXPENDITURES				
Current:				
Instruction	\$ 5,123,589	\$ 5,351,609	\$ 5,770,755	\$ (419,146)
Support services:				
Pupil services	309,370	478,534	525,117	(46,583)
Improvement of instructional services	1,086,373	1,588,695	1,515,015	73,680
Educational media services	184,018	184,018	198,865	(14,847)
General administration	519,422	430,369	384,257	46,112
School administration	640,227	732,514	720,260	12,254
Business administration	304,220	352,006	404,261	(52,255)
Maintenance and operation of plant	971,396	1,183,613	1,290,621	(107,008)
Student transportation services	705,034	745,319	752,537	(7,218)
Central support services	-	1,750	211	1,539
Other support services	212,531	191,754	172,219	19,535
Food service operations	-	-	828,217	(828,217)
Community service operation	-	-	47,611	(47,611)
Total expenditures	<u>\$ 10,056,180</u>	<u>\$ 11,240,181</u>	<u>\$ 12,609,946</u>	<u>\$ (1,369,765)</u>
Net change in fund balances	\$ 1,816,280	\$ 685,608	\$ (65,323)	\$ (750,931)
FUND BALANCE, beginning of year	<u>1,299,837</u>	<u>1,299,837</u>	<u>1,299,837</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 3,116,117</u>	<u>\$ 1,985,445</u>	<u>\$ 1,234,514</u>	<u>\$ (750,931)</u>

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

(1) Original and Final Budget amounts do not include budgeted revenues (\$189,953) or expenditures (\$188,706) of the various school activity accounts.

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.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "6"

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Funding Agency Program/Grant</u>	<u>CFDA Number</u>	<u>Pass-Through Entity ID Number</u>	<u>Expenditures In Period</u>
Agriculture, U.S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	17175GA324N1099	\$ 215,526
National School Lunch Program	10.555	17175GA324N1100	577,062
Total U.S. Department of Agriculture			<u>792,588</u>
Education, U.S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	29,032
Grants to States	84.027	H027A160073	214,270
Preschool Grants	84.173	H173A150081	8,514
Preschool Grants	84.173	H173A160081	3,127
Total Special Education Cluster			<u>254,943</u>
School Improvement Grant Cluster			
Pass-Through From Georgia Department of Education			
School Improvement Grants	84.377	S377A160011	<u>1,918,724</u>
Other Programs			
Pass-Through From Georgia Department of Education			
English Language Acquisition Grants	84.365	S365A160010	273
Supporting Effective Instruction State Grants	84.367	S367A150001	8,952
Supporting Effective Instruction State Grants	84.367	S367A160001	113,326
Rural Education	84.358	S358B150010	2,123
Rural Education	84.358	S358B160010	9,146
Title I Grants to Local Educational Agencies	84.010	S010A150010	33,736
Title I Grants to Local Educational Agencies	84.010	S010A160010	472,621
Career and Technical Education - Basic Grants to States	84.048	V048A160010	16,548
Total U.S. Department of Education			<u>2,830,392</u>
Defense, U.S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.unknown		<u>\$ 55,955</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,678,935</u></u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

The School District did not provide Federal Assistance to any Subrecipient.

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Twiggs 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 bond, it is not intended and does not present the financial portion of changes in net position of the bond.

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

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "7"

