DOUGHERTY COUNTY BOARD OF EDUCATION

ALBANY, GEORGIA

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

DOUGHERTY COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

August 9, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Dougherty County Board of Education

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dougherty County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component unit, Dougherty County Stadium Authority (Authority). These financial statements 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. Because of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component unit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except for the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Discretely Presented Component Unit	Disclaimer
General Fund	Unmodified
Capital Projects Fund	Unmodified
Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of the Dougherty County Stadium Authority (Authority) have not been audited, and we were not engaged to audit the Authority's financial statements as part of our audit of the School District's basic financial statements. The Authority's financial activities are included in the School District's basic financial statements as a discretely presented component unit.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit of the School District. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

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

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 oter additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,

Greg S. Griffin
State Auditor

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INTRODUCTION

Management's discussion and analysis of the Dougherty County School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to present the School District's overall financial performance. Readers should also review the financial statements and notes to the financial statements to further enhance their understanding of the School District's financial performance.

In fiscal year 2018, the School District adopted the following Governmental Accounting Standards Board (GASB) Statements:

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

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

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

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

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- Beginning net position was restated resulting in a decrease of $137.5 million for the implementation of GASB No. 75. This restatement is based on actuarial estimates and information is not available for the fiscal year 2017 comparative balances used throughout this discussion and analysis. See Note 15 in the Notes to the Basic Financial Statements for more information about the restatement of net position.
- The School District's net position at June 30, 2018 was $61.2 million. Net position reflects the difference between all assets and deferred outflows of resources of the School District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term, and deferred inflows of resources. The net position at June 30, 2018 of $61.2 million represented a decrease of $123.3 million when compared to the prior year primarily due to implementation of GASB No. 75. The net OPEB Liability totaled $134.5 million.
- Total Revenues increased $9.9 million while total program expenses increased by 3.5 million. There was a total increase to net position of $6.4 million due to increased Federal and State resources to support our program expenditures.
- Capital Assets increased $30.2 million primarily due to enhancements to the district's infrastructure, renovations and improvements to schools, acquisition and construction of new athletic facilities.
- The School District continues to maintain a sound fiscal position in fiscal year 2018.

Overview of the Financial Statements

The annual report consists primarily of a series of financial statements and notes to those statements. These statements are organized and presented in a manner intended to assist the reader in understanding the Dougherty County School District as a complete operating entity.

Government-Wide Statements

The *Statement of Net Position* and *Statement of Activities* provide information about the School District as a whole using accounting methods similar to those used by industry. The increases and decreases in the School District's net position are an indicator of whether the financial position of the School District has improved or diminished. There are many factors that can affect the overall financial condition of the School District such as the School District's property tax base, State and Federal funding, and the condition of buildings and equipment.

All of the School District's programs and activities included in the government-wide statements are reported as governmental activities. These include instruction, support services, staff development, operation and maintenance of facilities, pupil transportation, food service, after school programs, school administration, and various others functions.

These statements report all assets and liabilities using the *accrual* basis of accounting. The basis of accounting determines when transactions are reported on the financial statements. The *accrual* basis of accounting records revenues when they are earned regardless of when payment (cash) is received. Expenditures are recorded at the time the liability is incurred regardless of when the actual payment is made.

The *Statement of Activities* reflects the governmental activities of the School District by programs and services and distinguishes the revenue sources for these activities. The statement also helps identify how much local revenue is required to support the School District's activities.

Fund Financial Statements

Fund financial reports provide detail information about the School District's major funds. Funds are accounting devices the School District uses to keep track of general operations, federal and state grants, building programs, debt payments, worker's compensation claims, and student activity funds.

The Dougherty County School District has two kind of funds – governmental funds and fiduciary funds.

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.

The School District's governmental funds are the general fund, capital projects fund and debt service fund. General operations, school food services, other Federal and State grant programs, the general operating portion of principal accounts, and workers compensation claims are consolidated in the general fund.

Fiduciary Funds

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

Presentation of Financial Data

The next section of this discussion will provide more specific information as reported on the financial statements discussed above. For comparison purposes, this information will be presented for both fiscal year 2017 and fiscal year 2018.

Statement of Net Position (Analysis of the School District As A Whole)

As previously stated above, the *Statement of Net Position* presents consolidated financial data for the School District as a whole. *Table 1* provides a summary of the School District's net position for this fiscal year 2018 and the comparative amounts for fiscal year 2017 as compared to the prior fiscal year.

Table 1
Net Position
(In Thousands)

	Governmental Activities		
	Fiscal Year 2018	Fiscal Year 2017 (1)	Increase (Decrease)
Assets			
Current and Other Assets	$ 81,763	$ 66,950	$ 14,813
Capital Assets, Net	304,839	274,575	30,264
Total Assets	386,602	341,525	45,077
Deferred Outflows of Resources			
Related to Defined Benefit Pension Plans and OPEB	25,973	36,000	(10,027)
Liabilities			
Current and Other Liabilities	26,237	20,799	5,438
Long-Term Liabilities	303,722	164,430	139,292
Total Liabilities	329,959	185,229	144,730
Deferred Inflows of Resources			
Related to Defined Benefit Pension Plans and OPEB	21,372	7,728	13,644
Net Position			
Net Investment in Capital Assets	279,759	260,370	19,389
Restricted	17,175	28,980	(11,805)
Unrestricted (Deficit)	(235,690)	(104,782)	(130,908)
Total Net Position	$ 61,244	$ 184,568	$ (123,324)

(1) Fiscal year 2017 balances do not reflect the efects of the Restatement of Net Position.
See Note 15 in the Notes to the Basic Financial Statements for additional information.

Restricted or designated assets are assets that must be used for a specific purpose. Restricted net position decreased $11.8 million and is restricted for the continuation of federal programs, capital projects and debt servicing.

Total net position decreased by $123.3 million in fiscal year 2018 from the prior year due to the implementation of GASB No. 75.

Statement of Activities

Table 2 shows the changes in net position for fiscal year 2017 and fiscal year 2018 as reported on the *Statement of Activities*.

Table 2
Change in Net Position
(In Thousands)

	Governmental Activities		
	Fiscal Year 2018	Fiscal Year 2017 (1)	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for Services	$ 1,503	$ 1,439	$ 64
Operating Grants and Contributions	107,851	105,378	2,473
Capital Grants and Contributions	5,023	1,595	3,428
Total Program Revenues	114,377	108,412	5,965
General Revenues:			
Taxes			
Property Taxes			
For Maintenance and Operations	41,713	39,430	2,283
Other Taxes	65	53	12
Sales Taxes			
Special Purpose Local Option Sales Tax			
For Debt Service	14,797	15,008	(211)
Other Sales Tax	308	287	21
Grants and Contributions not Restricted to Specific Programs	11,280	8,971	2,309
Investment Earnings	546	213	333
Miscellaneous	2,018	2,802	(784)
Total General Revenues	70,727	66,764	3,963
Total Revenues	185,104	175,176	9,928
Program Expenses			
Instruction	91,760	93,710	(1,950)
Support Services			
Pupil Services	5,037	5,049	(12)
Improvement of Instructional Services	10,585	10,489	96
Educational Media Services	3,526	3,198	328
General Administration	2,319	1,654	665
School Administration	11,965	10,960	1,005
Business Administration	2,715	1,924	791
Maintenance and Operation of Plant	17,555	17,552	3
Student Transportation Services	8,298	6,916	1,382
Central and Other Support Services	4,935	4,735	200
Operations of Non-Instructional Services			
Enterprise Operations	366	372	(6)
Community Services	367	509	(142)
Food Services	11,411	10,248	1,163
Interest on Short-Term and Long-Term Debt	83	79	4
Total Expenses	170,922	167,395	3,527
Increase in Net Position	$ 14,182	$ 7,781	$ 6,401

(1) Fisical year 2017 balances do not reflect the effects on the Restatement of Net Position. See Note 15 in the Notes to the Basic Financial Statements for additional information.

The $5.9 million increase in programs revenues was directly correlated the approval of more state and federal awards. Property tax revenues increased notably by $2.2 million with an increase in collections for delinquent taxes, public utilities ad valorem, TAVT and the forest land protection act. Sales tax revenues decreased by $0.2 million. Although program revenues make up a majority of the total revenue, the School District is still dependent upon tax revenues for the funding of governmental activities.

Total Program Expenses increased $3.5 million for fiscal year 2018 compared to the previous fiscal year. This increase is mainly attributed to increase in school administration and transportation services.

Descriptions of Expense Categories

Instruction includes activities relating to the teaching of pupils and the interaction between teacher and pupil.

Pupil Services are activities designed to assess and improve the well-being of students and to supplement the teaching process.

