



# WASHINGTON COUNTY BOARD OF EDUCATION SANDERSVILLE, GEORGIA

ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019  
(Including Independent Auditor's Reports)



WASHINGTON 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

## INDEPENDENT AUDITOR'S REPORT

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  
Washington County Board of Education

### 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 Washington County Board of Education (School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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



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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, 2019, 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.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and are 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2020 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor

February 12, 2020

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WASHINGTON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

## INTRODUCTION

The discussion and analysis of the Washington County Board of Education's (School District) financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2019 and June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

## FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal years 2019 and 2018 are as follows:

- On the government-wide financial statements, the assets and deferred outflow of resources of the School District exceeded liabilities and deferred inflow of resources by \$11.8 million and \$8.3 million, respectively, for the fiscal years ended June 30, 2019 and 2018.
- The School District had \$34.2 million and \$35.0 million in expenses relating to governmental activities for the fiscal years ended June 30, 2019 and June 30, 2018, respectively. Only \$21.7 million and \$20.6 million of the above-mentioned expenses for 2019 and 2018 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$16.1 million and \$15.6 million, respectively, for 2019 and 2018, along with fund balance were adequate to provide for these programs.
- General revenues account for \$16.1 million in revenue or 42.56% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$21.7 million or 57.44% of total revenues of \$37.8 million.
- The general fund (the primary operating fund), presented on a current financial resource basis, ended the fiscal year with a fund balance of \$7.61 million, an increase of \$263 thousand from the June 30, 2018 fund balance of \$7.35 million.
- Among major funds, the general fund had \$34.2 million in revenues and \$33.8 million in expenditures. The fund balance for the general fund increased slightly by \$263 thousand. This increase can be attributed to effective budgeting, expenditure controls, and increased revenues.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The fund financial statements reflect the School District's most significant funds. For the years ending June 30, 2019 and 2018, the general fund, the capital projects fund, and the debt service fund represent the most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information and supplemental information that further explains and supports the financial statements.

### **Government-Wide Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled to the financial statements.

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



WASHINGTON COUNTY BOARD OF EDUCATION  
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**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2019 and 2018.

**Table 1  
Net Position**

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2019	2018
<b>Assets</b>		
Current and Other Assets	\$ 22,919,892.08	\$ 19,729,745.85
Capital Assets, Net	57,916,728.99	59,125,562.68
<b>Total Assets</b>	<b>80,836,621.07</b>	<b>78,855,308.53</b>
<b>Deferred Outflows of Resources</b>		
Related to Defined Benefit Pension Plans	5,826,079.78	4,599,639.82
Related to OPEB Plans	1,002,689.00	959,620.00
<b>Total Deferred Outflows of Resources</b>	<b>6,828,768.78</b>	<b>5,559,259.82</b>
<b>Liabilities</b>		
Current and Other Liabilities	3,857,155.04	3,950,744.66
Long-Term Liabilities	14,353,860.65	14,388,071.87
Net Pension Liability	26,630,504.00	27,220,803.00
Net OPEB Liability	23,344,147.00	26,191,935.00
<b>Total Liabilities</b>	<b>68,185,666.69</b>	<b>71,751,554.53</b>
<b>Deferred Inflows of Resources</b>		
Related to Defined Benefit Pension Plans	2,392,381.00	1,875,337.00
Related to OPEB Plans	5,281,172.00	2,535,581.00
<b>Total Deferred Inflows of Resources</b>	<b>7,673,553.00</b>	<b>4,410,918.00</b>
<b>Net Position</b>		
Net Investment in Capital Assets	44,028,549.33	45,300,457.50
Restricted	12,784,000.32	9,571,127.42
Unrestricted (Deficit)	(45,006,379.49)	(46,619,489.10)
<b>Total Net Position</b>	<b>\$ 11,806,170.16</b>	<b>\$ 8,252,095.82</b>

Net position increased \$3.6 million in fiscal year 2019. This increase is primarily due to an increase in investment balances and decreases in pension liability and OPEB Liability.

WASHINGTON COUNTY BOARD OF EDUCATION  
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During fiscal year 2015, the Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. In fiscal year 2018 the implementation of GASB No. 75 coupled with these two statements drastically changed the presentation for the government-wide balance sheet by requiring the reporting of the Board's net pension/OPEB liability and deferred inflows and outflows associated with pension payments and State Health contributions in which the Board participates. The total liability effect of these changes was \$26,630,504.00 for Pensions and \$23,344,147.00 for OPEB the year ended June 30, 2019. These liabilities exceeded the Board's unrestricted net position of \$4,968,271.51. Although this causes a large deficit balance in unrestricted net position, it should not be considered a financial weakness as these costs are spread out over multiple years well into the future.

WASHINGTON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Table 2 shows the changes in net position for fiscal years ending June 30, 2019 and June 30, 2018.

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

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2019	2018
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 420,440.91	\$ 399,741.39
Operating Grants and Contributions	20,684,653.93	19,724,437.95
Capital Grants and Contributions	605,290.40	448,888.44
Total Program Revenues	<u>21,710,385.24</u>	<u>20,573,067.78</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	11,861,682.09	11,790,966.34
Railroad Cars	85,533.94	76,237.88
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	2,806,843.29	2,546,358.48
Other Taxes	69,856.25	69,817.84
Investment Earnings	322,418.56	197,943.87
Miscellaneous	943,091.72	926,606.05
Total General Revenues	<u>16,089,425.85</u>	<u>15,607,930.46</u>
Total Revenues	<u>37,799,811.09</u>	<u>36,180,998.24</u>
<b>Program Expenses:</b>		
Instruction	19,375,634.42	19,745,364.97
Support Services		
Pupil Services	1,157,189.37	1,482,299.15
Improvement of Instructional Services	1,531,687.15	1,626,191.33
Educational Media Services	419,252.09	441,938.68
General Administration	1,051,663.50	1,026,970.88
School Administration	2,425,366.05	2,496,714.26
Business Administration	556,094.48	580,242.54
Maintenance and Operation of Plant	3,056,030.99	3,100,905.48
Student Transportation Services	2,255,636.85	2,193,285.75
Central Support Services	-	1,098.75
Other Support Services	50,339.04	42,567.48
Operations of Non-Instructional Services		
Food Services	1,886,362.81	1,827,802.04
Interest on Short-Term and Long-Term Debt	480,480.00	480,480.00
Total Expenses	<u>34,245,736.75</u>	<u>35,045,861.31</u>
Increase in Net Position	<u>\$ 3,554,074.34</u>	<u>\$ 1,135,136.93</u>

WASHINGTON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions increased \$1.14 million for governmental activities. This increase is largely due to an increase in funds earned through the State Quality Basic Education (QBE) Funding Formula. The increase in capital grants and contributions is due to the School District recognizing Bus Bond revenue from the Georgia Department of Education.

General revenues increased by \$481 thousand during fiscal year 2019 due to receipt of more SPLOST and investment revenue.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**  
**(In Thousands)**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018
Instruction	\$ 19,375,634.42	\$ 19,745,364.97	\$ 4,670,881.39	\$ 6,129,405.28
Support Services:				
Pupil Services	1,157,189.37	1,482,299.15	778,338.31	878,131.37
Improvement of Instructional Services	1,531,687.15	1,626,191.33	1,068,122.89	1,128,600.14
Educational Media Services	419,252.09	441,938.68	(706.91)	32,741.68
General Administration	1,051,663.50	1,026,970.88	464,510.83	424,079.06
School Administration	2,425,366.05	2,496,714.26	1,610,056.05	1,704,817.65
Business Administration	556,094.48	580,242.54	556,094.48	579,155.02
Maintenance and Operation of Plant	3,056,030.99	3,100,905.48	2,057,647.02	2,159,337.27
Student Transportation Services	2,255,636.85	2,193,285.75	1,421,748.41	1,517,304.46
Central Support Services	-	1,098.75	-	1,096.61
Other Support Services	50,339.04	42,567.48	50,339.04	42,479.18
Operations of Non-Instructional Services:				
Food Services	1,886,362.81	1,827,802.04	(171,309.60)	(155,945.75)
Interest on Short-Term and Long-Term Debt	480,480.00	480,480.00	29,629.60	31,591.56
<b>Total Expenses</b>	<b>\$ 34,245,736.75</b>	<b>\$ 35,045,861.31</b>	<b>\$ 12,535,351.51</b>	<b>\$ 14,472,793.53</b>

Although program revenues make up a majority of the funding, the School District is still dependent upon tax revenues for governmental activities. For 2019, 39.77% of instruction and support activities were supplemented by taxes and other general revenues compared to 44.59% in 2018.

