



WASHINGTON COUNTY BOARD OF EDUCATION SANDERSVILLE, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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

January 12, 2018

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Washington County Board of Education

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

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, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through xi and pages 35 through 41, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding 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, consisting of Schedules 8 through 10, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2

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U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with a horizontal line extending from the end.

Greg S. Griffin
State Auditor

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

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, 2017 and June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

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

- In total, net position increased by \$349.9 thousand, which represents an increase of 1.03 percent over 2016. All of the increase is in governmental activities. The Board has no business-type activities.
- The School District had \$35.2 and \$32.3 million in expenses relating to governmental activities for the fiscal years ended June 30, 2017 and June 30, 2016, respectively. Only \$20.0 million and \$19.7 million of the above mentioned expenses for 2017 and 2016 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$15.5 million and \$15.1 million, respectively, for 2017 and 2016, along with fund balance were adequate to provide for these programs.
- General revenues accounts for \$15.5 million in revenue or 43.7% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$20.0 million or 56.3% of total revenues of \$35.5 million.
- Among major funds, the general fund had \$32.5 million in revenues and \$32.4 million in expenditures. The fund balance for the general fund increased slightly by \$31 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.

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.

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

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

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

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

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

Fund Financial Statements

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

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

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
Assets		
Current and Other Assets	\$ 16,688,368.69	\$ 14,053,203.98
Capital Assets, Net	60,533,453.95	61,926,711.00
Total Assets	77,221,822.64	75,979,914.98
Deferred Outflows of Resources		
Related to Defined Benefit Pension Plans	7,764,485.60	2,540,113.47
Liabilities		
Current and Other Liabilities	3,633,761.07	3,457,426.46
Long-Term Liabilities	14,380,964.28	14,365,855.05
Net Pension Liability	31,410,614.00	24,048,692.00
Total Liabilities	49,425,339.35	41,871,973.51
Deferred Inflows of Resources		
Related to Defined Benefit Pension Plans	1,149,583.00	2,586,575.00
Net Position		
Net Investment in Capital Assets	46,708,348.77	48,101,605.82
Restricted	6,594,610.69	3,866,143.80
Unrestricted (Deficit)	(18,891,573.57)	(17,906,269.68)
Total Net Position	\$ 34,411,385.89	\$ 34,061,479.94

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

Net position increased \$349.9 thousand in fiscal year 2017. This increase is primarily due to an increase in revenues and tight expenditure controls.

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*. Together, these two statements drastically changed the presentation for the government-wide balance sheet by requiring the reporting of the Board's net pension liability and deferred inflows and outflows associated with pension payments for all State pension programs in which the Board participates. The total liability effect of these pensions was \$31,410,614.00 for the year ended June 30, 2017. These liabilities exceeded the Board's unrestricted net position of \$5,904,137.83. 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, 2017

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

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2017	2016
Revenues		
Program Revenues:		
Charges for Services	\$ 449,713.44	\$ 377,680.59
Operating Grants and Contributions	18,985,417.88	18,460,883.59
Capital Grants and Contributions	561,820.37	886,957.40
Total Program Revenues	<u>19,996,951.69</u>	<u>19,725,521.58</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	11,731,090.84	11,898,246.87
For Debt Service	-	5,113.43
Railroad Cars	62,555.24	60,137.99
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	2,528,177.74	2,634,987.33
Other Taxes	67,148.75	80,438.30
Investment Earnings	134,592.61	78,131.15
Miscellaneous	998,937.39	947,184.82
Special Item		
Loss on Building	-	(594,807.04)
Total General Revenues and Special Item	<u>15,522,502.57</u>	<u>15,109,432.85</u>
Total Revenues	<u>35,519,454.26</u>	<u>34,834,954.43</u>
Program Expenses:		
Instruction	20,457,177.55	18,740,535.55
Support Services		
Pupil Services	1,310,907.52	1,093,899.49
Improvement of Instructional Services	1,476,716.47	1,562,364.50
Educational Media Services	411,629.70	362,805.59
General Administration	904,381.19	875,646.04
School Administration	2,508,504.18	2,279,456.02
Business Administration	545,767.88	514,881.31
Maintenance and Operation of Plant	2,938,323.22	2,636,095.17
Student Transportation Services	2,182,651.32	1,920,905.53
Central Support Services	1,023.81	4,592.57
Other Support Services	45,947.75	52,195.81
Operations of Non-Instructional Services		
Food Services	1,865,997.72	1,742,158.40
Interest on Short-Term and Long-Term Debt	520,520.00	480,480.00
Total Expenses	<u>35,169,548.31</u>	<u>32,266,015.98</u>
Increase in Net Position	<u>\$ 349,905.95</u>	<u>\$ 2,568,938.45</u>

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

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions increased \$271 thousand for governmental activities. This increase is largely due to an increase in funds earned through the State Quality Basic Education (QBE) funding formula with the decrease of austerity reduction, paired with an increase in federal funds, mainly seen in Title I and Striving Reader grants, \$177 thousand and \$319 thousand respectively. The reduction in capital grants and contributions is due to the completion of the high school project. In fiscal year 2016 the Board received the final GSFIC payment. This closely counterbalanced the increase in other revenues.

General revenues increased by \$413 thousand during fiscal year 2017 due to the lack of a loss recorded in fiscal year 2016 for the demolition of a building associated with the completion of the high school project.