Improvement of Instructional Services are activities which are designed primarily for assisting instructional staff in planning, developing, and evaluating the process of providing challenging learning experiences for students.

Educational Media Services are activities that direct, manage and operate educational media centers.

General Administration establishes and administers policy for operating the local school district.

School Administration includes the activities of principals, assistant principals, and clerical staff in administering school operations.

Business Administration includes the financial and warehouse operations of the school district.

Maintenance and Operation of Plant Activities involve keeping the schools grounds, buildings, and equipment in an effective working condition.

Student Transportation includes activities associated with the transporting of students to and from school, as well as to and from school activities, as provided by state law.

Central and Other Support Services include all other support services including personnel services, management information services, and public relations services.

Enterprise Operations are activities that are operated in a manner similar to business enterprises where the intent is to recover costs through user charges. This would include athletic events and child nutrition catering activities.

Community Services are activities concerned with providing community services to staff or students such as after school programs and student activity accounts.

Food Services are activities associated with the preparation and serving of meals for students. The school food service program is funded by Federal and State grants and revenues from the sale of meals to students and teachers. The cost of meals for students and teachers is determined by the School District.

Governmental Activities

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2017 and fiscal year 2018. This information is presented on the *Statement of Activities*.

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2018	Fiscal Year 2017 (1)	Fiscal Year 2018	Fiscal Year 2017 (1)
Instruction	$ 91,760	$ 93,710	$ 13,904	$ 23,585
Support Services				
Pupil Services	5,037	5,049	3,685	3,157
Improvement of Instructional Services	10,585	10,489	5,218	2,482
Educational Media Services	3,526	3,198	1,143	1,202
General Administration	2,319	1,654	(635)	(1,903)
School Administration	11,965	10,960	7,570	6,701
Business Administration	2,715	1,924	2,635	1,879
Maintenance and Operation of Plant	17,555	17,552	12,713	12,721
Student Transportation Services	8,298	6,916	4,821	4,791
Central and Other Support Services	4,935	4,735	4,893	4,685
Operations of Non-Instructional Services				
Enterprise Operations	366	372	366	372
Community Services	367	509	367	509
Food Services	11,411	10,248	(219)	(1,277)
Interest on Short-Term and Long-Term Debt	83	79	83	79
Total Expenses	$ 170,922	$ 167,395	$ 56,544	$ 58,983

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

The Net Cost of Services reflects the balance of costs that were funded by taxes and other general revenues.

The School District's Funds

Table 4 shows the change in fund balance for governmental funds as reported on the *Statement of Revenues, Expenditures, and Changes in Fund Balances*.

Table 4
Governmental Funds
Net Change in Fund Balance
(In Thousands)

	General Fund	Capital Projects Fund	Debt Service Fund	Totals
REVENUES				
Property Taxes	$ 40,716	$ -	$ -	$ 40,716
Sales Taxes	308	-	14,797	15,105
State Funds	92,465	3,513	-	95,978
Federal Funds	28,177	-	-	28,177
Charges for Services	1,502	-	-	1,502
Investment Earnings	251	233	61	545
Miscellaneous	2,051	116	-	2,167
Total Revenues	165,470	3,862	14,858	184,190
EXPENDITURES				
Current				
Instruction	89,288	340	-	89,628
Support Services	60,138	1,655	-	61,793
Enterprise Operations	366	-	-	366
Community Services	367	-	-	367
Food Service Operations	10,005	-	-	10,005
Capital Outlay	386	38,074	-	38,460
Debt Services (Interest)	-	3,271	9,241	12,512
Total Expenditures	160,550	43,340	9,241	213,131
Excess of Revenues over (under) Expenditures	4,920	(39,478)	5,617	(28,941)
OTHER FINANCING SOURCES (USES)				
Proceeds of Bonds	-	35,000	-	35,000
Premiums on Bonds Sold	-	2,500	-	2,500
Transfers In	-	11,766	-	11,766
Transfers Out	(460)	-	(11,306)	(11,766)
Total Other Financing Sources(Uses)	(460)	49,266	(11,306)	37,500
Net Change in Fund Balances	4,460	9,788	(5,689)	8,559
Fund Balances – Beginning	22,755	14,310	8,890	45,955
Fund Balances - Ending	$ 27,215	$ 24,098	$ 3,201	$ 54,514

Total revenues for all governmental funds were $184.1 million and total expenditures were $213.1 million. Total expenditures exceeded total revenues by $28.9 million for governmental activities. The fund balance for governmental funds increased from $45.9 million at the beginning of the fiscal year to $54.5 million at June 30, 2018.

The fund balance reported for the general fund increased from $22.7 million at the beginning of the fiscal year to $27.2 million at June 30, 2018 due to a combined increase of general fund revenues received over expenditures in the areas of instruction, support services and food servicing.

The fund balance reported for the capital projects fund increased from $14.3 million at the beginning of the fiscal year to $24 million at June 30, 2018. This was mainly due to bond proceeds to support capital outlay expenditures. Prior year bond proceeds were used to finance most of the capital outlay expenditures for various projects.

The fund balance reported for the debt service fund decreased from $8.8 million at the beginning of the fiscal year to $3.2 million at June 30, 2018. Sales tax revenue of $14.8 million and investment earnings were used to pay current year bond expenditures. The remaining revenue was transferred to capital projects fund to service capital outlay expenditures.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia law and in compliance with Georgia Department of Education requirements. The School District uses site-based budgeting. The budgeting process is designed to control site budgeted expenditures while providing spending flexibility to site administration. General fund budget compared to actual is presented in the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Schedule "9."

During fiscal year 2018, the School District amended its general fund budget as needed. The original budget approved by the School District's Board in June 2017, included revenues and expenditures for State and Federal Grants that were known at the time. Amendments are made to the budget to include grants awarded to the School District later in the fiscal year. The receipt of these additional grants requires an increase in revenues and expenditures. Also, federal grants cannot be used to fund state mandated programs or replace local funds that previously funded the same activities.

For fiscal year 2018, the "temporary QBE reduction" for the School District was approximately $1.4 million. The cumulative effect of these reductions to the School District over the 15 year period is a loss
of $93.7 million in state funding. While there were still challenges of a continued decline in stagnant local tax revenue, decline in student enrollment and increases in employee benefits cost, the School District presented a balanced budget.

Capital Assets

Since fiscal year 2002, the School District has developed ongoing capital projects programs that have aggressively sought to upgrade its aging school facilities, many of which are 50 to 60 years old.

The School District has invested over $304.8 million in capital assets net of depreciation. *Table 5* compares fiscal year 2018 Capital Asset balances to fiscal year 2017 balances.

Table 5
Capital Assets at June 30
(Net of depreciation, in Thousands)

	Governmental Activities		
	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)
Land	$ 9,051	$ 9,051	$ -
Construction in Progress	61,303	51,717	9,586
Buildings and Building Improvements	229,178	209,437	19,741
Equipment	5,306	4,370	936
Total	$ 304,838	$ 274,575	$ 30,263

Table 5 shows that total capital assets increased $30.2 million in fiscal year 2018. The increase is a cumulative total of the following: increase in construction in progress largely due to School District's infrastructure, renovations and improvements to schools, and the acquisition and construction of new athletic facilities. All construction projects were funded by a one percent Special Purpose Local Option Sales Tax approved by the voters of Dougherty County.

Debt

Table 6 summarizes the long-term debt outstanding at June 30 for fiscal year 2017 and fiscal year 2018.

Table 6
Debt at June 30
(In Thousands)

	Governmental Activities		
	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)
General Obligation Bonds	$ 35,000	$ 8,600	$ 26,400
Unamortized Bond Premiums	2,285	513	1,772
Compensated Absences	1,084	1,061	23
Capital Leases	3,215	6,376	(3,161)
Total	$ 41,584	$ 16,550	$ 25,034

As shown in *Table 6*, capital leases totaling $3.2 million with Key Financial, US Bank and Dell Financial to finance technology upgrades. The Series 2013 annual bond principal payment of $8.6 million was made during the fiscal year and Series 2018 Bond was issued. Compensated absences of $1.0 million represent the School District's estimated financial obligation for future payments to employees for accumulated unused vacation leave.

Current Financial Issues

Like most School Districts in Georgia, the Dougherty County School District has faced several financial challenges in the recent years. Such challenges include the increased employer cost for employee health benefits and teachers retirement. Other challenges include a decline in student enrollment (FTE) over the years and a stagnant local tax digest.

Despite these challenges, the School District is financially stable. The School District's operating millage was reduced from 18.445 to 18.433 for fiscal year 2018.

Student enrollment is a factor in the State's education funding formula. According to the State's funding formula, student enrollment is converted to a "Full Time Equivalent (FTE)" count. As student enrollment, or FTE, decreases, so does State funding. The School District has experienced decreases in student enrollment since fiscal year 2014.