The State's QBE funding does not provide an adequate level of funding to provide basic education services and to adequately maintain facilities. The Board levies a millage rate of 17.048 to provide additional local funding.

WASHINGTON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Expenses decreased \$800 thousand from the prior year and the net costs of providing services decreased \$1.9 million. This situation occurred because of the reduction in recognized pension and OPEB expenses.

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$39.4 million and expenditures and other financing uses of \$36.2 million. The general fund reflected an increase of \$263 thousand, the debt service fund increased by \$1.9 million, and the capital projects funds increased \$1.03 million. The change in the fund balance of the general fund indicates the Board was able to satisfy current year expenditure requirements with current year revenues.

#### **General Fund Budgeting Highlights**

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the general fund, funded primarily through state revenue and local property tax revenue. During the course of fiscal years 2019 and 2018, the School District amended its general fund budget as needed.

For the general fund, the final budgeted revenues and other financing sources of \$34.8 million increased from the original budgeted amount of \$34.5 million by \$296 thousand. This difference was mainly due to an increase in state funds and charges for services. The actual revenue was less than the budgeted amount by \$656 thousand. The majority of the variances between the final budget and actual revenue in 2019 are due to the student activity funds, on behalf payments for retirement that are not budgeted, and property tax collections being less than budgeted amount.

The final budgeted expenditures and other financial uses of \$34.6 million were more than the original budgeted amount of \$34.3 million by \$305 thousand. The difference was due to various adjustments in budgeted expenditure accounts. The actual expenditures and other financing uses of \$33.9 million were \$645 thousand less than budgeted. The majority of the variances between the final budgeted expenditures and actual are due to lower than expected expenditures for State Health Benefit Plan and replacement staff.

WASHINGTON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**CAPITAL ASSETS**

At the fiscal years ended June 30, 2019 and June 30, 2018, the School District had \$58.0 and \$59.0 million, respectively, invested in capital assets, net of accumulated depreciation. These assets are made up of a broad range of capital assets, including land; buildings; transportation, food service and maintenance equipment. Table 4 reflects a summary of these balances, by class, net of accumulated depreciation.

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

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2019	2018
Land	\$ 2,061,201.97	\$ 2,056,702.37
Construction In Progress	104,207.02	-
Building and Improvements	51,031,310.21	52,121,264.88
Equipment	1,426,493.58	1,487,694.08
Land Improvements	3,293,516.21	3,459,901.35
Total	\$ 57,916,728.99	\$ 59,125,562.68

The overall capital assets decreased in fiscal year 2019 by \$1.21 million due to depreciation and disposals exceeding any new purchases.

Construction in progress increased due to the T.J. Elder Middle School HVAC project.

**DEBT ADMINISTRATION**

The Board did not issue any general obligation bonds in fiscal year 2019. As of June 30, 2019, the Board had \$14.3 million in Qualified School Construction Bonds (QSCBs) with no principal payment due within one year. Table 5 shows fiscal year 2019 balances compared with fiscal year 2018 balances.

**Table 5**  
**Debt at June 30**

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2019	2018
General Obligation Bonds	\$ 14,300,000.00	\$ 14,300,000.00
Compensated Absences	53,860.65	88,071.87
Total	\$ 14,353,860.65	\$ 14,388,071.87

The significant decrease in compensated absences was due to retirement payouts.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**CURRENT ISSUES**

Fiscal year 2019 provided another year of financial stability and growth for the Board. For the first time in eighteen years, full state funding was provided to Georgia's school districts. The significance of the state's ability and willingness to provide full QBE funding cannot be overstated as it relates to the management and execution of financial deliverables, and the elimination of the Austerity Cut or Amended Formula Adjustment provided a more certain footing upon which to execute the Board's educational programs. After accounting for other formula adjustments, the Board received an increase of \$1.2 million in QBE revenue versus fiscal year 2018. This increase included funding for all salary and benefit related increases earned through the QBE formula. Although the Board continues to feel the sting of losing a cumulative \$18.0 million in state funding due to the Austerity Cuts, it has survived and developed into a leaner and more financially aware organization. Disciplined practices continue to be employed regarding cost controls and cash conservation. The Board's general fund balance grew to \$7.61 million, an increase of \$263 thousand over fiscal year 2018.

Other revenue highlights for fiscal year 2019 include millage set at the rollback rate resulting in a slight increase in Property Tax Revenue versus fiscal year 2018 of \$70 thousand on a digest that decreased by \$3.0 million. Total Property Tax Revenue includes \$783 thousand in Title Ad Valorem Taxes (TAVT) and Miscellaneous Revenue includes \$486 thousand from the Forestry Land Protection Act (FLPA) grant. As a result of the improving economy, the Board was able to earn more interest on its available cash. This resulted in an increase in general fund investment earnings versus fiscal year 2018 of \$40 thousand. The Board also received funding from the state of \$154 thousand for the purchase of two school buses. General fund expenditures for fiscal year 2019 increased from fiscal year 2018 by \$854 thousand. Key increases included salary step increases for certified staff, a state mandated increase of 4.09% in the Board's contribution percentage for the Teachers Retirement System benefit for all participants, and the purchase of an additional school bus versus fiscal year 2018. At the end of fiscal year 2019, the Board was the recipient of a one-time holiday from the payment of the employer's share of employees' State Health Benefit Plan premium. This reduction in costs resulted in a benefit to the Board's coffers of \$296 thousand. From a government-wide perspective, the major contributor to the decrease shown in expenditures versus 2018 was the year over year decrease in the recognition of OPEB and net pension liabilities.

Fiscal year 2019 ESPLOST III revenues increased to \$2.8 million versus \$2.5 million in fiscal year 2018. The Board has been exceedingly conservative regarding its projections and expenditures on this ESPLOST, particularly since the main requirement has been to fund deposits to a Repurchase Agreement to repay the Series 2011B bond issued to construct the new high school facility. Revenues have been more than sufficient to cover the annual deposits, and the Board has undertaken some minor projects with the remaining revenues. In fiscal year 2019 these included the replacement of electronic signage at two schools and the beginning of the installation of a HVAC at the middle school gymnasium. As the Board nears the final deposit under the Repurchase Agreement in December of 2021, it anticipates available funding in excess of \$2.0 million to fund other prioritized projects.

Fiscal year 2020 is underway and the financial picture for the Board continues to be positive. Austerity Reductions/Amended Formula Adjustments continue to be omitted for fiscal year 2020 state funding. The Board received a year over year increase in state QBE funding of \$1.1 million. This increase in funding includes coverage for another 0.24% increase in Teachers Retirement System (TRS) costs, a \$3,000 salary increase for certified staff, and a 2% salary increase for QBE funded non-certified staff. The Board supplemented this with local funding to provide a 2% increase to all non-certified employees. The ESPLOST III funded HVAC Project for the Elder Middle School Gymnasium has been completed, and a High School Softball Complex Project is underway.