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Agency/Funding</u>	<u>Governmental Fund Type</u>
<u>Agency/Funding</u>	<u>General Fund</u>
Grants	
Bright from the Start Georgia Department of Early Care and Learning Pre-Kindergarten Program	\$ 131,067
Education, Georgia Department of Quality Basic Education Direct Instructional Cost Kindergarten Program Kindergarten Program - Early Intervention Program Primary Grades (1-3) Program Primary Grades - Early Intervention (1-3) Program Upper Elementary Grades (4-5) Program Primary Grades - Early Intervention (4-5) Program Middle School (6-8) Program High School General Education (9-12) Program Vocational Laboratory (9-12) Program Students with Disabilities Alternative Education Program Media Center Program 20 Days Additional Instruction Staff and Professional Development Principal Staff and Professional Development Indirect Cost Central Administration School Administration Facility Maintenance and Operations Categorical Grants Pupil Transportation Sparsity Nursing Services Vocational Supervisors Food Services Vocational Education Amended Formula Adjustment Other State Programs Family Connection Other Grants From Georgia Department of Education Teacher of the Year Math and Science Supplement	188,518 25,266 578,179 84,934 215,738 102,682 463,155 407,874 257,406 519,156 36,726 78,729 25,825 12,992 671 270,030 275,011 180,631 248,695 185,538 45,000 5,322 17,384 24,187 (55,432) 47,000 507 3,359
On-Behalf Payments Georgia Department of Education Paid to the Teachers Retirement System Office of State Treasurer Paid to the Public School Employees Retirement System	20,941 20,383
Grand Total	<u>\$ 4,417,474</u>

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TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "8"

**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Project - SPLOST IV</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Costs (2)</u>	<u>Expended In Current Year (3)(4)</u>	<u>Expended In Prior Years (3)(4)(6)</u>	<u>Total Completion Cost(5)</u>	<u>Estimated Completion Date</u>
Acquiring, constructing, and equipping a new elementary school gym.	\$ 2,000,000	\$ 2,990,602	\$ -	\$ 2,990,602	\$ 2,990,602	Complete
Improving and renovating the existing high school gym.	200,000	-	-	-	-	12/31/2019
Acquiring safety and security equipment and vocational, musical, athletic, and physical education equipment.	50,000	27,128	10,798	16,329	-	12/31/2019
Acquiring, repairing, and updating system-wide technology, including computer hardware.	100,000	11,955	3,516	8,439	-	12/31/2019
Adding to, renovating, repairing, improving, and equipping existing school buildings, other buildings, and facilities including athletic facilities and roof and HVAC repairs.	500,000	-	-	-	-	12/31/2019
Acquiring, textbooks, e-books, and classroom furniture.	20,000	7,564	5,630	1,934	-	12/31/2019
Acquiring school buses and other system-wide vehicles.	90,000	179,432	-	179,432	-	10/31/2018
Acquiring and repairing transportation and maintenance equipment and facilities.	40,000	15,300	15,300	-	15,300	Complete
	<u>\$ 3,000,000</u>	<u>\$ 3,231,981</u>	<u>\$ 35,244</u>	<u>\$ 3,196,736</u>	<u>\$ 3,005,902</u>	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.

(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

(3) The voters of Twiggs 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 project.

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

Prior Years	\$ 69,415
Current Year	36,969
Total	<u>\$ 106,384</u>

(5) As of June 30, 2017, there were no excess proceeds which were not yet expended.

(6) Adjustments have been made to reflect corrections to amounts reported in prior years.

Reconciliation of expenditures reported to basic financial statements:

\$ 35,244	Total Expenditures - SPLOST IV
36,969	Interest - Capital Projects Fund
10,148	Interest - Debt service Fund
80,000	Principal payment, Series 2001 Bonds
585,000	Principal payment, Series 2014 Bonds
43,110	Principal payments, bus leases
<u>\$ 790,471</u>	
\$ 700,323	Total expenditures, Capital Projects Fund
90,148	Total expenditures, Debt Service Fund
<u>\$ 790,471</u>	

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

January 16, 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
Twiggs 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 Twiggs 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 16, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify 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 material weakness.

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Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,

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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 16, 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
Twiggs 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 Twiggs 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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Basis for Qualified Opinion on Child Nutrition Cluster (CFDA 10.553 and 10.555)

As described in the accompanying *Schedule of Findings and Questioned Costs*, the School District did not comply with requirements regarding Child Nutrition Cluster as described in item FA 2017-001 for Activities Allowed or Unallowed, Equipment and Real Property Management, Period of Performance, Procurement, Suspension and Debarment, and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster (CFDA 10.553 and 10.555)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster (CFDA 10.553 and 10.555) for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs* for the year ended June 30, 2017.