FY 2014	15,628
FY 2015	15,361
FY 2016	15,014
FY 2017	14,686
FY 2018	14,309

The Dougherty County School District recognizes its responsibility as a steward of taxpayer dollars. In order to meet the challenges of mandated increases, fully funding teacher salaries, provide a step increase for all employees, the School District implemented cost-saving measures, while maintaining essential levels of service to support teaching and learning. The School District strives to emphasize student achievement while maintaining sound fiscal management.

Contacting the School District's Financial Management

This management's discussion and analysis report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances, and to document the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Hatcher, Chief Financial Officer, Dougherty County School System, P.O. Box 3170, 200 Pine Avenue, Albany, Georgia 31701. You may also email your questions to shatcher@docoschools.org.

DOUGHERTY COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT DOUGHERTY COUNTY STADIUM AUTHORITY
ASSETS		
Cash and Cash Equivalents	$ 58,480,306.72	$ 194,195.00
Investments	9,922.73	-
Receivables, Net		
Taxes	4,639,978.83	-
State Government	12,856,030.07	-
Federal Government	4,733,339.18	-
Local	27,204.81	-
Other	367,608.23	-
Inventories	637,396.74	-
Prepaid Items	11,104.33	-
Capital Assets, Non-Depreciable	70,354,367.38	410,000.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	234,484,408.08	2,448,703.00
Total Assets	386,601,667.10	3,052,898.00
DEFERRED OUTFLOWS OF RESOURCES		
Related to Defined Benefit Pension Plans	21,078,571.95	-
Related to OPEB Plan	4,894,670.00	-
Total Deferred Outflows of Resources	25,973,241.95	-
LIABILITIES		
Accounts Payable	1,265,666.90	32,394.00
Salaries and Benefits Payable	16,330,477.01	-
Interest Payable	144,430.06	-
Claims Incurred but not Reported (IBNR)	1,098,748.32	-
Contracts Payable	4,198,212.12	-
Retainages Payable	2,177,096.99	-
Deposits and Unearned Revenues	1,022,439.53	-
Net Pension Liability	127,630,534.00	-
Net OPEB Liability	134,507,852.00	-
Long-Term Liabilities		
Due Within One Year	3,808,031.71	-
Due in More Than One Year	37,775,471.07	-
Total Liabilities	329,958,959.71	32,394.00
DEFERRED INFLOWS OF RESOURCES		
Related to Defined Benefit Pension Plans	10,608,302.00	-
Related to OPEB Plan	10,763,715.00	-
Total Deferred Inflows of Resources	21,372,017.00	-
NET POSITION		
Net Investment in Capital Assets	279,758,716.74	2,858,703.00
Restricted for		
Continuation of Federal Programs	5,120,891.60	-
Debt Service	3,201,526.69	-
Capital Projects	8,852,459.59	-
Unrestricted (Deficit)	(235,689,662.28)	161,801.00
Total Net Position	$ 61,243,932.34	$ 3,020,504.00

The notes to the basic financial statements are an integral part of this statement.

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

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 91,759,665.78	$ 1,177,867.76
Support Services		
Pupil Services	5,036,867.18	-
Improvement of Instructional Services	10,584,714.24	-
Educational Media Services	3,525,905.17	-
General Administration	2,319,192.92	-
School Administration	11,965,395.12	-
Business Administration	2,714,583.71	-
Maintenance and Operation of Plant	17,555,275.28	33,922.50
Student Transportation Services	8,298,314.76	154,958.45
Central Support Services	4,924,243.43	-
Other Support Services	10,544.92	-
Operations of Non-Instructional Services		
Enterprise Operations	366,245.80	-
Community Services	367,110.12	-
Food Services	11,410,556.40	136,074.21
Interest on Short-Term and Long-Term Debt	83,012.24	-
Total Governmental Activities	$ 170,921,627.07	$ 1,502,822.92
COMPONENT UNIT		
Dougherty County Stadium Authority	$ 327,594.43	$ 142,791.00
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year, Restated		
Net Position - End of Year		

The notes to the basic financial statements are an integral part of this statement.

PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION	
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITES	COMPONENT UNIT DOUGHERTY COUNTY STADIUM AUTHORITY
$ 73,449,307.98	$ 3,228,252.43	$ (13,904,237.61)	
1,344,213.48	7,395.11	(3,685,258.59)	
5,366,508.32	-	(5,218,205.92)	
2,234,227.93	148,525.03	(1,143,152.21)	
2,954,684.79	-	635,491.87	
4,123,530.49	271,903.81	(7,569,960.82)	
1,572.16	78,223.25	(2,634,788.30)	
4,599,642.68	208,982.07	(12,712,728.03)	
2,550,170.45	772,387.91	(4,820,797.95)	
41,228.85	-	(4,883,014.58)	
405.86	-	(10,139.06)	
-	-	(366,245.80)	
-	-	(367,110.12)	
11,185,929.69	307,697.03	219,144.53	
-	-	(83,012.24)	
$ 107,851,422.68	$ 5,023,366.64	(56,544,014.83)	
			$ (177,409.00)
		41,712,570.85	-
		64,874.49	-
		14,797,394.12	-
		307,525.01	-
		11,279,938.00	-
		545,578.92	896.00
		2,018,335.71	27,450.00
		70,726,217.10	28,346.00
		14,182,202.27	(149,063.00)
		47,061,730.07	3,169,567.00
		$ 61,243,932.34	$ 3,020,504.00

DOUGHERTY COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 26,257,548.29	$ 30,430,118.64	$ 1,792,639.79	$ 58,480,306.72
Investments	9,922.73	-	-	9,922.73
Receivables, Net				
Taxes	3,231,091.93	-	1,408,886.90	4,639,978.83
State Government	12,856,030.07	-	-	12,856,030.07
Federal Government	4,733,339.18	-	-	4,733,339.18
Local	27,204.81	-	-	27,204.81
Other	196,547.63	171,060.60	-	367,608.23
Inventories	637,396.74	-	-	637,396.74
Prepaid Items	11,104.33	-	-	11,104.33
Total Assets	$ 47,960,185.71	$ 30,601,179.24	$ 3,201,526.69	$ 81,762,891.64
LIABILITIES				
Accounts Payable	$ 1,146,150.90	$ 119,516.00	$ -	$ 1,265,666.90
Salaries and Benefits Payable	16,330,477.01	-	-	16,330,477.01
Contracts Payable	-	4,198,212.12	-	4,198,212.12
Retainages Payable	-	2,177,096.99	-	2,177,096.99
Deposits and Unearned Revenue	1,014,425.17	8,014.36	-	1,022,439.53
Total Liabilities	18,491,053.08	6,502,839.47	-	24,993,892.55
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	2,254,086.56	-	-	2,254,086.56
FUND BALANCES				
Nonspendable	648,501.07	-	-	648,501.07
Restricted	5,120,891.63	24,098,339.77	3,201,526.69	32,420,758.09
Committed	4,796,340.32	-	-	4,796,340.32
Assigned	333,724.12	-	-	333,724.12
Unassigned	16,315,588.93	-	-	16,315,588.93
Total Fund Balances	27,215,046.07	24,098,339.77	3,201,526.69	54,514,912.53
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 47,960,185.71	$ 30,601,179.24	$ 3,201,526.69	$ 81,762,891.64

The notes to the basic financial statements are an integral part of this statement.

DOUGHERTY COUNTY BOARD OF EDUCATION

EXHIBIT "D"

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds (Exhibit "C")		$ 54,514,912.53
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	$ 9,051,054.08	
Construction in progress	61,303,313.30	
Buildings and improvements	362,167,804.87	
Equipment	13,149,647.19	
Accumulated depreciation	(140,833,043.98)	304,838,775.46
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	$ (127,630,534.00)	
Net OPEB liability	(134,507,852.00)	(262,138,386.00)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Related to pensions	$ 10,470,269.95	
Related to OPEB	(5,869,045.00)	4,601,224.95
Taxes that are not available to pay for current period expenditures are deferred in the funds.		2,254,086.56
Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	$ (35,000,000.00)	
Accrued interest payable	(144,430.06)	
Capital leases payable	(3,214,893.04)	
Compensated absences payable	(1,084,073.40)	
Unamortized bond premiums	(2,284,536.34)	
Claims and judgments payable	(1,098,748.32)	(42,826,681.16)
Net position of governmental activities (Exhibit "A")		$ 61,243,932.34

The notes to the basic financial statements are an integral part of this statement.