WASHINGTON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The Board is adjusting well following the transition of the Superintendent's position from the retirement of Dr. Donna Hinton to Dr. Rickey Edmond. Dr. Edmond assumed the position on July 1, 2019 and has been collaborating with employees to develop improvement initiatives. He is focused on community involvement and has organized several outreach sessions to conduct face to face communication with all community stakeholders. He is leading the implementation of an updated safety plan utilizing \$120 thousand of grant funding from the state. The current ESPLOST is in place until July of 2021, and the Board is looking forward to working with Dr. Edmond to develop plans for a referendum for the next ESPLOST.

The Board's Strategic Waiver status continues to provide flexibility in programmatic and fiscal operations. This allows the Board to achieve financial stability while simultaneously meeting the educational needs of our student population. The Board maintains a fund balance sufficient to undergird its day to day operations, there are numerous new and updated facilities, employment and the costs of operations are stable year over year, and funding to cover the debt payment due in 2021 is secure. We are encouraged by the positive attention state lawmakers have been giving public school systems. The continued elimination of the Austerity Reduction and increased financial support from the state have enabled the Board to more fully extend its ability to manage fluctuations in local funding. The Board's ability to recognize and react to the potential impact of political and fiscal issues has proved to be valuable in the stabilization of its financial operations and the preservation of its fund balance. While remaining abreast of these and other factors, the Board will continue to employ sound day-to-day financial practices in order to adequately fund programs and protect its financial position.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandra McMaster, Director of Finance and Business Operations at the Washington County Board of Education, 501 Industrial Drive, Sandersville, Georgia 31082. You may also email your questions to [smcmaster@washington.k12.ga.us](mailto:smcmaster@washington.k12.ga.us).



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WASHINGTON COUNTY BOARD OF EDUCATION

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WASHINGTON COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2019

EXHIBIT "A"

		GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	10,805,941.32
Receivables, Net		
Interest		183.68
Taxes		552,561.67
State Government		2,224,571.43
Federal Government		562,703.23
Other		58,897.73
Inventories		30,151.11
Prepaid Items		1,979.99
Restricted Assets		
Cash and Investments with Fiscal Agent or Trustee		8,682,901.92
Capital Assets, Non-Depreciable		2,165,408.99
Capital Assets, Depreciable (Net of Accumulated Depreciation)		55,751,320.00
Total Assets		80,836,621.07
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Related to Defined Benefit Pension Plans		5,826,079.78
Related to OPEB Plan		1,002,689.00
Total Deferred Outflows of Resources		6,828,768.78
<u>LIABILITIES</u>		
Accounts Payable		147,537.64
Salaries and Benefits Payable		3,606,502.92
Interest Payable		40,040.00
Contracts Payable		53,091.48
Retainages Payable		9,983.00
Net Pension Liability		26,630,504.00
Net OPEB Liability		23,344,147.00
Long-Term Liabilities		
Due in More Than One Year		14,353,860.65
Total Liabilities		68,185,666.69
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Related to Defined Benefit Pension Plans		2,392,381.00
Related to OPEB Plan		5,281,172.00
Total Deferred Inflows of Resources		7,673,553.00
<u>NET POSITION</u>		
Net Investment in Capital Assets		44,028,549.33
Restricted for		
Continuation of Federal Programs		1,405,741.76
Debt Service		10,620,587.50
Capital Projects		757,671.06
Unrestricted (Deficit)		(45,006,379.49)
Total Net Position	\$	11,806,170.16

WASHINGTON COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 19,375,634.42	\$ 393,784.71
Support Services		
Pupil Services	1,157,189.37	-
Improvement of Instructional Services	1,531,687.15	-
Educational Media Services	419,252.09	-
General Administration	1,051,663.50	-
School Administration	2,425,366.05	-
Business Administration	556,094.48	-
Maintenance and Operation of Plant	3,056,030.99	-
Student Transportation Services	2,255,636.85	-
Other Support Services	50,339.04	-
Operations of Non-Instructional Services		
Food Services	1,886,362.81	26,656.20
Interest on Short-Term and Long-Term Debt	480,480.00	-
	\$ 34,245,736.75	\$ 420,440.91
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
\$ 14,310,968.32	\$ -	\$ (4,670,881.39)
378,851.06	-	(778,338.31)
463,564.26	-	(1,068,122.89)
419,959.00	-	706.91
587,152.67	-	(464,510.83)
815,310.00	-	(1,610,056.05)
-	-	(556,094.48)
998,383.97	-	(2,057,647.02)
679,448.44	154,440.00	(1,421,748.41)
-	-	(50,339.04)
2,031,016.21	-	171,309.60
-	450,850.40	(29,629.60)
<u>\$ 20,684,653.93</u>	<u>\$ 605,290.40</u>	<u>(12,535,351.51)</u>
		11,861,682.09
		85,533.94
		2,806,843.29
		69,856.25
		322,418.56
		943,091.72
		<u>16,089,425.85</u>
		3,554,074.34
		<u>8,252,095.82</u>
		<u>\$ 11,806,170.16</u>

WASHINGTON COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 8,123,270.76	\$ 2,679,887.09	\$ 2,783.47	\$ 10,805,941.32
Receivables, Net				
Interest	183.68	-	-	183.68
Taxes	327,649.09	224,905.35	7.23	552,561.67
State Government	2,224,571.43	-	-	2,224,571.43
Federal Government	562,703.23	-	-	562,703.23
Other	21,340.21	-	-	21,340.21
Due from Other Funds	149,152.02	-	-	149,152.02
Inventories	30,151.11	-	-	30,151.11
Prepaid Items	1,979.99	-	-	1,979.99
Restricted				
Cash and Investments with a Fiscal Agent or Trustee	-	-	8,682,901.92	8,682,901.92
Total Assets	<u>\$ 11,441,001.52</u>	<u>\$ 2,904,792.44</u>	<u>\$ 8,685,692.62</u>	<u>\$ 23,031,486.58</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 147,537.64	\$ -	\$ -	\$ 147,537.64
Salaries and Benefits Payable	3,606,502.92	-	-	3,606,502.92
Due to Other Funds	-	149,152.02	-	149,152.02
Contracts Payable	-	53,091.48	-	53,091.48
Retainages Payable	-	9,983.00	-	9,983.00
Total Liabilities	<u>3,754,040.56</u>	<u>212,226.50</u>	<u>-</u>	<u>3,966,267.06</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	<u>78,542.59</u>	<u>-</u>	<u>-</u>	<u>78,542.59</u>
<u>FUND BALANCES</u>				
Nonspendable	32,131.10	-	-	32,131.10
Restricted	1,375,590.65	2,692,565.94	8,685,692.62	12,753,849.21
Assigned	2,690,099.79	-	-	2,690,099.79
Unassigned	3,510,596.83	-	-	3,510,596.83
Total Fund Balances	<u>7,608,418.37</u>	<u>2,692,565.94</u>	<u>8,685,692.62</u>	<u>18,986,676.93</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,441,001.52</u>	<u>\$ 2,904,792.44</u>	<u>\$ 8,685,692.62</u>	<u>\$ 23,031,486.58</u>

WASHINGTON COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 18,986,676.93

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land	\$	2,061,201.97	
Construction in progress		104,207.02	
Buildings and improvements		63,608,271.83	
Equipment		6,239,153.79	
Land improvements		4,528,299.09	
Accumulated depreciation		<u>(18,624,404.71)</u>	57,916,728.99

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

Net pension liability	\$	(26,630,504.00)	
Net OPEB liability		<u>(23,344,147.00)</u>	(49,974,651.00)

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

Related to pensions	\$	3,433,698.78	
Related to OPEB		<u>(4,278,483.00)</u>	(844,784.22)

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

78,542.59

Qualified School Construction Bond Interest subsidy recorded as revenue in the statement of activities do not provide current financial resources and therefore are not recorded as revenue in the governmental funds.

37,557.52

Georgia State Financing and Investment Commission grants that are not available to pay current period expenditures are deferred in the funds.