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

	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2017	2016	2017	2016
Instruction	\$ 20,457,177.55	\$ 18,740,535.55	\$ 7,092,719.90	\$ 5,634,501.42
Support Services:				
Pupil Services	1,310,907.52	1,093,899.49	972,942.59	875,693.85
Improvement of Instructional Services	1,476,716.47	1,562,364.50	999,629.86	1,096,280.10
Educational Media Services	411,629.70	362,805.59	19,028.70	(27,094.75)
General Administration	904,381.19	875,646.04	369,759.83	344,221.75
School Administration	2,508,504.18	2,279,456.02	1,755,535.18	1,490,208.60
Business Administration	545,767.88	514,881.31	545,767.88	511,969.71
Maintenance and Operation of Plant	2,938,323.22	2,636,095.17	1,995,115.96	1,647,654.81
Student Transportation Services	2,182,651.32	1,920,905.53	1,436,771.17	1,189,042.67
Central Support Services	1,023.81	4,592.57	1,023.81	4,583.34
Other Support Services	45,947.75	52,195.81	45,947.75	40,096.69
Operations of Non-Instructional Services:				
Food Services	1,865,997.72	1,742,158.40	(97,561.89)	(299,336.43)
Interest on Short-Term and Long-Term Debt	520,520.00	480,480.00	35,915.88	32,672.64
Total Expenses	\$ 35,169,548.31	\$ 32,266,015.98	\$ 15,172,596.62	\$ 12,540,494.40

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

Although program revenues make up a majority of the funding, the School District is still dependent upon tax revenues for governmental activities. For 2017, 46.5% of instruction and support activities were supplemented by taxes and other general revenues compared to 42.6% in 2016.

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 17.138 to provide additional local funding

Expenses increased \$2.9 million from the prior year, and the net costs of providing services increased \$2.6 million. \$1.4 million was attributable to raises and associated benefits increases provided to all staff in fiscal year 2017. Other increases included \$110 thousand in maintenance costs, \$80 thousand for additional therapy services, and \$167 thousand in transportation fuel and repair costs. Instruction comprises 58.17 percent, Support Services 35.04 percent, Food Services 5.31 percent, and Interest 1.48 percent of government program 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 \$37.4 million and expenditures and other financing uses of \$34.8 million. The general fund reflected a slight increase of \$31 thousand, the debt service fund increased by \$1.9 million, and the capital projects funds increased \$595 thousand. The increase in the debt service fund was due to the transfer of funds from Capital Projects Special Purpose Local Option Sales Tax (SPLOST) collections to cover the QSCB's Repurchase Deposit. The change in the fund balance of the general fund indicates the Board was able to utilize the fund balance to meet current expenditures despite the shortage of revenue.

General Fund Budgeting Highlights

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

For the general fund, the final budgeted revenues and other financing sources of \$31.2 million increased the original budgeted amount of \$30.8 million by \$376 thousand. This difference was mainly due to an increase of \$219 thousand in state revenues and an increase of \$149 thousand in federal revenues. The actual revenue was more than the budgeted amount by \$1.3 million. The majority of the variances between the final budget and actual revenue in 2017 are due to the student activity funds, on behalf payments for retirement, the subsidized QSCB's interest, and School Food Revenues that are not budgeted.

The final budgeted expenditures and other financing uses of \$31.5 million is more than the original budget of \$30.8 million by \$647 thousand. The difference was due to various adjustments in budgeted expenditure accounts. The actual expenditures and other financing uses were \$938 thousand more than the budgeted amount. The majority of the variances between the final budgeted expenditures and actual are due to underestimates in various areas, on behalf payments for retirement not budgeted, QSCB's interest payments not budgeted, school food expenditures, and student activity fund expenditures not budgeted.

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

General fund revenues and other financing sources are more than expenditures and other financing uses by \$31 thousand.

CAPITAL ASSETS

At the fiscal years ended June 30, 2017 and June 30, 2016, the School District had \$60.5 and \$61.9 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 2017	Fiscal Year 2016
Land	\$ 2,056,702.37	\$ 2,056,702.12
Construction In Progress	-	82,375.00
Building and Improvements	53,232,321.39	54,259,866.90
Equipment	1,600,319.83	1,705,704.46
Land Improvements	3,644,110.36	3,822,062.52
Total	\$ 60,533,453.95	\$ 61,926,711.00

The overall capital assets decreased in fiscal year 2017 by \$1.4 million primarily due to a combination of depreciation and disposals exceeding any new purchases.

DEBT ADMINISTRATION

The Board did not issue any general obligation bonds in fiscal year 2017. As of June 30, 2017, 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 2017 balances compared with fiscal year 2016 balances.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
Qualified School Construction Bonds	\$ 14,300,000.00	\$ 14,300,000.00
Compensated Absences	80,964.28	65,855.05
Total	\$ 14,380,964.28	\$ 14,365,855.05

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

CURRENT FINANCIAL ISSUES AND CONCERNS

In fiscal year 2017, the Board welcomed the return of near complete funding of the state's QBE program. The Austerity Cut or Amended Formula Adjustment for Washington County Board of Education for fiscal year 2017 was \$273 thousand, down from \$784 thousand in fiscal year 2016. After accounting for other formula adjustments, the Board received a net increase in QBE funding over fiscal year 2016 of \$318 thousand. The Board was pleased to see the continued efforts by the state to eliminate the fifteen-year practice of reducing the payment of earned QBE funds to local school districts. The cumulative state shortfall for Washington County School District as of June 30, 2017 is \$17.75 million. The impact of this shortfall continues to be effectively managed by the Board. Operational costs are closely monitored and reduced when possible. Mainly through attrition, the School District has reduced the number of employees and is realizing the financial benefits of consolidated campuses. Class sizes have been increased, and new and updated facilities continue to provide cost savings from increased energy efficiencies associated with updated construction.