Other Matters

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

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

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

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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. We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as items FA 2017-001, to be a material weakness.

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.

The School District's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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". The signature is fluid and cursive, with the first and last names being more prominent.

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-003 Inadequate Internal Control Procedures

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

Finding Status: Unresolved

We have addressed these points through proper delegation of duties to staff members to correct separation of duties issues. In addition, there have been other preventative measures and internal controls enforced to ensure documentation is present.

FS 2014-004 Inadequate Internal Control Procedures Over School Activity Accounts

Control Category: Expenditures/Liabilities/Disbursements
Cash and Cash Equivalents
Revenues/Receivables/Receipts
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Previously Reported Corrective Action Implemented

FS 2014-005 Inadequate Internal Control Procedures

Control Category: Employee Compensation
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

There have been preventative measures and internal controls enforced to ensure documentation is present.

FS 2015-001 Inadequate Internal Control Procedures

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

Finding Status: Unresolved

We have addressed these points through proper delegation of duties to staff members to correct separation of duties issues. In addition, there have been other preventative measures and internal controls enforced to ensure documentation is present.

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-002 Inadequate Internal Control Procedures Over School Activity Accounts

Control Category: Expenditures/Liabilities/Disbursements
Cash and Cash Equivalents
Revenues/Receivables/Receipts
Internal Control Impact: Significant Deficiency
Compliance Impact: Material Noncompliance

Finding Status: Previously Reported Corrective Action Implemented

FS 2015-003 Inadequate Internal Control Procedures

Control Category: Employee Compensation
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

There have been preventative measures and internal controls enforced to ensure documentation is present.

FS 2016-001 Internal Controls at the Central Office

Control Category: Accounting Controls (Overall)
Cash and Cash Equivalents
Expenditures/Liabilities/Disbursements
Employee Compensation
General Ledger
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved

Central Office staff did not disseminate responsibilities properly to ensure proper roles for review and preparation occurred.

FS 2016-002 Internal Control Procedures over School Activity Accounts

Control Category: Revenues/Receivables/Receipts
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Previously Reported Corrective Action Implemented

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

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2016-001

Internal Control Procedures

Compliance Requirement:	Activities Allowed or Unallowed Allowable Costs/Cost Principles Equipment and Real Property Management Period of Performance Special Tests and Provisions
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	CFDA 10.553 and 10.555 Child Nutrition Cluster
Federal Award Number:	161656A324N1099
Finding Status:	Unresolved

The Federal Programs did not undergo monthly or quarterly review from management to ensure proper documentation, timeliness and proper signatures were in place for purchases.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

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

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)? Yes

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? No

TWIGGS 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>Internal Control Procedures</u>
Control Category:	Accounting Controls (Overall)
	Cash and Cash Equivalents
	Capital Assets
	Expenditures/Liabilities/Disbursements
	Employee Compensation
	General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2016-001, FS 2015-001, FS 2015-003, FS 2014-003, FS 2014-005

Description:

The accounting procedures of the School District were insufficient to provide for adequate internal controls over numerous control categories.

Criteria:

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

Condition:

Accounting Controls (Overall)

- The School District does not have adequate logical access controls in place to protect the integrity of information maintained in significant financial applications including no formal policy for periodic monitoring of user access rights. For the financial application, we noted several users with access rights that exceeded their need to complete their assigned job functions. Further, the access granted did not adequately separate the functions of initiating, authorizing, and recording transactions, reconciliations, and maintaining the custody of assets.
- Finance personnel have access to the server room as well as having access to modify the information technology backup schedule.
- The School District did not perform a job restore for the financial application to ensure data backed up is recoverable.
- Password requirements for the school food point-of-sale system are inadequate.
- The School District did not complete a risk assessment for the year under audit.