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

Qualified school construction bond payable	\$	(14,300,000.00)	
Qualified school construction bond interest payable		(40,040.00)	
Compensated absences payable		<u>(53,860.65)</u>	<u>(14,393,900.65)</u>

Net position of governmental activities (Exhibit "A") \$ 11,806,170.16



WASHINGTON COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 11,897,321.81	\$ -	\$ 42.24	\$ 11,897,364.05
Sales Taxes	69,856.25	2,806,843.29	-	2,876,699.54
State Funds	16,489,593.34	-	-	16,489,593.34
Federal Funds	4,318,385.00	-	-	4,318,385.00
Charges for Services	420,440.91	-	-	420,440.91
Investment Earnings	59,234.92	39,232.76	223,950.88	322,418.56
Miscellaneous	930,451.26	-	450,690.24	1,381,141.50
	<u>34,185,283.49</u>	<u>2,846,076.05</u>	<u>674,683.36</u>	<u>37,706,042.90</u>
<u>EXPENDITURES</u>				
Current				
Instruction	19,257,720.18	-	-	19,257,720.18
Support Services				
Pupil Services	1,224,706.46	-	-	1,224,706.46
Improvement of Instructional Services	1,577,813.62	-	-	1,577,813.62
Educational Media Services	442,238.46	-	-	442,238.46
General Administration	1,111,311.09	-	-	1,111,311.09
School Administration	2,568,859.99	-	-	2,568,859.99
Business Administration	574,753.14	-	-	574,753.14
Maintenance and Operation of Plant	2,949,045.10	-	-	2,949,045.10
Student Transportation Services	2,239,935.39	-	-	2,239,935.39
Other Support Services	50,339.04	-	-	50,339.04
Food Services Operation	1,835,575.89	-	-	1,835,575.89
Capital Outlay	-	159,135.02	-	159,135.02
Debt Services				
Interest	-	-	480,480.00	480,480.00
	<u>33,832,298.36</u>	<u>159,135.02</u>	<u>480,480.00</u>	<u>34,471,913.38</u>
Revenues over (under) Expenditures	<u>352,985.13</u>	<u>2,686,941.03</u>	<u>194,203.36</u>	<u>3,234,129.52</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	1,742,804.64	1,742,804.64
Transfers Out	(89,894.88)	(1,652,909.76)	-	(1,742,804.64)
	<u>(89,894.88)</u>	<u>(1,652,909.76)</u>	<u>1,742,804.64</u>	<u>-</u>
Net Change in Fund Balances	263,090.25	1,034,031.27	1,937,008.00	3,234,129.52
Fund Balances - Beginning	<u>7,345,328.12</u>	<u>1,658,534.67</u>	<u>6,748,684.62</u>	<u>15,752,547.41</u>
Fund Balances - Ending	<u>\$ 7,608,418.37</u>	<u>\$ 2,692,565.94</u>	<u>\$ 8,685,692.62</u>	<u>\$ 18,986,676.93</u>

WASHINGTON COUNTY BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2019

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")	\$	3,234,129.52
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay	\$ 405,070.36	
Depreciation expense	<u>(1,616,544.51)</u>	(1,211,474.15)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to increase net position.</p>		
		2,640.46
<p>Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		49,446.17
<p>Qualified School Construction Bond Interest subsidy recorded as revenue in the statement of activities do not provide current financial resources and therefore are not recorded as revenue in the governmental funds.</p>		
		160.16
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.</p>		
Pension expense	\$ 1,299,694.96	
OPEB expense	<u>145,266.00</u>	1,444,960.96
<p>Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences		<u>34,211.22</u>
Change in net position of governmental activities (Exhibit "B")	\$	<u><u>3,554,074.34</u></u>

WASHINGTON COUNTY BOARD OF EDUCATION  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2019

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ -	\$ 98,695.97
Investments	43,198.85	21,739.03
Receivables, Net		
Interest and Dividends	20.71	10.42
Total Assets	\$ 43,219.56	\$ 120,445.42
<u>LIABILITIES</u>		
Funds Held for Others		\$ 120,445.42
 <u>NET POSITION</u>		
Held in Trust for Private Purposes	\$ 43,219.56	

WASHINGTON COUNTY BOARD OF EDUCATION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2019

EXHIBIT "H"

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Investment Earnings	
Interest	\$ <u>205.05</u>
<u>DEDUCTIONS</u>	
Scholarships	<u>600.00</u>
Change in Net Position	(394.95)
Net Position - Beginning	<u>43,614.51</u>
Net Position - Ending	<u>\$ <u>43,219.56</u></u>

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

### **REPORTING ENTITY**

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

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

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

### **BASIS OF PRESENTATION**

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

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

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

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

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

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

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

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

### **FUND FINANCIAL STATEMENTS**

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund types:

- Private purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which principal and income benefit individuals, private organizations or other governments.
- Agency funds are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

### **BASIS OF ACCOUNTING**

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are

recorded when the related fund liability is incurred, except for principal and interest on long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

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

### **NEW ACCOUNTING PRONOUNCEMENTS**

In fiscal year 2019, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The adoption of this statement did not have an impact on the School District's financial statement.

In fiscal year 2019, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The School District added additional information in the Long-term Liabilities note disclosure.

### **CASH AND CASH EQUIVALENTS**

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

### **INVESTMENTS**

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

The School District does not have a formal policy regarding investment policies that address credit risk, custodial credit risks, concentrated credit risk, interest rate risk, 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 due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

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

## PREPAID ITEMS

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

## RESTRICTED ASSETS

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of net position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

## CAPITAL ASSETS

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

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

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



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

		Capitalization Policy	Estimated Useful Life
Land		ALL	N/A
Land Improvements	\$	5,000.00	up to 50 years
Buildings and Improvements	\$	5,000.00	up to 80 years
Equipment	\$	5,000.00	3 to 20 years
Intangible Assets	\$	300,000.00	10 to 20 years

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

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

**COMPENSATED ABSENCES**

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

Vacation leave of 10 days is awarded on a fiscal year basis to all full-time personnel employed on a twelve-month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 10 days. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal-year end.

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

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

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

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

## PENSIONS

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

## POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

## FUND BALANCES

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

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

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

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

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

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

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

## USE OF ESTIMATES

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

**PROPERTY TAXES**

The Washington County Board of Commissioners adopted the property tax levy for the 2018 tax digest year (calendar year) on September 28, 2018 (levy date) based on property values as of January 1, 2018. Taxes were due on December 10, 2018 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2018 tax digest are reported as revenue in the governmental funds for fiscal year 2019. The Washington 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, 2019, for maintenance and operations amounted to \$11,028,710.04 and for school bonds amounted to \$42.24.

The tax millage rate levied for the 2018 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	\$ <u>17.048 mills</u>
-------------------	------------------------

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$783,077.83 during fiscal year ended June 30, 2019.

**SALES TAXES**

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$2,806,843.29 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

**NOTE 3: BUDGETARY DATA**

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

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

The Superintendent is authorized by the Board to approve adjustments in any budget function for any fund. Any position or expenditure not previously approved in the annual budget that exceeds \$30,000.00 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board within 48 hours of the purchase. 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, CASH EQUIVALENTS AND INVESTMENTS**

**COLLATERALIZATION OF DEPOSITS**

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

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

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

**CATEGORIZATION OF DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2019, the School District had deposits with a carrying amount of \$3,351,354.27, and a bank balance of \$4,340,384.67. The bank balances insured by Federal depository insurance were \$627,317.55 and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name were \$3,399,430.92.

At June 30, 2019, \$313,636.20 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	-
Uninsured with collateral held by the pledging financial institution		-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name		<u>313,636.20</u>
Total	\$	<u><u>313,636.20</u></u>

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

Cash and cash equivalents		
Statement of Net Position	\$ 10,805,941.32	
Statement of Fiduciary Net Position	98,695.97	
 Total cash and cash equivalents	 10,904,637.29	
 Add:		
Deposits with original maturity of three months or more reported as investments	64,937.88	
 Less:		
Investment pools reported as cash and cash equivalents		
Georgia Fund 1	7,618,220.90	
 Total carrying value of deposits - June 30, 2019	 \$ 3,351,354.27	

**CATEGORIZATION OF CASH EQUIVALENTS**

The School District reported cash equivalents of \$7,618,220.90 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2019, was 39 days.

