

**PEACH COUNTY BOARD
OF EDUCATION**

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

**Prepared by:
Finance Department**

**1088 Tulip Drive
Fort Valley, GA 31030**

PEACH COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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PEACH COUNTY BOARD OF EDUCATION

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Superintendent and Members of the
Peach County Board of Education
Fort Valley, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Peach County Board of Education** as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Peach County Board of Education'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 the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 14, the Peach County Board of Education implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, as of July 1, 2017. This standard significantly changed the accounting for the Peach County Board of Education's net other post-employment benefits (OPEB) liability and the related disclosures. 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 (on pages 4 through 10), the schedules of proportionate share of the net pension liability, the schedules of pension contributions, the schedule of proportionate share of the net OPEB liability, and the schedule of OPEB contributions on pages 54 through 58 be presented to supplement the basic financial elements. 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 Peach County Board of Education's basic financial statements. The schedule of state revenue is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, 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 the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia §48-8-121, as listed in the table of contents, are also presented for purposes of additional analysis and are also not a required part of the basic financial statements.

The schedule of state revenue, the schedule of expenditures of federal awards and the schedule of expenditures of special purpose local option sales tax proceeds (collectively "the supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2019, on our consideration of the Peach County Board of Education'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 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 Peach County Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
July 1, 2019

PEACH COUNTY BOARD OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The discussion and analysis of the Peach County Board of Education Audit's (the "School District") 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 look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- ✓ The School District's financial status remained stable during fiscal year 2018. In total, net position increased \$2.7 million which represents an increase from fiscal year 2017. This total increase was due to governmental activities since the School District has no business-type activities.
- ✓ General revenues accounted for \$17.0 million or 41.1% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$24.3 million or 58.9% of total revenues. Total revenues were \$41.3 million.
- ✓ The School District had \$38.6 million in expenses related to governmental activities; these expenses were offset by \$24.3 million in program specific charges for services, grants or contributions. General revenues and taxes of \$17.0 million also provided for these programs.
- ✓ Among major funds, the General Fund had \$37.4 million in revenues and \$36.7 million in expenditures. The General Fund's fund balance increased from \$3.9 million to \$4.6 million.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Peach County Board of Education Audit as a financial whole, or as an entire operating entity.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds, if any, presented in total in one column. In the case of the Peach County Board of Education Audit, the General Fund is by far the most significant fund.

PEACH COUNTY BOARD OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in those assets. This change in net position is important because it tells the reader whether, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, facility conditions, required educational programs and other factors.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Capital Projects Fund and the Debt Service Fund.

Governmental Funds All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* 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 you 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* is reconciled in the financial statements.

PEACH COUNTY BOARD OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Fiduciary Funds The School District is the trustee, or *fiduciary*, for assets that belong to others, such as school clubs and organizations within the school activity 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.

The School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2018, compared to fiscal year 2017.

**Table 1
Net Position**

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 17,732,246	\$ 12,555,693
Capital assets	<u>31,506,182</u>	<u>33,729,573</u>
Total assets	<u>49,238,428</u>	<u>46,285,266</u>
Deferred outflows of resources - pensions	<u>5,869,364</u>	<u>8,276,463</u>
Long-term liabilities outstanding	<u>57,184,921</u>	<u>34,477,909</u>
Other liabilities	<u>4,728,837</u>	<u>4,110,757</u>
Total liabilities	<u>61,913,758</u>	<u>38,588,666</u>
Deferred inflows of resources - pensions	<u>5,503,305</u>	<u>1,517,273</u>
Net position:		
Net investment in capital assets	31,256,472	33,721,240
Restricted	7,944,439	4,100,813
Unrestricted	<u>(51,510,182)</u>	<u>(23,366,263)</u>
Total net position	<u>\$ (12,309,271)</u>	<u>\$ 14,455,790</u>

The amounts in Table 1 above for 2017 do not reflect the restatement of net position as described in Note 14. After the restatement, ending net position as of June 30, 2017, was decreased by \$29,445,208 to (\$14,989,418).