DOUGHERTY COUNTY BOARD OF EDUCATION

EXHIBIT "E"

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 40,715,766.26	$ -	$ -	$ 40,715,766.26
Sales Taxes	307,525.01	-	14,797,394.12	15,104,919.13
State Funds	92,465,372.09	3,512,893.93	-	95,978,266.02
Federal Funds	28,176,615.48	-	-	28,176,615.48
Charges for Services	1,502,822.92	-	-	1,502,822.92
Investment Earnings	251,130.16	233,503.48	60,945.28	545,578.92
Miscellaneous	2,051,420.63	115,932.02	-	2,167,352.65
Total Revenues	165,470,652.55	3,862,329.43	14,858,339.40	184,191,321.38
EXPENDITURES				
Current				
Instruction	89,288,355.96	340,487.00	-	89,628,842.96
Support Services				
Pupil Services	5,176,756.51	-	-	5,176,756.51
Improvement of Instructional Services	11,422,425.26	-	-	11,422,425.26
Educational Media Services	2,884,494.33	-	-	2,884,494.33
General Administration	2,130,361.75	186,140.00	-	2,316,501.75
School Administration	10,830,062.72	-	-	10,830,062.72
Business Administration	2,204,910.79	173,490.49	-	2,378,401.28
Maintenance and Operation of Plant	14,360,965.55	1,295,482.40	-	15,656,447.95
Student Transportation Services	6,187,406.77	-	-	6,187,406.77
Central Support Services	4,934,752.56	-	-	4,934,752.56
Other Support Services	4,653.78	-	-	4,653.78
Enterprise Operations	366,245.80	-	-	366,245.80
Community Services	367,110.12	-	-	367,110.12
Food Services Operation	10,005,410.69	-	-	10,005,410.69
Capital Outlay	386,287.91	38,073,869.74	-	38,460,157.65
Debt Services				
Principal	-	3,160,595.77	8,600,000.00	11,760,595.77
Interest	-	109,951.74	641,130.27	751,082.01
Total Expenditures	160,550,200.50	43,340,017.14	9,241,130.27	213,131,347.91
Revenues over (under) Expenditures	4,920,452.05	(39,477,687.71)	5,617,209.13	(28,940,026.53)
OTHER FINANCING SOURCES (USES)				
Proceeds of Bonds	-	35,000,000.00	-	35,000,000.00
Premiums on Bonds Sold	-	2,500,058.60	-	2,500,058.60
Transfers In	-	11,766,071.16	-	11,766,071.16
Transfers Out	(460,138.99)	-	(11,305,932.17)	(11,766,071.16)
Total Other Financing Sources (Uses)	(460,138.99)	49,266,129.76	(11,305,932.17)	37,500,058.60
Net Change in Fund Balances	4,460,313.06	9,788,442.05	(5,688,723.04)	8,560,032.07
Fund Balances - Beginning	22,754,733.01	14,309,897.72	8,890,249.73	45,954,880.46
Fund Balances - Ending	$ 27,215,046.07	$ 24,098,339.77	$ 3,201,526.69	$ 54,514,912.53

The notes to the basic financial statements are an integral part of this statement.

DOUGHERTY COUNTY BOARD OF EDUCATION

EXHIBIT "F"

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

Net change in fund balances total governmental funds (Exhibit "E")		$ 8,560,032.07
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	$ 38,460,157.65	
Depreciation expense	(7,608,688.88)	30,851,468.77
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position.		(587,787.06)
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		1,061,679.08
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.		
General obligation bonds issued, including a premium of $2,500,058.60	$ (37,500,058.60)	
Amortization of bond premium	728,645.36	
Bond principal retirements	8,600,000.00	
Capital lease payments	3,160,595.77	(25,010,817.47)
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.		
Pension expense	$ 2,448,438.06	
OPEB expense	(2,870,976.00)	(422,537.94)
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued interest on issuance of bonds	$ (60,575.59)	
Compensated absences	(22,760.24)	
Claims and judgments	(186,499.35)	(269,835.18)
Change in net position of governmental activities (Exhibit "B")		$ 14,182,202.27

The notes to the basic financial statements are an integral part of this statement.

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

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 299,255.80
Receivables, Net	
Local	32,393.57
Total Assets	$ 331,649.37
LIABILITIES	
Funds Held for Others	$ 331,649.37

The notes to the basic financial statements are an integral part of this statement.

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Dougherty 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.

DISCRETELY PRESENTED COMPONENT UNIT

The non-profit organization, Dougherty County Stadium Authority, operates the Hugh Mills Memorial Stadium. The School District has a contract with Dougherty County Stadium Authority relative to the use, maintenance, and control of the Stadium.

The Stadium Authority's financial data (Statement of Net Assets and Statement of Activities) is included within the School District's basic financial statements as a discretely presented component unit. See Notes 4, 5 and 17 for additional component unit disclosures.

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), Bond Proceeds and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes 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, claims and judgements, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial

reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of this statement does not have a significant impact on the School District's financial 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.

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.

Consumable Supplies

On the basic financial statements, consumable supplies are reported at cost (first-in, first-out basis). The School District uses the consumption method to account for consumable supplies inventory whereby an asset is recorded when supplies are purchased and expenses are recorded at the time the supplies are consumed.

PREPAID ITEMS

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

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		Any Amount	N/A
Buildings and Improvements	$	100,000.00	20 to 80 years
Equipment	$	50,000.00	4 to 10 years
Intangible Assets	$	1,000,000.00	4 to 8 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

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.

Vacation leave up to 18 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 30 days.

LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS

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

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

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

PENSIONS

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

FUND BALANCES

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

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

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

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

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

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

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

USE OF ESTIMATES

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

PROPERTY TAXES

The Dougherty County Board of Commissioners adopted the property tax levy for the 2017 tax digest year (calendar year) on July 31, 2017 (levy date) based on property values as of January 1, 2017. Taxes were due on December 20, 2017 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. The Dougherty County Board of Commissioners bills and collects the property taxes for the School District, withholds 2.1% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2018, for maintenance and operations amounted to $38,121,541.45.

The tax millage rate levied for the 2017 tax year (calendar year) for the School District was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	18.433	mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $2,529,350.32 during fiscal year ended June 30, 2018.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $14,797,394.12 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

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

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.

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

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,

(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,

(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

(7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2018, the School District had deposits with a carrying amount of $58,348,971.64, and a bank balance of $66,684,108.64. The bank balances insured by Federal depository insurance were $1,063,297.09.

At June 30, 2018, $65,620,811.55 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$ -
Uninsured with collateral held by the pledging financial institution	-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name	65,620,811.55
Total	$ 65,620,811.55

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

Cash and cash equivalents		
Statement of Net Position	$	58,480,306.72
Statement of Fiduciary Net Position		299,255.80
Total cash and cash equivalents		58,779,562.52
Add:		
Deposits with original maturity of three months or more reported as investments		9,922.73
Less:		
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		440,513.61
Total carrying value of deposits - June 30, 2018	$	58,348,971.64

COMPONENT UNIT

At June 30, 2018, Dougherty County Stadium Authority's bank balance of $54,249.89 was insured through Federal Depository Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA).

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of $440,513.61 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 AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2018, was 10 days.

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

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2017	Increases	Decreases	Balances June 30, 2018
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 9,051,054.08	$ -	$ -	$ 9,051,054.08
Construction in Progress	51,716,802.52	36,797,984.83	27,211,474.05	61,303,313.30
Total Capital Assets Not Being Depreciated	60,767,856.60	36,797,984.83	27,211,474.05	70,354,367.38
Capital Assets Being Depreciated				
Buildings and Improvements	337,037,195.37	27,233,374.05	2,102,764.55	362,167,804.87
Equipment	11,509,374.37	1,640,272.82	-	13,149,647.19
Less Accumulated Depreciation for:				
Buildings and Improvements	127,600,355.75	6,904,106.37	1,514,977.49	132,989,484.63
Equipment	7,138,976.84	704,582.51	-	7,843,559.35
Total Capital Assets, Being Depreciated, Net	213,807,237.15	21,264,957.99	587,787.06	234,484,408.08
Governmental Activity Capital Assets - Net	$ 274,575,093.75	$ 58,062,942.82	$ 27,799,261.11	$ 304,838,775.46

Current year depreciation expense by function is as follows:

Instruction		$ 5,653,212.26
Support Services		
Pupil Services	$ 9,495.90	
Improvements of Instructional Services	18,365.35	
Educational Media Services	190,717.89	
School Administration	347,162.07	
Business Administration	100,444.84	
Maintenance and Operation of Plant	251,888.12	
Student Transportation Services	605,159.56	
Central Support Services	46,956.24	1,570,189.97
Food Services		385,286.65
		$ 7,608,688.88

Component Unit	Balances July 1, 2017	Increases	Decreases	Balances June 30, 2018
Capital Assets, Not Being Depreciated:				
Land	$ 410,000.00	$ -	$ -	$ 410,000.00
Capital Assets Being Depreciated				
Stadium Improvements	3,448,285.00	-	-	3,448,285.00
Equipment	239,886.00	-	-	239,886.00
Buildings and Improvements	308,976.00	-	-	308,976.00
Less Accumulated Depreciation for:				
Stadium Improvements	1,046,251.00	150,304.00	-	1,196,555.00
Equipment	239,885.00	-	-	239,885.00
Buildings and Improvements	104,275.00	7,729.00	-	112,004.00
Total Capital Assets, Being Depreciated, Net	2,606,736.00	(158,033.00)	-	2,448,703.00
Capital Assets - Net	$ 3,016,736.00	$ (158,033.00)	$ -	$ 2,858,703.00

NOTE 6: INTERFUND TRANSFERS

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018, consisted of the following:

	Transfers From	
Transfers to	General Fund	Debt Service Fund
Capital Projects Fund	$ 460,138.99	$ 11,305,932.17

Transfers are used to move property tax revenues collected by the general fund to the capital projects fund to cover a portion of the employee's salaries not funded as part of the Education Special Purpose Local Option Sales Tax (ESPLOST) projects and move ESPLOST funds from debt service to fund capital construction projects.