The millage rate for the Washington County Board of Education for fiscal year 2017 was set at the rollback rate of 17.138 mills to generate revenue equal to the amount received in fiscal year 2016. Although budgeted expenditures increased over fiscal year 2016, the Board endeavored to control costs through operational efficiencies. These efforts, combined with the increase in state QBE funding, allowed the Board to fully fund its operations from current year revenues. Additionally, the year-end general fund balance increased by \$31 thousand.

The general fund received \$653 thousand in Title Ad Valorem Taxes (TAVT) and \$455 thousand from the Forestry Land Protection Act (FLPA) grant. Expenditures were reduced in the area of salaries through the replacement of retiring teachers with entry level teachers. Areas of increased costs included step raises for certified staff, a 3% salary increase for non-certified staff, associated increases in benefits costs, Maintenance and Transportation expenditures, and increased Health Insurance costs.

ESPLOST III is continuing to fund the debt service repurchase agreement deposits associated with the high school project. Following the completion of the high school project in 2016, smaller projects will now be undertaken as ESPLOST funds not required for debt service are available. The remodel/enclosure of the existing batting cage was completed in fiscal year 2017 at a cost of \$103 thousand. Future projects under consideration are athletic facilities upgrades, parking lots, bus loading ramps, and bus purchases. Preliminary estimates indicate a cost of \$5.0 to \$7.0 million for these additional projects.

Sales tax collections continued their downward trend in fiscal year 2017 with a \$106 thousand reduction in collections versus fiscal year 2016. Although a reduction is never welcomed, it was encouraging that the year over year decline was lower in fiscal year 2017. Washington County is an agricultural county and continues to experience the negative impact of reduced sales tax revenues from the Georgia Agriculture Tax Exemption (GATE) program. Additionally, the reduction in revenues attributable to exemptions provided for industrial energy usage and the change in taxation on automobile sales has contributed to reduced sales tax revenues. Although not quantifiable, it is suspected that internet sales, for which no local sales tax is collected, have also negatively impacted collections. Regardless of these reductions in sales tax revenues, the Board is prepared to meet its current obligations as they relate to capital construction and ESPLOST funded debt service. Planned capital projects have been reviewed and have been amended to reflect the decreased revenue stream.

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

The Board is well positioned to satisfy its current debt obligations through the accumulation ESPLOST revenues. ESPLOST III is providing sufficient revenues to continue annual deposits to the sinking fund through the debt repayment date of December 2021. Interest from a negotiated repurchase agreement on the sinking fund will provide \$1.3 million in earnings, correspondingly reducing the overall re-payment made from ESPLOST funds on the debt. Total debt service payments, including interest, for the new high school equal \$25.4 million. Total repayments from ESPLOST II and III funds will equal \$19.3 million. The balance will come from federal interest subsidies on the QSCBs and from the aforementioned interest earnings on the repurchase agreement.

The adoption of GASB No. 71 and GASB No. 68 has resulted in a less than positive impact on our financial statements, particularly with regard to our net position. We are not unique in this situation, as all school systems in Georgia who participate in TRS, ERS, and PSERS have been impacted. Although the pension liabilities of these state retirement programs are significant, the Washington County Board of Education is simply a participant in these programs. A major portion of the employer's cost for these contributions is funded by the state through the QBE formula. The Board will continue to participate in these retirement programs and will fund its portion at 100% of its required annual contribution.

Fiscal year 2018 is underway and the financial picture for the Board continues to be mainly positive. Although austerity reductions from state funding have continued, the amount of the reduction was lower than in recent years. The Board received a year over year increase in state QBE funding of \$889 thousand. QBE funding included a 2% salary increase for earned certified employees paid on the state salary scale and funding for a 2.54% increase in Teachers Retirement System (TRS) costs. In fiscal year 2018 the Board's maintenance and operations millage rate was held to the rollback rate on a digest that increased \$18.0 million from its base. This action maintained a stable overall millage rate for the School System's portion of the County's millage and allows for an increase of growth related revenues of \$286 thousand. Concerns regarding a slowdown in existing industrial growth and pressures to provide tax abatements to attract new industry continue to affect the growth of the tax base in the county. Operationally, the Board is facing an aging bus fleet and has begun to consider options for capital accumulation to facilitate incremental replacement of select buses. Additionally, hiring and retaining qualified bus drivers is becoming more difficult and the Board is considering options to address this issue. The middle school facility is beginning to require age related major maintenance and will be the next campus to benefit from major capital improvements. Programmatically, the Board continues to offer a progressive curriculum to the County's students in a technologically enhanced environment. The Board's Technology group has been the recipient of competitive state and federal grants that have enabled significant improvements to the instructional technology currently in use by our staff and students. From a system viewpoint, projected revenues are sufficient to cover planned expenses, and debt service funding is available to make the required principal and interest payments.

After enduring 15 years of state cuts, the Board is relieved to see the restoration of a larger portion of funding under the state's QBE Formula. We are hopeful that the Amended Formula Reduction will be completely eliminated in fiscal year 2019. Also welcomed is the ability School Systems now have to exert further control over their instructional practices and financial management. The Board has chosen to become a Strategic Waiver School System which has enabled flexibility options that more fully serve the educational needs of our student population. At the same time, this designation allows for the continued implementation of sound financial management practices targeting the Board's goal of long-term financial stability. The Board's dependence on state funding for its operations continues to force an awareness of the political environment in which the state's school systems operate. We are encouraged by the positive traction gained over the past few years by our political leaders toward a fuller recognition of the many financial, instructional, and social challenges faced by all of the state's public school systems. With a local tax base that is stagnant at best, we continue to be in need of

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

increased financial support from our state's leaders. The Board has, thus far, been able to sufficiently manage fluctuations in state and local funding through the implementation of disciplined financial practices and aggressive management of available funding. The ability of management to recognize issues, both political and fiscal, anticipate their impact, and react accordingly, has provided for the continuation of funding for sufficient programs in state of the art facilities for the students of Washington County.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. For additional financial information, or with questions about this report, please contact Sandra McMaster, Director of Finance and Business Operations, Washington County Board of Education, PO Box 716, Sandersville, Georgia 31082.