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

**CATEGORIZATION OF INVESTMENTS**

At June 30, 2019, the School District had the following investments:

Investment Type	Fair Value	Investment Maturity 1 - 5 Years
Debt Securities		
Repurchase Agreements	\$ 8,682,901.92	\$ 8,682,901.92

At June 30, 2019 the fair market value of the School District's principal investment in the Repurchase Agreement with Deutsche Bank was \$8,682,901.92 inclusive of the accrued interest. Eligible Securities are (a) Cash, (b) Government Obligations – direct obligations of the United States of America or obligations the full and timely payment of the principal and interest on which is unconditionally guaranteed by the United States of America and (c) any bond, debenture, note, participation certificate or other similar obligation which is either (i) issued or guaranteed by the Government National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank, Tennessee Valley Association or (ii) issued by the

Government National Mortgage Association; including in each case, collateralized mortgage-backed obligations and pass-through obligations. Purchased or held securities may not carry margins of less than 100% for cash and/or 103% for all other defined and allowed investment securities.

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

At June 30, 2019, \$8,682,901.92 of the School District's applicable investments were held by the investment's counterparty, not in the School District's name.

**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 O.C.G.A. §36-83-4. The School District does not have a formal policy that would further limit its investment choices or one that addresses credit risk.

The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Ratings
		AAA
Debt Securities		
Repurchase Agreements	\$ <u>8,682,901.92</u>	\$ <u>8,682,901.92</u>

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Repurchase Agreement. This investment is 100% of the School District's total investments.

**NOTE 5: RESTRICTED ASSETS**

The restricted assets represent the investment balance totaling \$8,682,901.92, respectively, for the QSCB Bond Sinking Fund.

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**NOTE 6: CAPITAL ASSETS**

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

	Balances July 1, 2018	Increases	Decreases	Balances June 30, 2019
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,056,702.37	\$ 5,000.00	\$ 500.40	\$ 2,061,201.97
Construction in Progress	-	104,207.02	-	104,207.02
Total Capital Assets Not Being Depreciated	2,056,702.37	109,207.02	500.40	2,165,408.99
Capital Assets Being Depreciated				
Buildings and Improvements	63,608,271.83	-	-	63,608,271.83
Equipment	6,030,278.95	286,863.34	77,988.50	6,239,153.79
Land Improvements	4,514,299.09	14,000.00	-	4,528,299.09
Less Accumulated Depreciation for:				
Buildings and Improvements	11,487,006.95	1,089,954.67	-	12,576,961.62
Equipment	4,542,584.87	346,204.70	76,129.36	4,812,660.21
Land Improvements	1,054,397.74	180,385.14	-	1,234,782.88
Total Capital Assets, Being Depreciated, Net	57,068,860.31	(1,315,681.17)	1,859.14	55,751,320.00
Governmental Activities Capital Assets - Net	\$ 59,125,562.68	\$ (1,206,474.15)	\$ 2,359.54	\$ 57,916,728.99

The capital assets above include significant amounts of (asset category) which have been valued at estimated historical cost. The estimated historical cost was based on (standard costing, normal costing, replacement cost).

Current year depreciation expense by function is as follows:

Instruction			\$ 1,187,243.05
Support Services			
Improvements of Instructional Services	\$ 4,880.94		
Business Administration	2,135.19		
Maintenance and Operation of Plant	160,462.13		
Student Transportation Services	199,298.25		366,776.51
Food Services			62,524.95
			\$ 1,616,544.51



**NOTE 7: INTERFUND ASSETS, LIABILITIES, AND TRANSFERS**

**INTERFUND ASSETS AND LIABILITIES**

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2019, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 149,152.02	\$ -
Capital Projects Fund	-	149,152.02
	\$ 149,152.02	\$ 149,152.02

Fund are due to the general fund from the capital projects fund to reimburse supplemental funding for capital construction projects.

**INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Transfers to	Transfers From	
	General Fund	Capital Projects Fund
Debt Service Fund	\$ 89,894.88	\$ 1,652,909.76

Transfers are used to move property tax revenues collected by the general fund and sales tax revenues collected by the capital projects fund account to the debt service fund to invest in the repurchase agreement.

**NOTE 8: LONG-TERM LIABILITIES**

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

	Governmental Activities				
	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
Qualified School Construction Bonds	\$ 14,300,000.00	\$ -	\$ -	\$ 14,300,000.00	\$ -
Compensated Absences(1)	88,071.87	85,046.86	119,258.08	53,860.65	-
	\$ 14,388,071.87	\$ 85,046.86	\$ 119,258.08	\$ 14,353,860.65	\$ -

(1) The portion of compensated absences due within one year has been determined to be immaterial to the basic financial statements.

**GENERAL OBLIGATION DEBT OUTSTANDING**

As of June 30, 2019, the School District has \$3,940,000.00 of authorized, unissued general obligation debt remaining.



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In the event the entity is unable to make the principal and interest payments on the Qualified School Construction Bonds using proceeds of the Education Special Purpose Local Option Sales Tax (ESPLOST), the debt will be satisfied from the general fund or from a direct annual ad valorem tax levied upon all taxable property within the School District. Additional security is provided by the State of Georgia Intercept Program which allows for state appropriations entitled to the School District to be transferred to the Debt Service Account Custodian for the payment of debt.

**QUALIFIED SCHOOL CONSTRUCTION BONDS (QSCB)**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts in connection with the construction, rehabilitation or repair of a public-school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows School Districts to borrow without incurring interest costs.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the School District may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. To qualify for this subsidy the School District is required to periodically file appropriate documents with the Internal Revenue Service. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The interest subsidy received by the School District in fiscal year 2019 was \$450,690.24, which funded all but \$29,789.76 of interest expense due on the QSCB.

On August 5, 2013, the Board entered into a Repurchase Agreement with Deutsche Bank Securities, Inc. and U.S. Bank, N.A. for the required sinking fund deposits on the \$14,300,000.00 Series 2011B QSCB Bond Debt Payable in 2021. Under the agreement, annual deposits will be made into the sinking fund and will earn a guaranteed interest rate of 2.865%. The deposits will be fully collateralized with cash at 100% and/or eligible securities at 103%. Deposits will be made in December of each year. The accumulated balance in the sinking fund, including interest earnings, will repay the debt in full in December of 2021.

Debt currently outstanding under Qualified School Construction Bonds is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2011B (QSCB)	3.36%	6/1/2012	12/1/2021	\$ 14,300,000.00	\$ 14,300,000.00

The following is a schedule of total Qualified School Construction Bond payments:

Fiscal Year Ended June 30:	Principal	Interest
2020	\$ -	\$ 480,480.00
2021	-	480,480.00
2022	14,300,000.00	240,240.00
Total Principal and Interest	\$ 14,300,000.00	\$ 1,201,200.00

**COMPENSATED ABSENCES**

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

**NOTE 9: RISK MANAGEMENT**

**INSURANCE**

**Commercial Insurance**

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

**Georgia School Boards Association Risk and Insurance Management System**

The School District participates in the Georgia School Boards Association Risk and Insurance Management System (the System), a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the System for its general insurance coverage. Additional coverage is provided through agreements by the System with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the System varies by line of coverage.