NOTE 7: SHORT-TERM DEBT

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75% of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ -	$ 8,000,000.00	$ 8,000,000.00	$ -

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, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds	$ 8,600,000.00	$ 35,000,000.00	$ 8,600,000.00	$ 35,000,000.00	$ -
Unamortized Bond Premiums	513,123.10	2,500,058.60	728,645.36	2,284,536.34	517,253.52
Capital Leases	6,375,488.81	-	3,160,595.77	3,214,893.04	3,214,893.04
Compensated Absences	1,061,313.16	866,912.98	844,152.74	1,084,073.40	75,885.15
	$ 16,549,925.07	$ 38,366,971.58	$ 13,333,393.87	$ 41,583,502.78	$ 3,808,031.71

GENERAL OBLIGATION DEBT OUTSTANDING

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

During the current year, the School District issued general obligation bonds totaling $35,000,000.00 for (a) renovation and improvement of one or more existing schools, administration and related facilities, (b) acquisition, construction and equipping of new schools, administration and related facilities, (c) acquisition of school buses, vehicles and other transportation equipment, (d) acquisition, construction and equipping of new athletic facilities, (e) acquisition of software, hardware and computer equipment for the use of both staff and students and (f) acquisition of real and personal property necessary for the foregoing.

Of the total amount originally authorized, $15,000,000.00 remains unissued. General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2018	2.00 - 5.00%	2/8/2018	12/1/2022	$ 35,000,000.00	$ 35,000,000.00

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

	General Obligation Debt		Unamortized
Fiscal Year Ended June 30:	Principal	Interest	Bond Premium
2019	$ -	$ 1,421,300.00	$ 517,253.52
2020	8,240,000.00	1,256,500.00	517,253.52
2021	8,570,000.00	920,300.00	517,253.52
2022	8,910,000.00	563,650.00	517,253.52
2023	9,280,000.00	189,200.00	215,522.26
Total Principal and Interest	$ 35,000,000.00	$ 4,350,950.00	$ 2,284,536.34

CAPITAL LEASES

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

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

	Governmental Activities
Construction in Progress	$ 7,008,854.30

Capital leases currently outstanding are as follows:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Key Financial (Technology)	2.20%	7/17/2014	10/17/2018	$ 5,543,885.34	$ 1,084,907.37
US Bank (Technology)	0.27%	5/1/2015	5/1/2019	5,857,254.97	1,174,552.47
Dell (Technology)	3.00%	12/1/2015	12/1/2018	3,767,715.10	955,433.20
				$ 15,168,855.41	$ 3,214,893.04

The following is a schedule of total capital lease payments:

Fiscal Year Ended June 30:	Principal	Interest
2019	$ 3,214,893.04	$ 55,654.46

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

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; acts of God and unemployment compensation.

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

The School District has established a limited risk management program for workers' compensation claims. A premium is charged when needed by the workers' compensation fund to each user program on the basis of the percentage of that program's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expense and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of $350,000.00 loss per occurrence, up to the statutory limit.

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
2017	$ 1,430,585.90	$ 1,215,304.51	$ 1,733,641.44	$ 912,248.97
2018	$ 912,248.97	$ 1,083,684.10	$ 897,184.75	$ 1,098,748.32

UNEMPLOYMENT COMPENSATION

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2017	$ -	$ 15,666.90	$ 15,666.90	$ -
2018	$ -	$ 19,069.43	$ 19,069.43	$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 50,000.00

NOTE 10: FUND BALANCE CLASSIFICATION DETAILS

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

Nonspendable		
Inventories	$ 637,396.74	
Prepaid Assets	11,104.33	$ 648,501.07
Restricted		
Continuation of Federal Programs	$ 5,120,891.63	
Capital Projects	24,098,339.77	
Debt Service	3,201,526.69	32,420,758.09
Committed		
Self-Insurance	$ 2,741,394.32	
Subsequent Period Expenditures	2,054,946.00	4,796,340.32
Assigned		
School Activity Accounts		333,724.12
Unassigned		16,315,588.93
Fund Balance, June 30, 2017		$ 54,514,912.53

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.

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of 8% to 12% of expenditures, not to exceed 15% of the total budget of the subsequent fiscal year. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

NOTE 11: SIGNIFICANT COMMITMENTS

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

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

Project	Unearned Executed Contracts (1)	Payments through June 30, 2018 (2)
Albany High School Modifications	$ 154,634.00	$ 13,512.00
Monroe High School-PHASE II	10,469,916.80	29,078,139.39
Commodore Conyers College and Career Academy	389,240.18	15,157,362.56
Magnolia Education Complex	969,115.60	6,263,130.58
GNETS at Sherwood	45,266.54	335,152.82
	$ 12,028,173.12	$ 50,847,297.35

(1) The amounts described are not reflected in the basic financial statements.
(2) Payments include contracts and retainages payable at year end.

OPERATING LEASES

The School District leases copiers, postage meters and equipment 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 totaled $349,484.96 for governmental activities for the year ended June 30, 2018. The following future minimum lease payments were required under operating leases at June 30, 2018:

Year Ending	Governmental Funds
2019	$ 204,636.95
2020	42,774.53
2021	2,308.92
2022	1,731.69
Total	$ 251,452.09

NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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

LITIGATION

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to have a material adverse effect on the financial condition of the School District.

NOTE 13: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

Benefits Provided: The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement

Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Contributions: As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were $4,855,329.00 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

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

At June 30, 2018, the School District reported a liability of $134,507,852.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the School District's proportion was 0.957354%, which was a decrease of 0.004150% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of $7,726,305.00. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 10,242,430.00
Net difference between projected and actual earnings on OPEB plan investments	39,341.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	521,285.00
School District contributions subsequent to the measurement date	4,855,329.00	-
Total	$ 4,894,670.00	$ 10,763,715.00

School District contributions subsequent to the measurement date of $4,855,329.00 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB
2019	$ (1,926,084.00)
2020	$ (1,926,084.00)
2021	$ (1,926,084.00)
2022	$ (1,926,084.00)
2023	$ (1,935,919.00)
2024	$ (1,084,119.00)

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

OPEB:

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

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

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

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

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

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

Additionally, there was a change that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the School OPEB Fund is based on their current or last employer payroll location. Current and former employees of public school districts, libraries, regional educational service agencies and community colleges are allocated to the School OPEB Fund irrespective of retirement system affiliation. In addition, the discount rate increased from 3.07% to 3.58%.

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

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

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

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

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

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	$ 159,703,979.00	$ 134,507,852.00	$ 114,623,003.00

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	$ 111,491,685.00	$ 134,507,852.00	$ 164,474,866.00

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

NOTE 14: RETIREMENT PLANS

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

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

annual pay during fiscal year 2018. The School District's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual School District payroll, of which 16.77% of payroll was required from the School District and 0.04% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $13,485,091.83 and $43,591.69 from the School District and the State, respectively.

EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to $4,200.00, plus 6% of annual compensation in excess of $4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's required contribution rate for the year ended June 30, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were $24,192.12 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 $350,637.00.

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

At June 30, 2018, the School District reported a liability of $127,630,534.00 for its proportionate share of the net pension liability for TRS ($127,571,970.00) and ERS ($58,564.00).

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

School District's proportionate share of the net pension liability	$ 127,571,970.00
State of Georgia's proportionate share of the net pension liability associated with the School District	479,873.00
Total	$ 128,051,843.00

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

At June 30, 2017, the School District's TRS proportion was 0.686413%, which was a decrease of 0.029983% from its proportion measured as of June 30, 2016. At June 30, 2017, the School District's ERS proportion was 0.001442%, which was a decrease of 0.000256% from its proportion measured as of June 30, 2016.