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WASHINGTON COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

		<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	8,862,449.58
Receivables, Net		
Interest		109.76
Taxes		450,457.53
State Government		1,899,171.25
Federal Government		582,325.48
Local		35,481.63
Other		37,277.24
Inventories		42,386.75
Restricted Assets		
Investments with Fiscal Agent or Trustee		4,778,709.47
Capital Assets, Non-Depreciable		2,056,702.37
Capital Assets, Depreciable (Net of Accumulated Depreciation)		<u>58,476,751.58</u>
 Total Assets		 <u>77,221,822.64</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Related to Defined Benefit Pension Plans		<u>7,764,485.60</u>
<u>LIABILITIES</u>		
Accounts Payable		138,307.56
Salaries and Benefits Payable		3,455,413.51
Interest Payable		40,040.00
Net Pension Liability		31,410,614.00
Long-Term Liabilities		
Due in More Than One Year		<u>14,380,964.28</u>
 Total Liabilities		 <u>49,425,339.35</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Related to Defined Benefit Pension Plans		<u>1,149,583.00</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets		46,708,348.77
Restricted for		
Continuation of Federal Programs		876,191.53
Debt Service		4,825,202.23
Capital Projects		893,216.93
Unrestricted (Deficit)		<u>(18,891,573.57)</u>
 Total Net Position	 \$	 <u><u>34,411,385.89</u></u>

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

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 20,457,177.55	\$ 420,004.29
Support Services		
Pupil Services	1,310,907.52	-
Improvement of Instructional Services	1,476,716.47	-
Educational Media Services	411,629.70	-
General Administration	904,381.19	-
School Administration	2,508,504.18	-
Business Administration	545,767.88	-
Maintenance and Operation of Plant	2,938,323.22	-
Student Transportation Services	2,182,651.32	-
Central Support Services	1,023.81	-
Other Support Services	45,947.75	-
Operations of Non-Instructional Services		
Food Services	1,865,997.72	29,709.15
Interest on Short-Term and Long-Term Debt	520,520.00	-
	\$ 35,169,548.31	\$ 449,713.44
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
\$ 12,944,453.36	\$ -	\$ (7,092,719.90)
337,964.93	-	(972,942.59)
477,086.61	-	(999,629.86)
392,601.00	-	(19,028.70)
534,621.36	-	(369,759.83)
752,969.00	-	(1,755,535.18)
-	-	(545,767.88)
943,207.26	-	(1,995,115.96)
668,663.90	77,216.25	(1,436,771.17)
-	-	(1,023.81)
-	-	(45,947.75)
1,933,850.46	-	97,561.89
-	484,604.12	(35,915.88)
<u>\$ 18,985,417.88</u>	<u>\$ 561,820.37</u>	<u>(15,172,596.62)</u>
		11,731,090.84
		62,555.24
		2,528,177.74
		67,148.75
		134,592.61
		998,937.39
		<u>15,522,502.57</u>
		349,905.95
		<u>34,061,479.94</u>
		<u>\$ 34,411,385.89</u>

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

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 8,130,967.40	\$ 682,278.09	\$ 49,204.09	\$ 8,862,449.58
Receivables, Net				
Interest	109.76	-	-	109.76
Taxes	238,059.42	210,938.84	1,459.27	450,457.53
State Government	1,899,171.25	-	-	1,899,171.25
Federal Government	582,325.48	-	-	582,325.48
Local	35,481.63	-	-	35,481.63
Inventories	42,386.75	-	-	42,386.75
Restricted				
Cash and Investments with a Fiscal Agent or Trustee	-	-	4,778,709.47	4,778,709.47
	\$ 10,928,501.69	\$ 893,216.93	\$ 4,829,372.83	\$ 16,651,091.45
<u>LIABILITIES</u>				
Accounts Payable	\$ 138,307.56	-	-	\$ 138,307.56
Salaries and Benefits Payable	3,455,413.51	-	-	3,455,413.51
	3,593,721.07	-	-	3,593,721.07
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	67,768.21	-	1,407.84	69,176.05
<u>FUND BALANCES</u>				
Nonspendable	42,386.75	-	-	42,386.75
Restricted	833,804.78	893,216.93	4,827,964.99	6,554,986.70
Assigned	2,474,772.32	-	-	2,474,772.32
Unassigned	3,916,048.56	-	-	3,916,048.56
	7,267,012.41	893,216.93	4,827,964.99	12,988,194.33
	\$ 10,928,501.69	\$ 893,216.93	\$ 4,829,372.83	\$ 16,651,091.45

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

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 12,988,194.33

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	\$	2,056,702.37	
Buildings and improvements		63,602,953.63	
Equipment		5,841,140.46	
Land improvements		4,524,012.09	
Accumulated depreciation		<u>(15,491,354.60)</u>	60,533,453.95

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

Net pension liability			(31,410,614.00)
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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

37,277.24

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

6,614,902.60

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

69,176.05

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)	
Compensated absences payable		(80,964.28)	
Qualified School Construction Bond interest payable		<u>(40,040.00)</u>	<u>(14,421,004.28)</u>