Table 2 shows the changes in net position for fiscal year 2018 compared to fiscal year 2017. The total net position increased \$2,680,147 for fiscal year 2018, compared to a \$2,051,050 increase for fiscal year 2017. The increase in net position was due to conservation projection of local tax revenue and conservative spending, part of which included employee raises and the corresponding increases in benefits.

PEACH COUNTY BOARD OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table 2
Changes in Net Position

	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 403,828	\$ 374,179
Operating grants and contributions	23,851,644	23,253,154
Capital grants and contributions	23,042	165,239
General revenues:		
Property taxes		
For maintenance and operations	11,860,110	11,163,901
Sales taxes	3,793,653	3,385,532
Other taxes	183,520	219,227
Grant and contributions not restricted to specific programs	548,692	44,220
Investment income	113,026	26,243
Miscellaneous	463,877	917,595
Total revenues	41,241,392	39,549,290
Expenses		
Instruction	21,088,678	19,512,492
Support services		
Pupil services	1,668,366	1,449,030
Improvement of instructional services	1,050,163	1,130,537
Educational media services	600,927	560,648
General administration	923,560	873,184
School administration	2,393,677	2,315,194
Business administration	289,424	295,729
Maintenance and operations	4,693,576	4,954,401
Student transportation	2,360,089	2,292,398
Central support services	182,599	177,797
Other support services	486,137	1,043,823
Operations of non-instructional services		
School nutrition	2,427,039	2,585,589
Enterprise operations	387,185	298,686
Interest on long-term debt	9,825	8,732
Total expenses	38,561,245	37,498,240
Increase in net position	2,680,147	2,051,050
Net position, beginning of year	(14,989,418)	12,404,740
Net position, end of year	\$ (12,309,271)	\$ 14,455,790

The amounts in Table 2 above for 2017 do not reflect the restatement of net position as described in Note 14. After the restatement, ending net position as of June 30, 2017, was decreased by \$29,445,208 to (\$14,989,418).

PEACH COUNTY BOARD OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Governmental Activities

Instruction comprises 54.7% of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. Comparative data from fiscal year 2017 is also presented.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2018	2017	2018	2017
Instruction	\$ 21,088,678	\$ 19,512,492	\$ (4,677,055)	\$ (3,750,355)
Support services				
Pupil services	1,668,366	1,449,030	(1,127,843)	(968,145)
Improvement of instructional services	1,050,163	1,130,537	(157,141)	(177,077)
Educational media services	600,927	560,648	(119,391)	(97,858)
General administration	923,560	873,184	(142,024)	(195,960)
School administration	2,393,677	2,315,194	(1,371,672)	(1,316,405)
Business services	289,424	295,729	(289,424)	(295,729)
Maintenance and operations	4,693,576	4,954,401	(3,592,293)	(3,830,095)
Student transportation	2,360,089	2,292,398	(1,808,320)	(1,682,373)
Central support services	182,599	177,797	(182,424)	(177,472)
Other support services	486,137	1,043,823	(429,583)	(863,883)
School nutrition	2,427,039	2,585,589	11,449	(42,898)
Enterprise operations	387,185	298,686	(387,185)	(298,686)
Interest on long-term debt	9,825	8,732	(9,825)	(8,732)
Total expenses	\$ 38,561,245	\$ 37,498,240	\$ (14,282,731)	\$ (13,705,668)

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Over 22.1% of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 37.0%.

PEACH COUNTY BOARD OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$41.3 million and expenditures and other financing uses of \$36.7 million. There was an increase in fund balance of approximately \$3.8 million in the Debt Service Fund due to the School District accumulating resources for the future construction of the new Peach County High School. The fund balance of the General Fund had an increase of approximately \$700 thousand due to actual property tax revenues being higher than budgeted amounts.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund.