At June 30, 2018, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is $1,686,811.00.

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

For the year ended June 30, 2018, the School District recognized pension expense of $11,113,754.00 for TRS, ($35,520.00) for ERS and $339,958.00 for PSERS and revenue of $22,405.00 for TRS and $339,958.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,771,977.00	$ 481,443.00	$ 642.00	$ -
Changes of assumptions	2,796,536.00	-	133.00	-
Net difference between projected and actual earnings on pension plan investments	-	877,908.00	-	146.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	9,237,030.00	-	11,775.00
School District contributions subsequent to the measurement date	13,485,091.83	-	24,192.12	-
Total	$ 21,053,604.83	$ 10,596,381.00	$ 24,967.12	$ 11,921.00

The School District contributions subsequent to the measurement date of $13,485,091.83 for TRS and $24,192.12 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2019	$ (3,710,128.00)	$ (9,968.00)
2020	$ 3,858,854.00	$ (175.00)
2021	$ 1,312,283.00	$ 657.00
2022	$ (4,464,458.00)	$ (1,660.00)
2023	$ (24,419.00)	$ -

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

Teachers Retirement System:

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

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

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

Employees' Retirement System:

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

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

actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

Public School Employees Retirement System:

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

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

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

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

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

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

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

benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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%)
School District's proportionate share of the net pension liability	$ 209,360,571.00	$ 127,571,970.00	$ 60,196,546.00

Employees' Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 82,661.00	$ 58,564.00	$ 38,010.00

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

DEFINED CONTRIBUTION PLAN

On August 1, 1996, the School District began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The School District selected Valic as the provider of this plan. For each employee covered under PSERS, employees contribute 1% of their base pay and the School District matches 3% of the employee's contribution.

The employee becomes vested in the plan with 5 years of experience. Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and 5 years of service to Dougherty County Board of Education. If an employee terminates employment prior to achieving 5 years of service, funds paid on behalf of the non-vested employee are credited back to the School District.

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

Fiscal Year	Percentage Contributed	Required Contribution
2018	3%	$ 161,683.39
2017	3%	$ 155,397.40
2016	3%	$ 144,801.75

NOTE 15: RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2018, the School District made prior period adjustments due to the adoption of GASB Statement No. 75, as described in "New Accounting Pronouncements", which require the restatement of the June 30, 2017, net position in Governmental Activities. The result is a decrease in net position at July 1, 2017 of $137,505,921.00. This change is in accordance with generally accepted accounting procedures.

Net Position, July 1, 2017 as previously reported	$ 184,567,651.07
Prior Period Adjustment - Implementation of GASB No. 75:	
Net OPEB Liability (measurement date)	(142,497,640.00)
Deferred Outflows - School District's Contributions made during fiscal year 2017	4,991,719.00
Net Position, July 1, 2017, as restated	$ 47,061,730.07

NOTE 16: TAX ABATEMENTS

The School District property tax revenues were reduced by $1,778,809.50 under agreements entered into by Albany Dougherty Payroll Development and Albany-Dougherty Inner City Authority.

NOTE 17: COMPONENT UNIT

The Dougherty County Stadium Authority (Authority) is a legally separate tax-exempt component unit of the Dougherty County Board of Education (School District). Because the Authority has a fiscal dependency on the School District, it is considered a component unit of the School District and is discretely presented in the School District's financial statements.

The Authority utilizes the modified accrual method of accounting. The Authority has implemented the financial reporting requirements of GASB Statement No. 33 and No. 34. The authority's fiscal year is July 1 through June 30.

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DOUGHERTY 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

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.686413%	$ 127,571,970.00	$ 479,873.00	$ 128,051,843.00	$ 79,036,484.54	161.41%	79.33%
2017	0.716396%	$ 147,800,483.00	$ 588,606.00	$ 148,389,089.00	$ 78,919,817.39	187.28%	76.06%
2016	0.745907%	$ 113,556,934.00	$ 446,368.00	$ 114,003,302.00	$ 79,042,137.85	143.67%	81.44%
2015	0.773982%	$ 97,782,417.00	$ 381,664.00	$ 98,164,081.00	$ 79,341,795.52	123.24%	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

DOUGHERTY 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

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total net pension liability
2018	0.001442%	$ 58,564.00	$ 35,361.18	165.62%	76.33%
2017	0.001698%	$ 80,323.00	$ 36,794.90	218.30%	72.34%
2016	0.002596%	$ 105,174.00	$ 64,229.58	163.75%	76.20%
2015	0.004753%	$ 178,267.00	$ 97,265.38	183.28%	77.99%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

DOUGHERTY 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

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.00%	$ -	$ 1,686,811.00	$ 1,686,811.00	$ 7,724,873.84	N/A	85.69%
2017	0.00%	$ -	$ 2,216,830.00	$ 2,216,830.00	$ 7,670,767.69	N/A	81.00%
2016	0.00%	$ -	$ 1,556,980.00	$ 1,556,980.00	$ 7,101,357.18	N/A	87.00%
2015	0.00%	$ -	$ 1,422,781.00	$ 1,422,781.00	$ 6,545,452.68	N/A	88.29%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.957354%	$ 134,507,852.00	$ -	$ 134,507,852.00	$ 72,403,688.80	185.77%	1.61%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2018	$ 13,485,091.83	$ 13,485,091.83	$ -	$ 80,404,397.90	16.77%
2017	$ 11,252,081.76	$ 11,252,081.76	$ -	$ 79,036,484.54	14.24%
2016	$ 11,216,453.07	$ 11,216,453.07	$ -	$ 78,919,817.39	14.21%
2015	$ 10,355,842.01	$ 10,355,842.01	$ -	$ 79,042,137.85	13.10%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2018	$ 24,192.12	$ 24,192.12	$ -	$ 97,520.57	24.81%
2017	$ 8,773.13	$ 8,773.13	$ -	$ 35,361.18	24.81%
2016	$ 9,095.72	$ 9,095.72	$ -	$ 36,794.90	24.72%
2015	$ 14,104.86	$ 14,104.86	$ -	$ 64,229.58	21.96%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2018	$ 4,855,329.00	$ 4,855,329.00	$ -	$ 73,759,412.54	6.58%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Teachers Retirement System

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

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

Employees' Retirement System

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

Public School Employees Retirement System

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

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

School OPEB Fund

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

Changes in assumptions: In the revised June 30, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location. Additionally, there were changes to the discount rate and an increase in the investment rate of return due to a longer-term investment strategy.

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

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

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

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 38,519,473.00	$ 39,869,473.00	$ 40,715,766.26	$ 846,293.26
Sales Taxes	220,782.00	220,782.00	307,525.01	86,743.01
State Funds	89,920,890.00	91,521,494.00	92,465,372.09	943,878.09
Federal Funds	28,209,782.00	30,634,354.00	28,176,615.48	(2,457,738.52)
Charges for Services	1,327,818.00	1,335,318.00	1,502,822.92	167,504.92
Investment Earnings	8,000.00	8,000.00	251,130.16	243,130.16
Miscellaneous	4,488,961.00	4,009,470.00	2,051,420.63	(1,958,049.37)
Total Revenues	162,695,706.00	167,598,891.00	165,470,652.55	(2,128,238.45)
EXPENDITURES				
Current				
Instruction	94,387,446.00	86,246,340.80	89,288,355.96	(3,042,015.16)
Support Services				
Pupil Services	4,699,207.00	4,830,254.00	5,176,756.51	(346,502.51)
Improvement of Instructional Services	10,706,289.00	13,648,461.70	11,422,425.26	2,226,036.44
Educational Media Services	3,065,687.00	2,664,334.00	2,884,494.33	(220,160.33)
General Administration	2,317,512.00	3,015,643.00	2,130,361.75	885,281.25
School Administration	10,610,574.00	10,712,699.00	10,830,062.72	(117,363.72)
Business Administration	1,712,154.00	2,200,772.00	2,204,910.79	(4,138.79)
Maintenance and Operation of Plant	14,931,458.00	15,176,859.00	14,360,965.55	815,893.45
Student Transportation Services	6,002,468.00	6,558,555.00	6,187,406.77	371,148.23
Central Support Services	5,587,254.00	5,620,387.00	4,934,752.56	685,634.44
Other Support Services	750.00	13,100.00	4,653.78	8,446.22
Enterprise Operations	13,130,705.00	14,295,216.01	366,245.80	13,928,970.21
Community Services	347,000.00	407,420.00	367,110.12	40,309.88
Food Services Operation	472,802.00	477,352.00	10,005,410.69	(9,528,058.69)
Capital Outlay	-	-	386,287.91	(386,287.91)
Total Expenditures	167,971,306.00	165,867,393.51	160,550,200.50	5,317,193.01
Excess of Revenues over (under) Expenditures	(5,275,600.00)	1,731,497.49	4,920,452.05	3,188,954.56
OTHER FINANCING SOURCES (USES)				
Other Sources	1,582,183.00	1,582,183.00	-	(1,582,183.00)
Operating Transfers from Other Funds	962,500.00	61,118,165.16	-	(61,118,165.16)
Sale or Compensation for Loss of Assets	60,000.00	40,000.00	-	(40,000.00)
Operating Transfers to Other Funds	(1,122,500.00)	(65,071,637.48)	(460,138.99)	64,611,498.49
Total Other Financing Sources (Uses)	1,482,183.00	(2,331,289.32)	(460,138.99)	1,871,150.33
Net Change in Fund Balances	(3,793,417.00)	(599,791.83)	4,460,313.06	5,060,104.89
Fund Balances - Beginning	18,351,559.90	22,687,723.65	22,754,733.01	67,009.36
Adjustments	(29,697.93)	-	-	-
Fund Balances - Ending	$ 14,528,444.97	$ 22,087,931.82	$ 27,215,046.07	$ 5,127,114.25

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 $1,065,411.69 and $1,147,634.08, 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.