Net position of governmental activities (Exhibit "A") \$ 34,411,385.89

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

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 11,871,912.10	\$ -	\$ 2,395.35	\$ 11,874,307.45
Sales Taxes	67,148.75	2,528,177.74	-	2,595,326.49
State Funds	14,335,868.10	-	-	14,335,868.10
Federal Funds	4,718,019.03	-	-	4,718,019.03
Charges for Services	449,713.44	-	-	449,713.44
Investment Earnings	17,253.71	4,907.24	112,431.66	134,592.61
Miscellaneous	998,937.39	-	447,326.88	1,446,264.27
Total Revenues	<u>32,458,852.52</u>	<u>2,533,084.98</u>	<u>562,153.89</u>	<u>35,554,091.39</u>
<u>EXPENDITURES</u>				
Current				
Instruction	18,678,133.65	-	-	18,678,133.65
Support Services				
Pupil Services	1,281,768.78	-	-	1,281,768.78
Improvement of Instructional Services	1,428,048.70	-	-	1,428,048.70
Educational Media Services	401,003.57	-	-	401,003.57
General Administration	879,330.20	-	-	879,330.20
School Administration	2,427,041.79	-	-	2,427,041.79
Business Administration	526,248.93	-	-	526,248.93
Maintenance and Operation of Plant	2,833,574.27	-	-	2,833,574.27
Student Transportation Services	2,134,696.61	-	-	2,134,696.61
Central Support Services	1,023.81	-	-	1,023.81
Other Support Services	45,516.44	-	-	45,516.44
Food Services Operation	1,791,372.80	-	-	1,791,372.80
Capital Outlay	-	103,387.91	-	103,387.91
Debt Services				
Interest	-	-	480,480.00	480,480.00
Total Expenditures	<u>32,427,759.55</u>	<u>103,387.91</u>	<u>480,480.00</u>	<u>33,011,627.46</u>
Revenues over (under) Expenditures	<u>31,092.97</u>	<u>2,429,697.07</u>	<u>81,673.89</u>	<u>2,542,463.93</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	1,834,638.25	1,834,638.25
Transfers Out	-	(1,834,638.25)	-	(1,834,638.25)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,834,638.25)</u>	<u>1,834,638.25</u>	<u>-</u>
Net Change in Fund Balances	31,092.97	595,058.82	1,916,312.14	2,542,463.93
Fund Balances - Beginning	<u>7,235,919.44</u>	<u>298,158.11</u>	<u>2,911,652.85</u>	<u>10,445,730.40</u>
Fund Balances - Ending	<u>\$ 7,267,012.41</u>	<u>\$ 893,216.93</u>	<u>\$ 4,827,964.99</u>	<u>\$ 12,988,194.33</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, 2017

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ 2,542,463.93

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 362,348.84	
Depreciation expense	<u>(1,678,919.35)</u>	(1,316,570.51)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to increase net position. (76,686.54)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (80,871.07)

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. 37,277.24

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

Pension expense		(700,557.87)
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest on Qualified School Construction Bonds	\$ (40,040.00)	
Compensated absences	<u>(15,109.23)</u>	<u>(55,149.23)</u>

Change in net position of governmental activities (Exhibit "B") \$ 349,905.95

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

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ -	\$ 79,047.32
Investments	44,048.80	24,350.43
Receivables, Net		
Interest and Dividends	12.67	7.01
Total Assets	\$ 44,061.47	\$ 103,404.76
<u>LIABILITIES</u>		
Funds Held for Others		\$ 103,404.76
 <u>NET POSITION</u>		
Held in Trust for Private Purposes	\$ 44,061.47	

WASHINGTON COUNTY BOARD OF EDUCATION
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2017

EXHIBIT "H"

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Investment Earnings	
Interest	\$ 116.44
<u>DEDUCTIONS</u>	
Scholarships	<u>600.00</u>
Change in Net Position	(483.56)
Net Position - Beginning	<u>44,545.03</u>
 Net Position - Ending	 \$ <u><u>44,061.47</u></u>

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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 general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

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

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information; (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. See note 15 for further disclosure of tax abatements in accordance with this standard.

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

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

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

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

RECEIVABLES

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

INVENTORIES

Food Inventories

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

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.

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.

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 2016 tax digest year (calendar year) on August 12, 2016 (levy date) based on property values as of January 1, 2016. Taxes were due on December 10, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. The 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, 2017, for maintenance and operations amounted to \$11,156,431.60 and for school bonds amounted to \$2,395.35.

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

School Operations	<u>17.138</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$652,925.26 during fiscal year ended June 30, 2017.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$2,528,177.74 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

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

COLLATERALIZATION OF DEPOSITS

O.C.G.A. §45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. §45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance. At June 30, 2017, \$827,691.51 of

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deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2017, School District had deposits with a carrying amount of \$8,327,618.04 and a bank balance of \$9,255,021.84. The bank balances insured by Federal depository insurance were \$676,843.55 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 \$2,800,648.57.

At June 30, 2017, \$5,777,529.72 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	827,691.51
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>4,949,838.21</u>
Total	\$	<u><u>5,777,529.72</u></u>

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

Statement of Net Position	
Cash and cash equivalents	\$ 8,862,449.58
Statement of Fiduciary Net Position	
Cash and cash equivalents	<u>79,047.32</u>
 Total cash and cash equivalents	 8,941,496.90
 Add:	
Deposits with original maturity of three months or more reported as investments	68,399.23
 Less:	
Investment pools reported as cash and cash equivalents	
Georgia Fund 1	<u>682,278.09</u>
 Total carrying value of deposits - June 30, 2017	 \$ <u><u>8,327,618.04</u></u>

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of \$682,278.09 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2017, was 42 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.