**WORKERS' COMPENSATION**

**Georgia Education Workers' Compensation Trust**

The School District participates in the Georgia Education Workers' Compensation Trust (the Trust), a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1.0 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2.0 million. The Trust covers the first \$1.0 million of each Employers Liability claim with Safety National providing additional Employers Liability limits up to a \$2.0 million per occurrence maximum. Safety National Casualty Company also provides \$2.0 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
2018	\$ 1,000.00	\$ 4,685.68	\$ 5,160.68	\$ 525.00
2019	\$ 525.00	\$ 6,586.42	\$ 7,111.42	\$ -

**UNEMPLOYMENT COMPENSATION**

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

**SURETY BOND**

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

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

**NOTE 10: FUND BALANCE CLASSIFICATION DETAILS**

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2019:

Nonspendable		
Inventories	\$ 30,151.11	
Prepaid Assets	1,979.99	\$ 32,131.10
Restricted		
Continuation of Federal Programs	\$ 1,375,590.65	
Capital Projects	757,671.06	
Debt Service	10,620,587.50	12,753,849.21
Assigned		
School Activity Accounts	\$ 180,001.05	
Reserve for Self-Insurance	42,219.10	
Other Committed Contracts	2,467,879.64	2,690,099.79
Unassigned		3,510,596.83
Fund Balance, June 30, 2019		\$ 18,986,676.93

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.

**OPERATING LEASES**

The School District leases copiers, printers, and postage meters under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases(s) totaled \$123,175.07 for governmental activities for the year ended June 30, 2019. The following future minimum lease payments were required under operating leases at June 30, 2019:

Year Ending	Governmental Funds
2020	\$ <u>114,659.88</u>

**NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES**

**FEDERAL GRANTS**

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

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

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

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

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

**Contributions:** As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were \$971,104.00 for the year ended June 30, 2019. Active employees are not required to contribute to the School OPEB Fund.

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

At June 30, 2019, the School District reported a liability of \$23,344,147.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2018. At June 30, 2018, the School District's proportion was 0.183672%, which was a decrease of 0.002748% from its proportion measured as of June 30, 2017.

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For the year ended June 30, 2019, the School District recognized OPEB expense of \$825,838.00. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 530,987.00
Changes of assumptions	-	3,954,611.00
Net difference between projected and actual earnings on OPEB plan investments	31,585.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	795,574.00
School District contributions subsequent to the measurement date	971,104.00	-
Total	\$ 1,002,689.00	\$ 5,281,172.00

School District contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB
2020	\$ (1,025,702.00)
2021	\$ (1,025,702.00)
2022	\$ (1,025,702.00)
2023	\$ (1,027,588.00)
2024	\$ (835,738.00)
Thereafter	\$ (309,155.00)

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**Actuarial assumptions:** The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

**OPEB:**

Inflation	2.75%
Salary increases	3.25% - 9.00%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.50%
Medicare Eligible	5.50%
Ultimate trend rate	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2028
Medicare Eligible	2022

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

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

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The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. During fiscal year 2018, the School OPEB fund updated their investment strategy to a more long-term approach. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return*
Fixed income	30.00%	(0.50)%
Domestic Stocks – Large Cap	37.20%	9.00%
Domestic Stocks – Mid Cap	3.40%	12.00%
Domestic Stocks – Small Cap	1.40%	13.50%
Int'l Stocks - Developed Mkt	17.80%	8.00%
Int'l Stocks - Emerging Mkt	5.20%	12.00%
Alternatives	5.00%	10.50%
Total	100.00%	

\*Net of Inflation

**Discount rate:** The discount rate has changed since the prior measurement date from 3.58% to 3.87%. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.87% was used as the discount rate. This is comprised mainly of the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.87% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2018. Therefore, the calculated discount rate of 3.87% was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate:** The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 3.87%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1 percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
School District's proportionate share of the net OPEB liability	\$ 27,258,645.00	\$ 23,344,147.00	\$ 20,187,515.00

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 19,625,613.00	\$ 23,344,147.00	\$ 28,096,298.00

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

#### **NOTE 14: RETIREMENT PLANS**

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

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

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

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

**Contributions:** Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2019. The School District's contractually required contribution rate for the year ended June 30, 2019 was 20.9% of annual School District payroll, of which 20.77% of payroll was required from the School District and 0.13% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$3,483,777.95 and \$22,503.42 from the School District and the State, respectively.

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

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

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



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

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

**Contributions:** Member contributions under the old plan are 4% of annual compensation, up to \$4,200.00, plus 6% of annual compensation in excess of \$4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's required contribution rate for the year ended June 30, 2019 was 24.78% of annual covered payroll for old and new plan members and 21.78% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.66% of annual covered payroll of new and old plan members and 21.66% of GSEPS members, plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were \$99,961.83 for the current fiscal year.

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

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

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

Upon retirement, the member will receive a monthly benefit of \$15.00, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

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

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Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$53,615.00.

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

At June 30, 2019, the School District reported a liability of \$26,630,504.00 for its proportionate share of the net pension liability for TRS (\$25,988,484.00) and ERS (\$642,020.00).

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

School District's proportionate share of the net pension liability	\$ 25,988,484.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>164,089.00</u>
Total	<u>\$ 26,152,573.00</u>

The net pension liability for TRS and ERS was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2018.

At June 30, 2018, the School District's TRS proportion was 0.140008%, which was a decrease of 0.003435% from its proportion measured as of June 30, 2017. At June 30, 2018, the School District's ERS proportion was 0.015617%, which was an increase of 0.001792% from its proportion measured as of June 30, 2017.

At June 30, 2019, 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 \$289,352.00.

The PSERS net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 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, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$2,181,083.00 for TRS, \$143,085.00 for ERS and \$66,996.00 for PSERS and revenue of \$40,238.00 for TRS and \$66,996.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

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At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,720,474.00	\$ 53,563.00	\$ 19,968.00	\$ -
Changes of assumptions	392,157.00	-	30,247.00	-
Net difference between projected and actual earnings on pension plan investments	-	710,576.00	-	14,795.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	14,326.00	1,613,447.00	65,168.00	-
School District contributions subsequent to the measurement date	3,483,777.95	-	99,961.83	-
<b>Total</b>	<b>\$ 5,610,734.95</b>	<b>\$ 2,377,586.00</b>	<b>\$ 215,344.83</b>	<b>\$ 14,795.00</b>

The School District contributions subsequent to the measurement date for TRS and for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2020	\$ 779,636.00	\$ 96,816.00
2021	\$ 161,420.00	\$ 34,977.00
2022	\$ (1,053,207.00)	\$ (24,595.00)
2023	\$ (151,129.00)	\$ (6,610.00)
2024	\$ 12,651.00	\$ -

**Actuarial assumptions:** The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

**Teachers Retirement System:**

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

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

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The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

***Employees' Retirement System:***

Inflation	2.75%
Salary increases	3.25% - 7.00%, including inflation
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

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

Asset class	TRS Target allocation	ERS/PSERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	-	5.00%	10.50%
Total	<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 pension liability was 7.50%. The discount rate used to measure the total ERS and PSERS pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS, ERS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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% and 7.30%, 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% and 6.30%) or 1-percentage-point higher (8.50% and 8.30%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
<b>Teachers Retirement System:</b>			
School District's proportionate share of the net pension liability	\$ 43,382,221.00	\$ 25,988,484.00	\$ 11,655,159.00
<b>Employees' Retirement System:</b>			
School District's proportionate share of the net pension liability	\$ 913,179.00	\$ 642,020.00	\$ 410,985.00

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

**DEFINED CONTRIBUTION PLAN**

In 1982 the Washington County Board of Education began a tax deferred annuity plan under Internal Revenue Code Section 403(b) for its employees. This plan was established in order to provide retirement benefits in lieu of Social Security.

The Board selected Lincoln National Life (Lincoln Alliance) as the provider of this plan from 1986 until currently. Certain contributions are required of all employees and are based on a percentage of earnings. For full-time employees, the employee and the Board contribute equally to the plan. All employees may contribute equally to the plan. All employees may contribute additional amounts on a voluntary basis as a pre-tax contribution or an after-tax Roth contribution.