Cash and Cash Equivalents

- Bank reconciliations performed at the Central Office do not have evidence of approval and are not dated to provide evidence of timely preparation.
- One bank account that was closed during the year remained on the general ledger at year end.

Capital Assets

- The School District did not capitalize five pieces of equipment that met the capitalization threshold requirements in the School District's policy.
- One deletion was not included in the current year summary of changes in capital assets financial statement note disclosure.
- The School District does not properly document the sale of capital assets. The School District's documentation does not clearly identify the assets sold or details of amounts collected for each individual item sold.
- The capital assets recorded in the general ledger do not agree to the capital assets listing or the capital assets note disclosure in the notes to the financial statements.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Expenditures/Liabilities/Disbursements

- Four expenditures did not have evidence of proper approval.
- Three expenditures did not have evidence of receipt of goods.
- One current year expenditure was incorrectly recorded in subsequent period.

Employee Compensation

- During the review of thirty-three employees' salaries, the following issues were noted:
 - Two employees were incorrectly paid extended day for three months that were not earned.
 - One employee was reimbursed for furlough days that were not originally deducted.
 - One employee was overpaid due to the incorrect hours being used.
 - One employee's pay was not fully supported by documentation.
 - One employee was coded incorrectly on the CS-1 report.
 - One employee requires monthly adjustments to their pay due to their position. The School District did not re-evaluate the employee's pay as required, and an immaterial underpayment occurred.
- Two out of fifteen employees tested during census data testing had immaterial variances between their actual contributions and the amount of contributions submitted to the retirement system.
- The School District was unable to provide contribution documentation for the Public School Employees' Retirement System for the purpose of census data testing.

General Ledger

- The School District failed to record in the general ledger numerous financial statement entries from previous fiscal years. These journal entries have been repeated during the financial statement preparation process year after year because the general ledger has not been corrected.
- The Due to Other Funds and Due from Other Funds financial statement accounts were required in the financial statement preparation process to reconcile cash. Cash is incorrectly recorded between funds on the general ledger.
- During a review of nine journal entries recorded in the general ledger, the following issues were noted:
 - Eight did not have evidence of the preparer.
 - The School District's Chief Financial Officer prepares and approves her own journal entries.

Cause:

Issues discussed by management are as follows:

- Management did not address accounting system accesses, backups, and password requirements as necessary to ensure the School District's data was secure.
- Management failed to document risk assessments.
- Management was not diligent in ensuring that bank reconciliations were completed, signed, and dated to document proper separation of duties and timeliness.
- Errors in capital assets were due to a lack of review.
- Errors in expenditures were due to a lack of review and training on the procurement policy.
- Employees were incorrectly compensated and errors occurred in reporting salaries due to a lack of proper review.
- Issues in the general ledger were due to lack of controls being implemented around the journal entry process and lack of training due to time constraints.
- Management did not ensure that supporting documentation for various account types were on hand and available.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:

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

Recommendation:

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

Views of Responsible Officials:

We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2017-001	<u>Internal Control Procedures</u>
Compliance Requirement:	Activities Allowed / Un-allowed Allowable Costs/Cost Principles Equipment and Real Property Management Period of Performance Procurement, Suspension and Debarment Special Tests and Provisions
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Numbers:	17175GA324N1099, 17175GA324N1100
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA-2016-001

Description:

A review of the Child Nutrition Cluster (CFDA 10.553 and 10.555) revealed that internal control procedures were not in place over several control categories.

Criteria:

2 CFR Part 200.403 states in part that “costs must meet the following general criteria in order to be allowable under Federal Awards: ... (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity... (g) Be adequately documented...

2 CFR 200.303(a) states that the non-Federal entity must “establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2 CFR 200.313(d)(1) states, "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property."