CATEGORIZATION OF INVESTMENTS

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

Investment Type	Fair Value	Investment Maturity 1 - 5 Years
Debt Securities		
Repurchase Agreements	\$ <u>4,778,709.47</u>	\$ <u>4,778,709.47</u>

At June 30, 2017 the fair market value of the School District's principal investment in the Repurchase Agreement with Deutsche Bank was \$4,778,709.47 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.

Fair Value of Investments

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

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

At June 30, 2017, the School District had the following investments by fair value level:

Investments by fair value level:	Fair Value	Level 1	Level 2	Level 3
Repurchase Agreements	\$ <u>4,778,709.47</u>	\$ <u>-</u>	\$ <u>4,778,709.47</u>	\$ <u>-</u>

Interest Rate Risk

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

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, 2017, \$4,778,709.47 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>4,778,709.47</u>	\$ <u>4,778,709.47</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.

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NOTE 5: RESTRICTED ASSETS

The restricted assets represent the investment balance totaling \$4,778,709.47, respectively, for the QSCB Bond Sinking Fund.

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, 2016	Increases	Decreases	Transfers	Balances June 30, 2017
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,056,702.12	\$ 0.25	\$ -	\$ -	\$ 2,056,702.37
Construction in Progress	82,375.00	-	77,403.54	(4,971.46)	-
Total Capital Assets Not Being Depreciated	2,139,077.12	0.25	77,403.54	(4,971.46)	2,056,702.37
Capital Assets Being Depreciated					
Buildings and Improvements	63,483,553.34	99,429.11	0.28	19,971.46	63,602,953.63
Equipment	6,313,513.12	253,718.85	726,091.51	-	5,841,140.46
Land Improvements	4,529,811.46	9,200.63	-	(15,000.00)	4,524,012.09
Less Accumulated Depreciation for:					
Buildings and Improvements	9,223,686.44	1,137,605.11	38.42	9,379.11	10,370,632.24
Equipment	4,607,808.66	359,110.42	726,098.45	-	4,240,820.63
Land Improvements	707,748.94	182,203.82	671.92	(9,379.11)	879,901.73
Total Capital Assets, Being Depreciated, Net	59,787,633.88	(1,316,570.76)	(717.00)	4,971.46	58,476,751.58
Governmental Activity Capital Assets - Net	\$ 61,926,711.00	\$ (1,316,570.51)	\$ 76,686.54	\$ -	\$ 60,533,453.95

Current year depreciation expense by function is as follows:

Instruction		\$ 1,219,945.06
Support Services		
Improvements of Instructional Services	\$ 34,603.06	
Business Administration	3,676.15	
Maintenance and Operation of Plant	158,712.05	
Student Transportation Services	200,789.19	397,780.45
Food Services		61,193.84
		\$ 1,678,919.35

NOTE 7: INTERFUND ASSETS, LIABILITIES, AND TRANSFERS

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfers to	Transfers From Capital Projects Fund
Debt Service Fund	\$ 1,834,638.25

Transfers are used to move sales tax revenues collected by the capital project's Georgia Fund 1 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, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
	Qualified School Construction Bonds	\$ 14,300,000.00	\$ -	\$ -	\$ 14,300,000.00
Compensated Absences (1)	65,855.05	82,078.64	66,969.41	80,964.28	-
	\$ 14,365,855.05	\$ 82,078.64	\$ 66,969.41	\$ 14,380,964.28	\$ -

(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

Of the total amount originally authorized, \$6,625,000.00 remains unissued.

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 2017 was \$447,326.88 which funded all but \$33,153.12 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.

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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
2018	\$ -	\$ 480,480.00
2019	-	480,480.00
2020	-	480,480.00
2021	-	480,480.00
2022	14,300,000.00	240,240.00
Total Principal and Interest	\$ 14,300,000.00	\$ 2,162,160.00

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. Except as described below, the School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceed commercial insurance coverage in any of the past three fiscal years.

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>
2016	\$	-	11,648.09	11,648.09	-
2017	\$	-	7,256.06	6,256.06	1,000.00

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.

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

		Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
	\$	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2016	\$	-	8,580.00	8,580.00	-
2017	\$	-	-	-	-

SURETY BOND

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

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

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

EXHIBIT "I"

NOTE 10: FUND BALANCE CLASSIFICATION DETAILS

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

Nonspendable			
Inventories		\$	42,386.75
Restricted			
Continuation of Federal programs	\$	833,804.78	
Capital projects		893,216.93	
Debt service		<u>4,827,964.99</u>	6,554,986.70
Assigned			
School activity accounts	\$	209,598.31	
Reservice for self-insurance		42,219.10	
Other committed contracts		<u>2,222,954.91</u>	2,474,772.32
Unassigned			<u>3,916,048.56</u>
Fund Balance, June 30, 2017		\$	<u><u>12,988,194.33</u></u>

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

NOTE 11: SIGNIFICANT COMMITMENTS

OPERATING LEASES

The School District leases printers and copiers under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases(s) totaled \$122,876.33 for the year ended June 30, 2017. The following future minimum lease payments were required under operating leases at June 30, 2017:

<u>Year Ending</u>	<u>Governmental Funds</u>
2018	\$ 121,777.38
2019	121,719.72
2020	<u>120,285.72</u>
Total	<u><u>\$ 363,782.82</u></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: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

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

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

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

July 1, 2016 – June 30, 2017	\$945.00 per member per month
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For non-certificated school personnel:

July 1, 2016 – December 31, 2016	\$746.20 per member per month
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January 1, 2017 – June 30, 2017	\$846.20 per member per month
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No additional contribution was required by the Board for fiscal year 2017 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	\$ 3,447,188.20
2016	100%	\$ 3,260,400.60
2015	100%	\$ 3,071,846.05

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 audit report that can be obtained at www.trsga.com/publications.