Full-time employees become vested in the Board’s contributions to the plan upon completing three years of service. Employee contributions are always vested. If an employee terminates before becoming vested, the Board’s contributions and earnings are forfeited. Annually the accumulated forfeited balances are redistributed as a contribution to the accounts of active and vested employees of the Board.

Employee-required contributions and earnings are available to the employees upon termination of service. Employee voluntary contributions are available upon reaching 59.5 or termination of service, and under which certain circumstances, are available as loans or hardship distributions while employed.

Employer contributions and earnings are available to the employee upon termination of service but are only available in the form of a periodic retirement income payment such as a life-time annuity.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2019	100%	\$ 1,034,957.53
2018	100%	\$ 1,026,346.24
2017	100%	\$ 1,004,972.13

**NOTE 15: TAX ABATEMENTS**

Washington 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 Washington County.

For the fiscal year ended June 30, 2019, Washington County abated property taxes due to the School District that were levied on September 28, 2018 and due on December 10, 2018 totaling \$180,643.37. Included in that amount abated, the following are individual tax abatement agreements that each exceeded 10.00% percent of the total amount abated:

- A 51.56 percent property tax abatement to an industrial battery manufacturer employing residents. The abatement amounted to \$93,141.82.
- A 46.26 percent property tax abatement to an energy provider employing residents. The abatement amounted to \$83,141.82.

**NOTE 16: SUBSEQUENT EVENTS**

In July of 2019, the Board approved to make improvements to the High School Softball Complex. The resulting contract estimate totals \$250,000.00.

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

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.14001%	\$ 25,988,484.00	\$ 164,089.00	\$ 26,152,573.00	\$ 16,782,028.88	154.86%	80.27%
2018	0.14344%	\$ 26,659,323.00	-	\$ 26,659,323.00	\$ 16,517,988.13	161.40%	79.33%
2017	0.14957%	\$ 30,857,959.00	-	\$ 30,857,959.00	\$ 16,408,284.78	188.06%	76.06%
2016	0.15498%	\$ 23,594,166.00	\$ 3,654.00	\$ 23,597,820.00	\$ 16,358,532.80	144.23%	81.44%
2015	0.15754%	\$ 19,903,227.00	\$ 11,370.00	\$ 19,914,597.00	\$ 16,076,604.30	123.80%	84.03%



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

SCHEDULE "2"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total pension liability
2019	0.01562%	\$ 642,020.00	\$ 398,327.26	161.18%	76.68%
2018	0.01383%	\$ 561,480.00	\$ 339,113.13	165.57%	76.33%
2017	0.01168%	\$ 552,655.00	\$ 268,569.08	205.78%	72.34%
2016	0.01122%	\$ 454,526.00	\$ 259,795.63	174.96%	76.20%
2015	0.01097%	\$ 411,443.00	\$ 247,001.64	166.58%	77.99%

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

SCHEDULE "3"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.00%	\$ -	\$ 289,352.00	\$ 289,352.00	\$ 615,744.39	N/A	85.26%
2018	0.00%	\$ -	\$ 269,563.00	\$ 269,563.00	\$ 605,153.00	N/A	85.69%
2017	0.00%	\$ -	\$ 373,077.00	\$ 373,077.00	\$ 605,656.79	N/A	81.00%
2016	0.00%	\$ -	\$ 239,268.00	\$ 239,268.00	\$ 566,390.23	N/A	87.00%
2015	0.00%	\$ -	\$ 215,664.00	\$ 215,664.00	\$ 572,861.02	N/A	88.29%

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

SCHEDULE "4"

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.18367%	\$ 23,344,147.00	\$ -	\$ 23,344,147.00	\$ 14,528,431.99	160.68%	2.93%
2018	0.18642%	\$ 26,191,935.00	\$ -	\$ 26,191,935.00	\$ 14,159,685.42	184.98%	1.61%

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

SCHEDULE "5"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2019	\$ 3,483,777.95	\$ 3,483,777.95	\$ -	\$ 16,769,793.10	20.77%
2018	\$ 2,803,332.82	\$ 2,803,332.82	\$ -	\$ 16,782,028.88	16.70%
2017	\$ 2,356,951.47	\$ 2,356,951.47	\$ -	\$ 16,517,988.13	14.27%
2016	\$ 2,331,602.93	\$ 2,331,602.93	\$ -	\$ 16,408,284.78	14.21%
2015	\$ 2,143,676.63	\$ 2,143,676.63	\$ -	\$ 16,358,532.80	13.10%

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

SCHEDULE "6"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2019	\$ 99,961.83	\$ 99,961.83	-	\$ 403,397.19	24.78%
2018	\$ 98,824.99	\$ 98,824.99	-	\$ 398,327.26	24.81%
2017	\$ 83,745.12	\$ 83,745.12	-	\$ 339,113.13	24.70%
2016	\$ 66,377.28	\$ 66,377.28	-	\$ 268,569.08	24.72%
2015	\$ 57,051.08	\$ 57,051.08	-	\$ 259,795.63	21.96%

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

SCHEDULE "7"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered- employee payroll
2019	\$ 971,104.00	\$ 971,104.00	\$ -	\$ 14,876,403.47	6.53%
2018	\$ 951,959.00	\$ 951,959.00	\$ -	\$ 14,528,431.99	6.55%
2017	\$ 972,007.00	\$ 972,007.00	\$ -	\$ 14,159,685.42	6.86%

**Teachers Retirement System**

**Changes of assumptions:** 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).

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.

**Employees' Retirement System**

**Changes of benefit terms:**

- A new benefit tier was added for members joining the System on and after July 1, 2009.
- A one-time 3% payment was granted to certain retirees and beneficiaries effective July 2016.
- A one-time 3% payment was granted to certain retirees and beneficiaries effective July 2017.

**Changes of assumptions:** On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date.

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

**Public School Employees Retirement System**

**Changes of assumptions:** On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date.

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

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.

**School OPEB Fund**

**Changes of benefit terms:** There have been no changes in benefit terms.

**Changes of assumptions:** June 30, 2017 valuation: the June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are now assigned to the State OPEB fund based on their last employer payroll location: irrespective of retirement affiliation.

The discount rate was updated from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

WASHINGTON COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019

SCHEDULE "9"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
<b>REVENUES</b>				
Property Taxes	\$ 14,165,191.00	\$ 14,165,191.00	\$ 11,897,321.81	\$ (2,267,869.19)
Sales Taxes	50,000.00	50,000.00	69,856.25	19,856.25
State Funds	15,836,141.37	16,000,171.96	16,489,593.34	489,421.38
Federal Funds	4,424,100.25	4,424,547.41	4,318,385.00	(106,162.41)
Charges for Services	-	26,656.20	420,440.91	393,784.71
Investment Earnings	20,000.00	20,000.00	59,234.92	39,234.92
Miscellaneous	50,000.00	51,322.57	930,451.26	879,128.69
<b>Total Revenues</b>	<b>34,545,432.62</b>	<b>34,737,889.14</b>	<b>34,185,283.49</b>	<b>(552,605.65)</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	19,558,769.63	19,437,814.79	19,257,720.18	180,094.61
Support Services				
Pupil Services	1,463,098.46	1,443,361.57	1,224,706.46	218,655.11
Improvement of Instructional Services	1,533,420.18	1,633,102.56	1,577,813.62	55,288.94
Educational Media Services	459,706.59	459,706.59	442,238.46	17,468.13
General Administration	1,149,615.70	1,149,937.70	1,111,311.09	38,626.61
School Administration	2,667,216.41	2,668,086.41	2,568,859.99	99,226.42
Business Administration	707,143.25	707,143.25	574,753.14	132,390.11
Maintenance and Operation of Plant	2,927,602.14	2,981,603.12	2,949,045.10	32,558.02
Student Transportation Services	2,047,618.16	2,088,813.16	2,239,935.39	(151,122.23)
Central Support Services	2,999.81	2,999.81	-	2,999.81
Other Support Services	57,600.00	57,600.00	50,339.04	7,260.96
Food Services Operation	1,687,567.15	1,743,603.51	1,835,575.89	(91,972.38)
<b>Total Expenditures</b>	<b>34,262,357.48</b>	<b>34,373,772.47</b>	<b>33,832,298.36</b>	<b>541,474.11</b>
Excess of Revenues over (under) Expenditures	283,075.14	364,116.67	352,985.13	(11,131.54)
<b>OTHER FINANCING SOURCES (USES)</b>				
Other Sources	-	103,304.97	-	(103,304.97)
Other Uses	-	(193,199.85)	(89,894.88)	103,304.97
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(89,894.88)</b>	<b>(89,894.88)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>283,075.14</b>	<b>274,221.79</b>	<b>263,090.25</b>	<b>(11,131.54)</b>
Fund Balances - Beginning	7,377,530.79	7,448,047.28	7,345,328.12	(102,719.16)
Adjustments	7,820.88	(19,071.21)	-	19,071.21
<b>Fund Balances - Ending</b>	<b>\$ 7,668,426.81</b>	<b>\$ 7,703,197.86</b>	<b>\$ 7,608,418.37</b>	<b>\$ (94,779.49)</b>