The School District uses function-based budgeting. The budgeting systems are designed to tightly control total function budgets but provide flexibility for site management.

For the General Fund, budgeted revenues increased from \$34.9 million to \$35.5 million while budgeted expenditures increased from \$35.9 million to \$36.1 million. Budgeted revenues increased due to increases in federal programs. Other local revenue was budget conservatively and did not include school activity funds. Budgeted expenditures increased due to coincide with additional federal revenues. Additionally, Enterprise Operations (school activity accounts) were not budgeted.

Capital Assets

At the end of fiscal year 2018, the School District had \$31.5 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2018. Capital asset comparisons to fiscal year 2017 are also included.

Table 4
Capital Assets (Net of Depreciation)

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Land	\$ 1,916,121	\$ 1,916,121
Construction in progress	27,172	-
Land improvements	196,517	192,646
Buildings and improvements	27,783,297	29,602,156
Equipment	1,583,075	2,018,650
Total	<u>\$ 31,506,182</u>	<u>\$ 33,729,573</u>

Capital assets decreased due to annual depreciation amounts.

PEACH COUNTY BOARD OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Debt

Long-term Liabilities

At fiscal year ended June 30, 2018, the School District had \$57.2 million in long-term liabilities outstanding. Table 5 summarizes the School District's liabilities as compared to the prior fiscal year.

Table 5
Long-term Liabilities

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Capital leases	\$ 335,629	\$ -	\$ (85,919)	\$ 249,710	\$ 80,345
Net pension liability	33,938,803	3,189,440	(7,661,981)	29,466,262	-
Net OPEB liability	30,457,466	1,336,848	(4,517,863)	27,276,451	-
Compensated absences	203,477	168,784	(179,762)	192,499	173,249
Governmental activities					
Long-term liabilities	<u>\$ 64,935,375</u>	<u>\$ 4,695,072</u>	<u>\$ (12,445,525)</u>	<u>\$ 57,184,922</u>	<u>\$ 253,594</u>

Current Issues

The Peach County Board of Education's current operating millage rate is 17.073 mills. Management and the Board of Education hope to hold this level for a few years as to not place a hardship on the property owners in Peach County.

SPLOST revenues will be used to service debt for the 2019 bonds, which was issued in March 2019. The construction of the new Peach County High School is expected to begin fall 2019.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Susan Perry, Director of Finance, 1088 Tulip Drive, Fort Valley, Georgia, 31030. You may also email your questions to sperry@peachschools.org.

BASIC FINANCIAL STATEMENTS

PEACH COUNTY BOARD OF EDUCATION

**STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 1,895,780
Investments	11,631,983
Receivables:	
Taxes	1,103,431
Intergovernmental:	
State	2,748,045
Federal	321,690
Other	188
Inventory	28,044
Prepaid items	3,085
Capital assets (nondepreciable)	1,943,293
Capital assets (net of accumulated depreciation)	<u>29,562,889</u>
Total assets	<u>49,238,428</u>
DEFERRED OUTFLOWS	
Pensions	4,891,512
OPEB	<u>977,852</u>
Total deferred outflows	<u>5,869,364</u>
LIABILITIES	
Accounts payable	222,279
Salaries and benefits payable	4,499,896
Accrued interest payable	6,662
Capital leases due within one year	80,345
Capital leases due in more than one year	169,365
Compensated absences, due in less than one year	173,249
Compensated absences, due in more than one year	19,249
Net pension liability	29,466,262
Net OPEB liability	<u>27,276,451</u>
Total liabilities	<u>61,913,758</u>
DEFERRED INFLOWS	
Pensions	1,997,700
OPEB	<u>3,505,605</u>
Total deferred inflows	<u>5,503,305</u>
NET POSITION	
Net investment in capital assets	31,256,472
Restricted for:	
Continuation of federal programs	28,044
Debt service	7,916,395
Unrestricted (deficit)	<u>(51,510,182)</u>
Total net position (deficit)	<u>\$ (12,309,271)</u>

The accompanying notes are an integral part of these financial statements.