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2017. The School District's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual School District payroll, of which 14.27% of payroll was required from the School District. For the current fiscal year, employer contributions to the pension plan were \$2,356,951.47 from the School District.

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.

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 contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2017 was 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. 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 \$83,745.12 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.

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

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

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

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$52,414.00.

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

At June 30, 2017, the School District reported a liability of \$31,410,614.00 for its proportionate share of the net pension liability for TRS (\$30,857,959.00) and ERS (\$52,655.00).

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

At June 30, 2016, the School District's TRS proportion was 0.149570%, which was a decrease of 0.005410% from its proportion measured as of June 30, 2015. At June 30, 2016, the School District's ERS proportion was 0.011683%, which was an increase of 0.000464% from its proportion measured as of June 30, 2015.

At June 30, 2017, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$373,077.00.

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

For the year ended June 30, 2017, the School District recognized pension expense of \$3,075,799.00 for TRS, \$66,234.00 for ERS and \$61,161.00 for PSERS and revenue of \$61,161.00 for PSERS. The revenue is support provided by the State of Georgia.

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

EXHIBIT "I"

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

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 459,700.00	\$ 152,593.00	\$ -	\$ 1,276.00
Changes of assumptions	799,796.00	-	4,681.00	-
Net difference between projected and actual earnings on pension plan investments	3,903,659.00	-	56,190.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	85,962.00	995,714.00	13,801.00	-
School District contributions subsequent to the measurement date	<u>2,356,951.47</u>	<u>-</u>	<u>83,745.12</u>	<u>-</u>
Total	<u>\$ 7,606,068.47</u>	<u>\$ 1,148,307.00</u>	<u>\$ 158,417.12</u>	<u>\$ 1,276.00</u>

The School District contributions subsequent to the measurement date of \$2,356,951.47 for TRS and \$83,745.12 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2018	\$ 372,171.00	\$ 17,038.00
2019	\$ 372,170.00	\$ 7,283.00
2020	\$ 1,997,582.00	\$ 30,294.00
2021	\$ 1,333,539.00	\$ 18,781.00
2022	\$ 25,348.00	\$ -

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

Teachers Retirement System:

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

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

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

Employees' Retirement System:

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

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

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

Public School Employees Retirement System:

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

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

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

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

EXHIBIT "I"

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

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

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

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

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

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
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School District's proportionate share of the net pension liability	\$ 48,030,793.00	\$ 30,857,959.00	\$ 16,718,960.00
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Employees' Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
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School District's proportionate share of the net pension liability	\$ 748,950.00	\$ 552,655.00	\$ 385,373.00
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Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS, ERS and PSERS financial report which is publically available at www.trsga.com/publications_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:

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	\$ 1,004,972.13
2016	100%	\$ 994,885.50
2015	100%	\$ 990,037.69

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, 2017, Washington County abated property taxes due to the School District that were levied on October 12, 2016 and due on December 10, 2016 totaling \$220,888.25. Included in that amount abated, the following are individual tax abatement agreements that each exceeded 10.00% percent of the total amount abated:

- A 57 percent property tax abatement to an industrial battery manufacturer employing residents. The abatement amounted to \$58,269.20.
- A 100 percent property tax abatement to an energy provider employing residents. The abatement amounted to \$158,301.08.

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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 employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.14957%	\$ 30,857,959.00	-	\$ 30,857,959.00	\$ 16,408,284.78	186.81%	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 net pension liability
2017	0.01168%	\$ 552,655.00	\$ 339,113.13	162.97%	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 employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.00%	\$ -	\$ 373,077.00	\$ 373,077.00	\$ 605,153.00	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 CONTRIBUTIONS
 TEACHERS RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "4"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2017	\$ 2,356,951.47	\$ 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 "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
2017	\$ 83,745.12	\$ 83,745.12	\$ -	\$ 339,213.13	24.69%
2016	\$ 66,377.28	\$ 66,377.28	\$ -	\$ 268,569.08	24.72%
2015	\$ 57,051.08	\$ 57,051.08	\$ -	\$ 259,795.63	21.96%