7 CFR 210.14(a) states that "School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of food service..."

Condition:

- The following issues were noted during the review of thirty-three expenditures:
 - Two lacked evidence of proper approval, which included the review to ensure procurement procedures were followed.
 - Thirty-two did not have evidence of review to ensure expenditures are in the correct period.
 - Three were incorrectly recorded as current year accounts payable. The items purchased were not received in current fiscal year.
- The following issues were noted during the review of equipment:
 - Two pieces of equipment were disposed of but were not removed from the DE804 submission.
 - Four pieces of equipment that were less than \$5,000 were reported on the DE804 submission.
 - One piece of equipment over the \$5,000 was not added to the equipment listing.
 - The property listing did not contain the funding source for the property, who holds the title, use and condition of the property, the percentage of Federal participation in the cost, or disposition information. In addition, the School District did not have a formal equipment policy that addressed the requirements from 2 CFR 200.313.
- Three out of seven journal entries tested did not have evidence of a preparer and one did not have evidence of a reviewer.
- Two out of three Child Nutrition Cluster federal reimbursements tested were not transferred from the general operating account to the school food service account within a timely manner.

Questioned Cost:

None Identified

Cause:

In discussing this issue with management, they stated that improper distribution of duties caused errors and oversights, problems in transferring funds timely, lack of review of listings, and failure to implement policies.

Effect or Potential Effect:

Failure to ensure federal regulations are properly followed resulted in noncompliance with the requirements of the federal programs.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

The School District should implement internal control procedures to ensure that expenditures are allowable, are during the correct period of performance, and are following procurement procedures. Property records should contain the following regarding the equipment: description, source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition and any ultimate disposition data include the date of disposal and sales price. Management should implement internal control procedures to ensure that all journal entries and receipt documentation are properly approved. Lastly, management should implement internal control procedures to ensure that reimbursement claims are properly transferred in a timely manner.

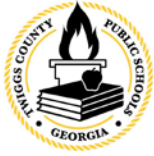
Views of Responsible Officials:

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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TWIGGS COUNTY PUBLIC SCHOOLS

Generating Excellence: One Team... One Goal

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CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2017-001

Control Category:

Internal Control Procedures

Accounting Controls (Overall)

Cash and Cash Equivalents

Capital Assets

Expenditures/Liabilities/Disbursements

Employee Compensation

General Ledger

Internal Control Impact:

Material Weakness

Compliance Impact:

None

Repeat of Prior Year Finding:

FS 2016-001, FS 2015-001, FS 2015-003, FS 2014-003, FS 2014-005

The accounting procedures of the School District were insufficient to provide for adequate internal controls over numerous control categories.

Corrective Action Plans:

The LEA plans to review all procedures and policies. The goal is to ensure all procedures are vetted for segregation of duties and addresses areas of weaknesses. Then, there will be an update to job duties and responsibilities within the department to reflect these actions if necessary.

Estimated Completion Date: March 30, 2019

Contact Person: James F. Austin III

Telephone: 478-945-3127 E-mail: jaustin@twiggs.k12.ga.us

The mission of Twiggs County Public Schools is to inspire, challenge and prepare all students to compete globally.

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CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

FA 2017-001	<u>Internal Control Procedures</u>
Compliance Requirement:	Activities Allowed/Un-allowed
	Allowable Costs/Cost Principles
	Equipment and Real Property Management
	Period of Performance
	Procurement, Suspension and Debarment
	Special Tests and Provisions
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Number:	17175GA324N1099, 17175GA324N1100
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA 2016-001

A review of the Child Nutrition Cluster (CFDA 10.553 and 10.555) revealed that internal control procedures were not in place over several control categories.

Corrective Action Plans:

Again, there will be an in-depth policy and procedure review. The management will conduct monthly review of all activities to ensure compliance has been met.

Estimated Completion Date: March 30, 2018

Contact Person: James F. Austin

Telephone: 478-945-3127; E-mail: jaustin@twiggs.k12.ga.us

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