PEACH COUNTY BOARD OF EDUCATION

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 21,088,678	\$ 333,034	\$ 16,078,589	\$ -	\$ (4,677,055)
Support services:					
Pupil services	1,668,366	-	540,523	-	(1,127,843)
Improvement of instructional services	1,050,163	-	893,022	-	(157,141)
Educational media services	600,927	-	481,536	-	(119,391)
General administration	923,560	-	781,536	-	(142,024)
School administration	2,393,677	-	1,022,005	-	(1,371,672)
Business administration	289,424	-	-	-	(289,424)
Maintenance and operation of plant	4,693,576	-	1,101,283	-	(3,592,293)
Student transportation services	2,360,089	-	551,769	-	(1,808,320)
Central support services	182,599	-	175	-	(182,424)
Other support services	486,137	-	56,554	-	(429,583)
Enterprise operations	387,185	-	-	-	(387,185)
Food service operations	2,427,039	70,794	2,344,652	23,042	11,449
Interest on long-term debt	9,825	-	-	-	(9,825)
Total governmental activities	<u>\$ 38,561,245</u>	<u>\$ 403,828</u>	<u>\$ 23,851,644</u>	<u>\$ 23,042</u>	<u>\$ (14,282,731)</u>

General revenues:

Taxes:

Property taxes, levied for maintenance and operations	11,860,110
Sales taxes, levied for debt service	3,793,653
Intangible taxes	112,067
Transfer taxes	37,325
Railroad equipment tax	34,128
Grants and contributions not restricted to specific programs	548,692
Unrestricted investment earnings	113,026
Miscellaneous	463,877
Total general revenues	<u>16,962,878</u>
Change in net position	2,680,147
Net deficit, beginning of year, as restated	(14,989,418)
Net deficit, end of year	<u>\$ (12,309,271)</u>

The accompanying notes are an integral part of these financial statements.

PEACH COUNTY BOARD OF EDUCATION

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

ASSETS	General	District - Wide	Debt Service	Total
		Capital Projects		Governmental Funds
Cash and cash equivalents	\$ 1,895,243	\$ -	\$ 537	\$ 1,895,780
Investments	4,064,456	-	7,567,527	11,631,983
Receivables:				
Taxes	748,438	-	354,993	1,103,431
Intergovernmental:				
State	2,748,045	-	-	2,748,045
Federal	321,690	-	-	321,690
Other	188	-	-	188
Prepaid items	3,085	-	-	3,085
Inventory	28,044	-	-	28,044
Total assets	<u>\$ 9,809,189</u>	<u>\$ -</u>	<u>\$ 7,923,057</u>	<u>\$ 17,732,246</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 222,279	\$ -	\$ -	\$ 222,279
Salaries and benefits payable	4,499,896	-	-	4,499,896
Total liabilities	<u>4,722,175</u>	<u>-</u>	<u>-</u>	<u>4,722,175</u>
DEFERRED INFLOWS				
Unavailable revenue - property taxes	459,766	-	-	459,766
Total deferred inflows	<u>459,766</u>	<u>-</u>	<u>-</u>	<u>459,766</u>
FUND BALANCES				
Nonspendable:				
Inventory	28,044	-	-	28,044
Prepaid items	3,085	-	-	3,085
Restricted for:				
Debt service	-	-	7,923,057	7,923,057
Assigned for				
Student activities	133,510	-	-	133,510
Subsequent year's budget	662,597	-	-	662,597
Unassigned	3,800,012	-	-	3,800,012
Total fund balances	<u>4,627,248</u>	<u>-</u>	<u>7,923,057</u>	<u>12,550,305</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 9,809,189</u>	<u>\$ -</u>	<u>\$ 7,923,057</u>	<u>\$ 17,732,246</u>

The accompanying notes are an integral part of these financial statements.