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

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	18185GA324N1099	$ 2,711,952.65
National School Lunch Program	10.555	18185GA324N1100	7,442,291.17
Total Child Nutrition Cluster			10,154,243.82
Other Programs			
Pass-Through From Bright From the Start:			
Georgia Department of Early Care and Learning			
Child and Adult Care Food Program	10.558	185GA368N2020	68,921.06
Total U. S. Department of Agriculture			10,223,164.88
Education, U.S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	552,593.00
Grants to States	84.027	H027A170073	3,637,146.63
Preschool Grants	84.173	H173A170081	143,905.00
Total Special Education Cluster			4,333,644.63
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A170010	209,327.00
Education for Homeless Children and Youth	84.196	S196A170011	54,235.73
English Language Acquisition State Grants	84.365	S365A160010	4,964.77
English Language Acquisition State Grants	84.365	S365A170010	28,579.09
Migrant Education - State Grant Program	84.011	S011A160011	9,724.97
Migrant Education - State Grant Program	84.011	S011A170011	12,925.57
School Improvement Grants	84.377A	S377A160011	470,736.70
School Improvement Grants	84.377A	S377A170011	1,417,088.44
Special Education - State Personnel Development	84.323	H323A170010	67,358.25
Striving Readers	84.371	S371C170002	45,830.52
Student Support and Academic Enrichment Program	84.424A	S424A170011	198,385.72
Supporting Effective Instruction State Grants	84.367	S367A160001	345,055.69
Supporting Effective Instruction State Grants	84.367	S367A170001	596,446.32
Title I Grants to Local Educational Agencies	84.010	S010A160010	1,536,582.68
Title I Grants to Local Educational Agencies	84.010	S010A170010	7,645,107.27
Total Other Programs			12,642,348.72
Total U. S. Department of Education			16,975,993.35
Health and Human Services, U.S. Department of Child Care and Development Fund Cluster			
Pass-Through From Georgia Department of Behavioral Health			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	411009060000089000	109,808.56
Labor, U. S. Department of			
Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster			
Pass-Through From Georgia Department of Labor			
Workforce Innovation and Opportunity Act Youth Activities	17.259	AA-30743-17-55-A-13	62,690.51
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.UNKNOWN		45,295.90
Department of the Marines			
R.O.T.C. Program	12.UNKNOWN		117,510.44
Total U. S. Department of Defense			162,806.34
Total Expenditures of Federal Awards			$ 27,534,463.64

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

Note 2. Summary of Significant Accounting Policies

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

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

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES: GENERAL FUND	GOVERNMENTAL FUND TYPES: CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 1,438,188.77	$ -	$ 1,438,188.77
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	4,944,727.00	-	4,944,727.00
Kindergarten Program - Early Intervention Program	887,881.00	-	887,881.00
Primary Grades (1-3) Program	12,191,774.00	-	12,191,774.00
Primary Grades - Early Intervention (1-3) Program	2,893,521.00	-	2,893,521.00
Upper Elementary Grades (4-5) Program	5,829,935.00	-	5,829,935.00
Upper Elementary Grades - Early Intervention (4-5) Program	2,302,460.00	-	2,302,460.00
Middle School (6-8) Program	9,090,839.00	-	9,090,839.00
High School General Education (9-12) Program	7,682,650.00	-	7,682,650.00
Vocational Laboratory (9-12) Program	2,449,747.00	-	2,449,747.00
Students with Disabilities	8,633,894.00	-	8,633,894.00
Gifted Student - Category VI	1,878,397.00	-	1,878,397.00
Remedial Education Program	1,269,715.00	-	1,269,715.00
Alternative Education Program	639,433.00	-	639,433.00
English Speakers of Other Languages (ESOL)	293,699.00	-	293,699.00
Media Center Program	1,725,446.00	-	1,725,446.00
20 Days Additional Instruction	536,878.00	-	536,878.00
Staff and Professional Development	274,287.00	-	274,287.00
Principal Staff and Professional Development	5,637.00	-	5,637.00
Indirect Cost			
Central Administration	1,779,093.00	-	1,779,093.00
School Administration	3,390,688.00	-	3,390,688.00
Facility Maintenance and Operations	3,743,103.00	-	3,743,103.00
Mid-term Adjustment Hold-Harmless	732,101.00	-	732,101.00
Amended Formula Adjustment	(1,207,389.00)	-	(1,207,389.00)
Charter System Adjustment	1,384,689.00	-	1,384,689.00
Categorical Grants			
Pupil Transportation			
Regular	1,585,831.00	-	1,585,831.00
Nursing Services	312,353.00	-	312,353.00
Education Equalization Funding Grant	11,279,938.00	-	11,279,938.00
Other State Programs			
Food Services	279,318.00	-	279,318.00
GNETS State Grant	1,825,066.00	-	1,825,066.00
Math and Science Supplements	101,496.69	-	101,496.69
Preschool Disability Services	214,012.00	-	214,012.00
Pupil Transportation - State Bonds	772,387.91	-	772,387.91
Teacher of the Year	507.25	-	507.25
Teachers Retirement	43,591.69	-	43,591.69
Vocational Education	168,033.39	-	168,033.39
Vocational Construction Related Equipment - State Bonds	706,373.29	-	706,373.29
Georgia Emergency Management Agency	-	8,500.00	8,500.00
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	3,504,393.93	3,504,393.93
Governor's Office of Student Achievement			
Innovation in K-8 Computer Science/Coding Professional Learning Grant	31,433.10	-	31,433.10
Office of the State Treasurer			
Public School Employees Retirement	350,637.00	-	350,637.00
Summer Literacy Initiative Grant	3,000.00	-	3,000.00
	$ 92,465,372.09	$ 3,512,893.93	$ 95,978,266.02

See notes to the basic financial statements.

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

	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED (5)	ESTIMATED COMPLETION DATE
SPLOST IV							
(a) The renovation and improvement of one or more existing schools, administration and related facilities, including the provision of safety and security equipment for these facilities;	$ 83,400,000.00	$ 65,358,204.78	$ 23,024,339.06	$ 42,333,865.72	$ 65,358,204.78	$ -	Complete
(b) acquisition, construction and equipping of new schools, administration and related facilities;	-	-	-	-	-	-	Complete
(c) the acquisition of school buses, vehicles for maintenance and transportation use and other transportation equipment;	6,200,000.00	2,467,354.30	871,247.47	1,596,106.83	2,467,354.30	-	Complete
(d) acquisition, construction and equipping of new athletic facilities;	-	69.22	-	69.22	69.22	-	Complete
(e) acquisition of software, hardware and computer equipment for the use of both staff and students and	10,000,000.00	18,256,070.67	360,300.00	17,895,770.67	18,256,070.67	-	Complete
(f) acquisition of real and personal property necessary for the foregoing.	400,000.00	-	-	-	-	-	Complete
Total- SPLOST IV	100,000,000.00	86,081,698.97	24,255,886.53	61,825,812.44	86,081,698.97	-	
SPLOST V							
(a) The renovation, improvement and equipping of existing schools, administration, athletic and related facilities, including the provision of safety and security equipment for these facilities;	80,100,000.00	80,100,000.00	14,494,628.14	-	-	-	June 2023
(b) acquisition, construction and equipping of new schools, administration, athletic and related facilities;	-	-	-	-	-	-	June 2023
(c) the acquisition of school buses and vehicles for maintenance and transportation use;	3,000,000.00	3,000,000.00	382,737.44	-	-	-	June 2023
(d) acquisition of software, hardware and computer equipment for the use of both staff and students;	6,500,000.00	6,500,000.00	647,033.74	-	-	-	June 2023
(e) acquisition of energy savings equipment and	-	-	-	-	-	-	June 2023
(f) acquisition of real and personal property necessary for the foregoing.	400,000.00	400,000.00	-	-	-	-	June 2023
Total - SPLOST V	90,000,000.00	90,000,000.00	15,524,399.32	-	-	-	
	$ 190,000,000.00	$ 176,081,698.97	$ 39,780,285.85	$ 61,825,812.44	$ 86,081,698.97	$ -	

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

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

(3) The voters of Dougherty County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

(4) In addition to the expenditures shown above, the School District has incurred interest and other fees to provide advance funding for the above projects as follows:

Prior Years	$ 3,539,411.36
Current Year	924,572.50
Total	$ 4,463,983.86

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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

August 9, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Dougherty County Board of Education

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dougherty County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated August 9, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Greg S. Griffin
State Auditor

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

August 9, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Dougherty County Board of Education

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items FA 2018-001 and FA 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* as items FA 2018-001 and FA 2018-002, that we consider to be significant deficiencies.