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are \$817,714.75 and \$855,288.42, respectively.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.



WASHINGTON COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019

SCHEDULE "10"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	195GA324N1099	\$ 467,580.18
National School Lunch Program	10.555	195GA324N1099	<u>1,253,139.89</u>
Total U. S. Department of Agriculture			<u>1,720,720.07</u>
Education, U.S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A180073	579,318.23
Preschool Grants	84.173	H173A180081	<u>25,124.00</u>
Total Special Education Cluster			<u>604,442.23</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A180010	45,655.96
Rural Education	84.358	S365B170010	15,492.00
Rural Education	84.358	S365B180010	56,478.48
Supporting Effective Instruction State Grants	84.367	S367A180001	238,798.00
Title I Grants to Local Educational Agencies	84.010	S010A170010	3,373.00
Title I Grants to Local Educational Agencies	84.010	S010A180010	1,353,096.33
Pass-Through From Southwest Georgia Regional Educational Service Agency			
English Language Acquisition State Grants	84.365	S365A180010	<u>1,001.56</u>
Total Other Programs			<u>1,713,895.33</u>
Total U. S. Department of Education			<u>2,318,337.56</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.UNKNOWN		<u>47,273.32</u>
Total Expenditures of Federal Awards			<u>\$ 4,086,330.95</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Washington County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Board has elected not to use the 10 - percent de minimis indirect cost rate as allowed under the Uniform Guidance.

WASHINGTON COUNTY BOARD OF EDUCATION  
 SCHEDULE OF STATE REVENUE  
 YEAR ENDED JUNE 30, 2019

SCHEDULE "11"

<u>AGENCY/FUNDING</u>	GOVERNMENTAL FUND TYPE <hr/> GENERAL FUND <hr/>
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 319,835.60
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	1,089,932.00
Kindergarten Program - Early Intervention Program	
Primary Grades (1-3) Program	2,450,600.00
Primary Grades - Early Intervention (1-3) Program	75,928.00
Upper Elementary Grades (4-5) Program	1,304,128.00
Upper Elementary Grades - Early Intervention (4-5) Program	69,703.00
Middle School (6-8) Program	2,087,453.00
High School General Education (9-12) Program	1,849,783.00
Vocational Laboratory (9-12) Program	420,506.00
Students with Disabilities	2,757,320.00
Gifted Student - Category VI	230,442.00
Remedial Education Program	233,767.00
Alternative Education Program	143,215.00
English Speakers of Other Languages (ESOL)	30,424.00
Media Center Program	348,795.00
20 Days Additional Instruction	109,555.00
Staff and Professional Development	56,082.00
Principal Staff and Professional Development	1,019.00
Indirect Cost	
Central Administration	478,585.00
School Administration	677,022.00
Facility Maintenance and Operations	757,459.00
State Health Benefit Plan Employer Contribution Holiday	(166,320.00)
Categorical Grants	
Pupil Transportation	
Regular	597,501.00
Nursing Services	65,022.00
Vocational Supervisors	7,150.00
Other State Programs	
Food Services	53,040.00
Math and Science Supplements	25,342.36
Preschool Disability Services	41,899.00
Pupil Transportation - State Bonds	154,440.00
School Safety Grant	45,437.00
Teachers Retirement	22,503.42
Vocational Education	27,739.46
Connections for Classrooms Grant	70,670.50
Office of the State Treasurer	
Public School Employees Retirement	53,615.00
	\$ 16,489,593.34

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WASHINGTON COUNTY BOARD OF EDUCATION  
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
YEAR ENDED JUNE 30, 2019

SCHEDULE "12"

PROJECT 2016-2021 ESPLOST	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST (6)	EXCESS PROCEEDS NOT EXPENDED (5)	ESTIMATED COMPLETION DATE
<p>The (i) paying a portion of the debt service payments due on outstanding Washington County School District (Georgia) General Obligation Bond, Series 2011B, the maximum amount of total debt service to be paid shall not exceed \$10,000,000;(ii) adding, renovating, repairing, improving, furnishing, equipping demolishing and completing existing school buildings and other buildings and facilities useful and desirable in connection wherewith, including, but not limited to, physical education/athletic fields and facilities, paving and technology infrastructures; (iii) acquiring technology improvements, including safety and security improvements, computer technology, hardware and software; (iv) acquiring, constructing and equipping new school buildings and other buildings and facilities useful and desirable; (v) acquiring new school equipment, including, but not limited to, new buses, maintenance vehicles and equipment; (vi) acquiring textbooks and instructional materials and equipment; (vii) acquiring any necessary or desirable property, both real and personal.</p>							
<b>Debt Service</b>							
(i) Debt Service	10,000,000.00	10,000,000.00	1,727,909.76	3,619,018.78	5,346,928.54	4,653,071.46	8/31/2021
<b>Capital Outlay</b>							
(ii) adding, renovating, repairing, improving, furnishing, equipping demolishing and completing existing school buildings and other buildings and facilities	364,311.45	364,311.45	104,207.02	103,387.91	207,594.93	156,716.52	9/30/2019
(iii) acquiring new school equipment, including, but not limited to, new buses, maintenance vehicles and equipment	63,095.40	63,095.40	54,928.00	8,167.40	63,095.40	-	6/30/2019
<b>Future Projects</b>							
(iv) Other Projects	12,572,593.15	4,572,593.15	-	-	-	4,572,593.15	8/31/2021
SPLOST Grand Total	\$ 23,000,000.00	\$ 15,000,000.00	\$ 1,887,044.78	\$ 3,730,574.09	\$ 5,617,618.87	\$ 9,382,381.13	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax. This is the maximum amount to be contributed to the total project cost from this ESPLOST.
- (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 Washington County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ 960,960.00
Current Year	480,480.00
Total	\$ 1,441,440.00

Of the Total Interest stated above, \$1,346,945.60 has been reimbursed from Federal Funds.
- (5) The unexpended funds remaining are available for use as approved in the original referendum.
- (6) The Total Completion Cost indicates cost to date. Project is ongoing and further expenditures will be incurred.

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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

### 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

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  
Washington County Board of Education

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 Washington County Board of Education (School District), as of and for the year ended June 30, 2019, 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 February 12, 2020.

#### 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive, flowing style.

Greg S. Griffin  
State Auditor

February 12, 2020

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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

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

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  
Washington County Board of Education

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

We have audited the Washington 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, 2019. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

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

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

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

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

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

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

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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

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

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

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

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

February 12, 2020

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS



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WASHINGTON COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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WASHINGTON COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

**Federal Awards**

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

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.