PEACH COUNTY BOARD OF EDUCATION

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2018

(Restricted for Management Use Only)

Total fund balances - governmental funds	\$	12,550,305
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not report in the funds

Cost	\$	64,587,086	
Less accumulated depreciation		<u>(33,080,904)</u>	31,506,182

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Property taxes			459,766
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest	\$	(6,662)	
OPEB - deferred outflows		977,852	
OPEB - deferred inflows		(3,505,605)	
Pensions - deferred outflows		4,891,512	
Pensions - deferred inflows		(1,997,700)	
Net pension liability		(29,466,262)	
Net OPEB liability		(27,276,451)	
Capital lease		(249,710)	
Compensated absences		<u>(192,498)</u>	<u>(56,825,524)</u>

Net position of governmental activities	\$	<u>(12,309,271)</u>
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The accompanying notes are an integral part of these financial statements.

PEACH COUNTY BOARD OF EDUCATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>District - Wide Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 11,838,838	\$ -	\$ -	\$ 11,838,838
Sales taxes	149,392	-	3,793,653	3,943,045
Other taxes	34,128	-	-	34,128
State funds	19,340,185	-	-	19,340,185
Federal funds	5,107,316	-	-	5,107,316
Charges for services	403,828	-	-	403,828
Investment earnings	37,686	-	75,340	113,026
Miscellaneous	463,873	-	-	463,873
Total revenues	<u>37,375,246</u>	<u>-</u>	<u>3,868,993</u>	<u>41,244,239</u>
EXPENDITURES				
Current:				
Instruction	20,983,507	-	-	20,983,507
Support services:				
Pupil services	1,682,551	-	-	1,682,551
Improvement of instructional services	1,064,571	-	-	1,064,571
Educational media services	607,042	-	-	607,042
General administration	954,554	-	-	954,554
School administration	2,409,143	-	-	2,409,143
Business administration	293,463	-	-	293,463
Maintenance and operation of plant	2,919,705	-	-	2,919,705
Student transportation services	2,176,111	-	-	2,176,111
Central support services	183,222	-	-	183,222
Other support services	488,324	-	-	488,324
Enterprise operations	387,185	-	-	387,185
Food services operation	2,416,244	-	-	2,416,244
Capital outlay	18,500	27,172	-	45,672
Debt service:				
Principal retirement	85,919	-	-	85,919
Interest and fees	11,895	-	-	11,895
Total expenditures	<u>36,681,936</u>	<u>27,172</u>	<u>-</u>	<u>36,709,108</u>
Excess (deficiency) of revenues over (under) expenditures	<u>693,310</u>	<u>(27,172)</u>	<u>3,868,993</u>	<u>4,535,131</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	27,172	-	27,172
Transfers out	-	-	(27,172)	(27,172)
Total other financing sources (uses)	<u>-</u>	<u>27,172</u>	<u>(27,172)</u>	<u>-</u>
Net change in fund balances	693,310	-	3,841,821	4,535,131
FUND BALANCE, beginning of year	<u>3,933,938</u>	<u>-</u>	<u>4,081,236</u>	<u>8,015,174</u>
FUND BALANCE, end of year	<u>\$ 4,627,248</u>	<u>\$ -</u>	<u>\$ 7,923,057</u>	<u>\$ 12,550,305</u>

The accompanying notes are an integral part of these financial statements.

PEACH COUNTY BOARD OF EDUCATION

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Net change in fund balances - total governmental funds	\$	4,535,131
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which depreciation exceeded capital outlay is to decrease net position.