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

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

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 6471-12-01	Inadequate Accounting Procedures over School Activity Accounts
Control Categories:	Cash and Cash Equivalents Revenues/Receipts/Receivables Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

The School District will use Central Office Finance staff to provide a monthly review of student activity accounts. This change was implemented in fiscal year 2019. Finance Staff will also provide technical assistance to school staff as they transition in and out of positions.

FS 6471-13-01	Inadequate Accounting Procedures over School Activity Accounts
Control Categories:	Cash and Cash Equivalents Revenues/Receipts/Receivables Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

The School District will use Central Office Finance staff to provide a monthly review of student activity accounts. This change was implemented in fiscal year 2019. Finance Staff will also provide technical assistance to school staff as they transition in and out of positions.

FS 2014-002	Inadequate Accounting Procedures over School Activity Accounts
Control Categories:	Cash and Cash Equivalents Revenues/Receipts/Receivables Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

The School District will use Central Office Finance staff to provide a monthly review of student activity accounts. This change was implemented in fiscal year 2019. Finance Staff will also provide technical assistance to school staff as they transition in and out of positions.

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-003	Inadequate Accounting Procedures over School Activity Accounts
Control Categories:	Cash and Cash Equivalents Revenues/Receipts/Receivables Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

The School District will use Central Office Finance staff to provide a monthly review of student activity accounts. This change was implemented in fiscal year 2019. Finance Staff will also provide technical assistance to school staff as they transition in and out of positions.

FS 2016-001	Inadequate Accounting Procedures over School Activity Accounts
Control Categories:	Cash and Cash Equivalents Revenues/Receipts/Receivables Expenditures/Liabilities/Disbursements General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

The School District will use Central Office Finance staff to provide a monthly review of student activity accounts. This change was implemented in fiscal year 2019. Finance Staff will also provide technical assistance to school staff as they transition in and out of positions.

FS 2017-001	Inadequate Accounting Procedures over School Activity Accounts
Control Categories:	Cash and Cash Equivalents Revenues/Receipts/Receivables Expenditures/Liabilities/Disbursements General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

The School District will use Central Office Finance staff to provide a monthly review of student activity accounts. This change was implemented in fiscal year 2019. Finance Staff will also provide technical assistance to school staff as they transition in and out of positions.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:	
Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information,	Unmodified
Discretely Presented Component Unit	Disclaimer
Internal control over financial reporting:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	No
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	Yes
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:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.367	Supporting Effective Instruction State Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$826,033.91
Auditee qualified as low-risk auditee?	No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2018-001	Improve Controls over Expenditures
Compliance Requirement:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Numbers:	18185GA324N1099 18185GA324N1100
Questioned Costs:	None identified

Description:
A review of expenditures charged to the Child Nutrition Cluster (CFDA 10.553 and 10.555) revealed that the School District's internal control procedures were not operating appropriately to ensure that all expenditures were properly reviewed and approved.

Criteria:
2 CFR 200.303(a) states in part that "the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award… (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards."

Condition:
A random sample of 60 expenditures were selected using a non-statistical sampling approach. These items were examined to determine if expenditures were reviewed and approved appropriately. For seven expenditures, evidence of review and approval was not reflected within the voucher package.

Cause:
In discussing this deficiency with the School District, they stated the new School Nutrition central office staff were not properly trained on the internal control procedures to ensure that all expenditures are reviewed and approved before payment is made.

Effect or Potential Effect:
Failure to ensure that expenditures are reviewed appropriately could result in the expenditure of Federal funds for unauthorized purposes and the return of grant funds associated with these unallowable expenditures. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:
Management should evaluate and improve the School District's policies and procedures for reviewing Federal program expenditures to ensure that these funds are expended for allowable purposes. In addition, management should develop and implement a monitoring process to ensure that these procedures are operating appropriately.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2018-002	Improve Controls over Special Reporting
Compliance Requirement:	Reporting
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Numbers:	18185GA324N1099 18185GA324N1100
Questioned Costs:	None identified

Description:
The policies and procedures of the School District were insufficient to provide adequate internal controls over the monthly Claims for Reimbursement process.

Criteria:
Provisions included in 7 CFR 210.7(c) require that the School District "base Claims for Reimbursement on lunch counts, taken daily at the point of service, which correctly identify the number of free, reduced price and paid lunches served to eligible children" and "correctly record, consolidate and report those lunch and supplemental counts on the Claim for Reimbursement."

In addition, provisions included in 7 CFR 220.11(d) state that the School District "shall establish internal controls which ensure the accuracy of breakfast counts prior to the submission of the monthly Claim for Reimbursement."

Furthermore, 2 CFR 200.303(a) states in part that "the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurances that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and condition of the Federal award... (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards."

Condition:
The School District generates the Form DE0112 Daily Record of Number of Breakfasts Served and Form DE0118 Daily Record of Number of Lunches Served based upon data from the School Food Service meal sales system to support the Claims for Reimbursement submitted to the Georgia Department of Education each month. A random sample of two months of the School District's Form DE0112 and DE0118 reports was selected for testing using a non-statistical sampling approach. Upon review of the Form DE0112 and DE0118 reports prepared by the twenty-one schools within the School District, it was noted that the Form DE0112 and DE0118 reports were not appropriately reviewed and approved by the lunchroom manager for two schools in the month of October 2017 and three schools in the month of February 2018.

Cause:
In discussing this deficiency with the School District, they stated that neither the new School Nutrition central office staff nor the lunchroom managers were properly trained to ensure that each Form DE0112 and DE0118 was reviewed and approved signed by the lunchroom manager to certify the accuracy of the reports.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:

Failure to ensure that managers certify the accuracy of the meal counts could result in inaccurate reporting to the Georgia Department of Education and the School District obtaining more or less funding than they are eligible to receive. In addition, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:

The School District should implement policies and procedures to ensure the meal counts are properly certified as being accurate. Management should develop and implement a monitoring process to ensure that controls are properly documented.

Views of Responsible Officials:

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

DOUGHERTY COUNTY SCHOOL SYSTEM
P.O. Box 3170/200 Pine Avenue
Albany, Georgia 31706-3170
OFFICE (229) 431-1285 • FAX (229) 431-1276
kenneth.dyer@docoschools.org

KENNETH DYER
SUPERINTENDENT

CORRECTIVE ACTION PLAN – FINANCIAL STATEMENTS FINDING

FA 2018-001 **Internal Control Procedures**

Compliance Requirement: Allowable Costs/Cost Principles – Direct Costs
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance
Federal Awarding Agency: U.S. Department of Agriculture
CFDA Number and Title: CFDA 10.553 and 10.555 Child Nutrition Cluster
Federal Award Number: 18185GA32N1100
Questioned Costs: None identified.

Description:
A review of expenditures charged to the Child Nutrition Cluster (CFDA 10.553 and 10.555) revealed that the School District did not implement internal control procedures to ensure that expenditures were properly approved.

Corrective Action Plan:
The School District will provide training to School Nutrition staff on policies and procedures for their department.

FA 2018-002 **Internal Control Procedures**

Compliance Requirement: Reporting
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance
Federal Awarding Agency: U.S. Department of Agriculture
CFDA Number and Title: CFDA 10.553 and 10.555 Child Nutrition Cluster
Federal Award Number: 18185GA32N1100
Questioned Costs: None identified.

Description:
The policies and procedures of the School District were insufficient to provide adequate internal controls over the monthly Claims for Reimbursement process.

Corrective Action Plan:
The School District will update School Nutrition policies and procedures and provide training to staff as needed.

Estimated Completion Date: June 30, 2020
Contact Person: Susan Hatcher
Telephone: (229) 431-1234

Kenneth Dyer