Teachers Retirement System

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

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

Employees' Retirement System

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

Public School Employees Retirement System

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

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

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

SCHEDULE "7"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
REVENUES				
Property Taxes	\$ 13,947,978.00	\$ 13,947,978.00	\$ 11,871,912.10	\$ (2,076,065.90)
Sales Taxes	71,765.00	71,765.00	67,148.75	(4,616.25)
State Funds	13,883,018.54	14,101,980.10	14,335,868.10	233,888.00
Federal Funds	2,771,428.88	2,920,514.18	4,718,019.03	1,797,504.85
Charges for Services	-	-	449,713.44	449,713.44
Investment Earnings	20,000.00	20,000.00	17,253.71	(2,746.29)
Miscellaneous	87,230.89	90,980.89	998,937.39	907,956.50
Total Revenues	30,781,421.31	31,153,218.17	32,458,852.52	1,305,634.35
EXPENDITURES				
Current				
Instruction	18,452,468.45	19,170,776.47	18,678,133.65	492,642.82
Support Services				
Pupil Services	1,251,821.93	1,274,651.93	1,281,768.78	(7,116.85)
Improvement of Instructional Services	1,804,933.60	1,615,528.84	1,428,048.70	187,480.14
Educational Media Services	400,180.79	400,180.79	401,003.57	(822.78)
General Administration	1,090,278.33	1,090,801.33	879,330.20	211,471.13
School Administration	2,430,851.66	2,429,265.77	2,427,041.79	2,223.98
Business Administration	588,053.59	588,053.59	526,248.93	61,804.66
Maintenance and Operation of Plant	2,823,560.43	2,838,963.76	2,833,574.27	5,389.49
Student Transportation Services	1,943,697.60	2,020,913.85	2,134,696.61	(113,782.76)
Central Support Services	2,999.81	2,999.81	1,023.81	1,976.00
Other Support Services	57,600.00	57,600.00	45,516.44	12,083.56
Food Services Operation	-	-	1,791,372.80	(1,791,372.80)
Total Expenditures	30,846,446.19	31,489,736.14	32,427,759.55	(938,023.41)
Excess of Revenues over (under) Expenditures	(65,024.88)	(336,517.97)	31,092.97	367,610.94
OTHER FINANCING SOURCES (USES)				
Other Sources	-	3,812.52	-	(3,812.52)
Other Uses	-	(3,812.52)	-	3,812.52
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(65,024.88)	(336,517.97)	31,092.97	367,610.94
Fund Balances - Beginning	7,382,579.92	7,381,953.67	7,235,919.44	(146,034.23)
Adjustments	8,334.20	1,751.39	-	(1,751.39)
Fund Balances - Ending	\$ 7,325,889.24	\$ 7,047,187.09	\$ 7,267,012.41	\$ 219,825.32

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 \$897,093.91 and \$886,233.59, 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, 2017

SCHEDULE "8"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	17175GA324N1099	\$ 462,629.55
National School Lunch Program	10.555	17175GA324N1100	<u>1,216,327.71</u>
Total U. S. Department of Agriculture			<u>1,678,957.26</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	608,617.34
Preschool Grants	84.173	H173A160081	<u>24,863.00</u>
Total Special Education Cluster			<u>633,480.34</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A160010	39,539.30
Improving Teacher Quality State Grants	84.367	S367A150001	15,602.00
Improving Teacher Quality State Grants	84.367	S367A160001	197,110.82
Rural Education	84.358	S358B150010	16,059.00
Rural Education	84.358	S358B160010	42,586.63
Striving Readers	84.371	S371C110049	475,487.00
Title I Grants to Local Educational Agencies	84.010	S010A160010	1,338,942.66
Pass-Through From Southwest Regional Educational Service Agency			
English Language Acquisition Grants	84.365	S365A150010	<u>1,771.82</u>
Total Other Programs			<u>2,127,099.23</u>
Total U. S. Department of Education			<u>2,760,579.57</u>
Labor, U. S. Department of			
Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster			
Pass-Through From East Central Georgia Consortium			
Service Agency			
Workforce Investment Act/Workforce Innovation and Opportunity Act Youth Activities	17.259	15151507013	<u>38,032.64</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.UNKNOWN		<u>52,167.30</u>
Total Expenditures of Federal Awards			<u>\$ 4,529,736.77</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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net assets of the Board.

Note 2. Summary of Significant Accounting Policies

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

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

SCHEDULE "9"

<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	\$ 318,073.51
Communities in Schools Georgia Washington County Family Connections and Communities in Schools	23,000.00
Education, Georgia Department of Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	872,015.00
Primary Grades (1-3) Program	2,485,608.00
Primary Grades - Early Intervention (1-3) Program	29,843.00
Upper Elementary Grades (4-5) Program	1,142,038.00
Upper Elementary Grades - Early Intervention (4-5) Program	53,607.00
Middle School (6-8) Program	1,737,585.00
High School General Education (9-12) Program	1,649,744.00
Vocational Laboratory (9-12) Program	308,037.00
Students with Disabilities	2,174,890.00
Gifted Student - Category VI	241,038.00
Remedial Education Program	159,893.00
Alternative Education Program	126,318.00
Media Center Program	311,114.00
20 Days Additional Instruction	96,452.00
Staff and Professional Development	51,705.00
Principal Staff and Professional Development	953.00
Indirect Cost	
Central Administration	419,066.00
School Administration	596,726.00
Facility Maintenance and Operations	722,658.00
Amended Formula Adjustment	(195,656.00)
Categorical Grants	
Pupil Transportation	
Regular	600,077.00
Nursing Services	60,766.00
Vocational Supervisors	6,653.00
Other State Programs	
Food Services	52,976.00
Math and Science Supplements	42,225.09
Preschool Disability Services	42,025.00
Pupil Transportation - State Bonds	77,216.25
Teacher of the Year	507.25
Vocational Education	29,301.00
Office of the State Treasurer Public School Employees Retirement	52,414.00
CONTRACT	
Human Resources, Georgia Department of Family Connection	47,000.00
	\$ 14,335,868.10

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

January 12, 2018

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Washington County Board of Education

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

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 Washington County Board of Education (School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 12, 2018.

Internal Control Over Financial Reporting

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

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

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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.

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, 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 cursive script that reads "Greg S. Griffin".

Greg S. Griffin
State Auditor

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

January 12, 2018

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Washington County Board of Education

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited Washington County Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2017. The School District's major federal program is 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 the School District's major federal program 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.

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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.

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 its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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, 2017

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue: Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses identified?	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>
84.010	Title I Grants to Local Educational Agencies
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000.00
Auditee qualified as low-risk auditee?	Yes

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.