Capital outlay	\$	129,393	
Depreciation expense		<u>(2,352,784)</u>	(2,223,391)

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

Property taxes	21,272
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Issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - capital leases	\$	85,919	
Adjustment to record pension expense and related revenue for pension special funding situation, net of fund level amounts		(24,119)	
Change in net post-employment benefit liability and deferred inflows and outflows related to OPEB activity		(358,996)	
Change in net pension liability and deferred inflows and outflows related to pension activity		<u>631,282</u>	334,086

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	\$	10,979	
Change in accrued interest		<u>2,070</u>	<u>13,049</u>
			<u>\$ 2,680,147</u>

The accompanying notes are an integral part of these financial statements.

**PEACH COUNTY BOARD OF EDUCATION
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 11,113,730	\$ 11,113,730	\$ 11,838,838	\$ 725,108
Sales taxes	140,000	140,000	149,392	9,392
Other taxes	-	-	34,128	34,128
State funds	18,451,263	18,578,135	19,340,185	762,050
Federal funds	4,922,318	5,417,549	5,107,316	(310,233)
Charges for services	111,590	111,589	403,828	292,239
Investment earnings	2,010	2,010	37,686	35,676
Miscellaneous	157,640	157,640	463,873	306,233
Total revenues	<u>34,898,551</u>	<u>35,520,653</u>	<u>37,375,246</u>	<u>1,854,593</u>
EXPENDITURES				
Current:				
Instruction	20,696,957	20,972,213	20,983,507	(11,294)
Support services:				
Pupil services	1,415,560	1,545,161	1,682,551	(137,390)
Improvement of instructional services	935,529	792,177	1,064,571	(272,394)
Educational media services	563,233	563,233	607,042	(43,809)
General administration	930,983	993,420	954,554	38,866
School administration	2,236,350	2,236,350	2,409,143	(172,793)
Business administration	321,385	321,385	293,463	27,922
Maintenance and operation of plant	3,061,137	3,061,137	2,919,705	141,432
Student transportation services	2,305,925	2,277,679	2,176,111	101,568
Central support services	189,022	187,607	183,222	4,385
Other support services	636,271	622,830	488,324	134,506
Enterprise operations	-	-	387,185	(387,185)
Food services operations	2,567,541	2,567,541	2,416,244	151,297
Capital outlay	-	-	18,500	(18,500)
Debt service:				
Principal retirement	-	-	85,919	(85,919)
Interest and fiscal charges	-	-	11,895	(11,895)
Total expenditures	<u>35,859,893</u>	<u>36,140,733</u>	<u>36,681,936</u>	<u>(541,203)</u>
Net change in fund balance	(961,342)	(620,080)	693,310	1,313,390
FUND BALANCE, beginning of year	<u>3,933,938</u>	<u>3,933,938</u>	<u>3,933,938</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 2,972,596</u>	<u>\$ 3,313,858</u>	<u>\$ 4,627,248</u>	<u>\$ 1,313,390</u>

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

- (1) Original and Final Budget amounts do not include budgeted revenues (\$651,395) or expenditures (\$713,664) of the various school activity accounts.
- (2) 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.

The accompanying notes are an integral part of these financial statements.

PEACH COUNTY BOARD OF EDUCATION

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2018**

	ASSETS	<u>Agency Fund</u>
Cash		\$ 172,030
Total assets		<u>\$ 172,030</u>
	LIABILITIES	
Accounts payable		\$ 16,230
Funds held for others		<u>155,800</u>
Total liabilities		<u>\$ 172,030</u>

The accompanying notes are an integral part of these financial statements.

PEACH COUNTY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1. DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Statements

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Government-wide Statements (Continued)

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 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund type:

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

Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The government-wide governmental activities and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus; however, they use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Basis of Accounting (Continued)

Compensated absences and special termination benefit amounts earned during the year are not reported in the basic financial statements. To conform to generally accepted accounting principles, the amounts earned for compensated absences and special termination benefits should be reported in the basic financial statements.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. All other revenues are considered to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally, teachers are contracted for the school year (July 1 – June 30) and paid over a 12-month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Basis of Accounting (Continued)

a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

New Accounting Pronouncements

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment 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 statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

New Accounting Pronouncements (Continued)

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 post-employment benefits (pensions and other post-employment benefits [OPEB]). The adoption of this statement does not have a significant impact on the School District's financial statement.

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 statement.

Cash and Cash Equivalents

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Investments (Continued)

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

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

In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity.

Receivables

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, state or other grants for expenditures made, but not reimbursed, and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met.

Inventories

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

Capital Assets

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

Vacation leave of 12 days is awarded on a fiscal year basis to all full-time personnel employed on a 12-month basis. The Superintendent is awarded 15 days on a fiscal year basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the (calendar/fiscal) year may be carried over to the next fiscal year, providing such vacation leave does not exceed 20 days. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal-year end.

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

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Post-employment Benefits (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 Post-employment Benefit Fund (School OPEB Fund) and additions to/deductions from the School OPEB Fund's fiduciary net position have been determined on the same basis as they are reported by the 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 – Amounts that are not in spendable form (e.g., inventory and prepaid items) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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

Committed Fund Balance – The Board of Education is the School District’s highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Funds should be committed prior to the end of the fiscal year, although the exact amount may be determined in the subsequent fiscal year.

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

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

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

Deficit Fund Balances

The fund reporting a deficit at June 30, 2018, is as follows:

Fund Type/Fund Name	Deficit Balance
General Fund	
School food service	\$ 50,788

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Property Taxes

The Peach County Board of Commissioners adopted the property tax levy for the 2017 tax digest year (calendar year) on August 10, 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 Peach County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District.

Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2018, for maintenance and operations amounted to \$10,841,731.

Tax millage rates levied for the 2017 tax year (calendar year) for the School District were as follows (a mill equals \$1 per thousand dollars of assessed value):

School operations	17.073 mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amount to \$997,107 during the 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 \$3,793,653 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Abatement Agreements

During the year ended June 30, 2017, the School System implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures. This statement requires the School System to disclose information for any tax abatement agreements either entered into by the School System, or agreements entered into by other governments that reduce the School System's tax revenues. As of June 30, 2018, the School System did not have any such agreements, either entered into by the School System or by other governments that exceeded the quantitative threshold for disclosure.

On-Behalf Payments

The State of Georgia makes certain pension plan payments on behalf of the School System for its employees. The School System records these payments as both a revenue and expenditure in the General Fund. The total of the on-behalf payments for the fiscal year ended June 30, 2018, was \$59,883.

Non-Monetary Transactions

The School System received from the United States Department of Agriculture through the Georgia Department of Education approximately \$166,240 in donated food commodities for its lunchroom programs. The federally assigned value of these commodities is reflected as a revenue and an expenditure in the financial statements.

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, debt service, 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 (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. BUDGETARY DATA (CONTINUED)

The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

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

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

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

NOTE 4. DEPOSITS

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.

Collateralization of Deposits (Continued) – 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

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS (CONTINUED)

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

Categorization of Deposits – Custodial credit risk is the risk that in the event of bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2018, the School District had deposits with a carrying value of \$2,096,552, which includes \$28,742 in a certificate of deposit which is reported in investments and bank balances of \$2,198,942. The bank balances insured by Federal Depository insurance were \$250,000. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

The School District’s deposits by custodial credit risk category at June 30, 2018, are as follows:

Custodial Credit Risk Category	Bank Balance
1	\$ -
2	-
3	1,948,942
	\$ 1,948,942

Categorization of Cash Equivalents

The School District reported cash equivalents of \$11,603,241 in Georgia Fund 1, a local government investment pool. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2018, was 10 days.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS (CONTINUED)

Categorization of Cash Equivalents (Continued)

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

Categorization of Investments

At June 30, 2018, the School District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of deposit	February 19, 2019	\$ 28,742

Interest Rate Risk

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

Custodial Credit Risk

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

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those prescribed by O.C.G.A. §36-83-4. The School District does not have a formal policy for managing credit quality risk.

Concentration of Credit Risk

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

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,916,121	\$ -	\$ -	\$ 1,916,121
Construction in progress	-	27,172	-	27,172
Total	1,916,121	27,172	-	1,943,293
Capital assets, being depreciated:				
Buildings and improvements	55,175,914	-	-	55,175,914
Equipment	6,820,676	83,721	-	6,904,397
Land improvements	544,982	18,500	-	563,482
Total	62,541,572	102,221	-	62,643,793
Less accumulated depreciation for:				
Buildings and improvements	(25,573,758)	(1,818,859)	-	(27,392,617)
Equipment	(4,802,026)	(519,296)	-	(5,321,322)
Land improvements	(352,336)	(14,629)	-	(366,965)
Total	(30,728,120)	(2,352,784)	-	(33,080,904)
Total capital assets, being depreciated, net	31,813,452	(2,250,563)	-	29,562,889
Governmental activities capital assets, net	\$ 33,729,573	\$ (2,223,391)	\$ -	\$ 31,506,182

Current year depreciation expense by function is as follows:

Instruction		\$	295,203
Support services			
Maintenance and operations	\$ 1,846,948		
Student transportation	183,978		2,030,926
Food services			26,655
Total depreciation expense		\$	2,352,784

NOTES TO FINANCIAL STATEMENTS

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers as of June 30, 2018, are as follows:

	<u>Transfers From</u>
<u>Transfers To</u>	Debt Service
	<u>Fund</u>
Capital Projects Fund	<u>\$ 27,172</u>

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) to transfer funds for debt service.

NOTE 7. RISK MANAGEMENT

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RISK MANAGEMENT (CONTINUED)

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

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

Position Covered	Amount
Superintendent	\$ 50,000
Finance Director	50,000

NOTE 8. OPERATING LEASES

The School District leases copiers under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$77,543 for governmental activities for the year ended June 30, 2018. The following future minimum lease payments were required under operating leases as of June 30, 2018:

Fiscal Year Ending June 30	Principal
2019	\$ 32,146
Total	\$ 32,146

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM LIABILITIES

Capital Leases

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

Equipment	\$ 25,000
Less: Accumulated Depreciation	<u>(12,500)</u>
	<u><u>\$ 12,500</u></u>

During fiscal year 2015, the School District entered into a lease agreement as lessee for financing the acquisition of technology equipment at a cost of \$25,000 with a down payment of \$8,333. This lease qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

During fiscal year 2017, the School District entered into a lease agreement as lessee for financing the acquisition of technology software and equipment at a cost of \$416,524 with a down payment of \$89,228. This lease qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

Capital leases currently outstanding are as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Amount
Computers and equipment	3.56%	July 26, 2016	October 1, 2020	\$ 249,710
				\$ 249,710

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM LIABILITIES (CONTINUED)

Capital Leases (Continued)

The following future minimum lease payments were required under operating leases as of June 30, 2018:

Fiscal Year <u>Ending June 30</u>	Capital Leases	
	Principal	Interest
2019	\$ 80,345	\$ 8,883
2020	83,203	6,025
2021	86,162	3,065
Total Principal and Interest	\$ 249,710	\$ 17,973

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.

Changes in Long-term Liabilities

The changes in long-term liabilities during the fiscal year ended June 30, 2018, for governmental activities, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Capital Leases	\$ 335,629	\$ -	\$ (85,919)	\$ 249,710	\$ 80,345
Net Pension Liability	33,938,803	3,189,440	(7,661,981)	29,466,262	-
Net OPEB Liability	30,457,466	1,336,848	(4,517,863)	27,276,451	-
Compensated Absences	203,477	168,784	(179,763)	192,498	173,248
Total	\$ 64,935,375	\$ 4,695,072	\$ (12,445,526)	\$ 57,184,921	\$ 253,593

NOTES TO FINANCIAL STATEMENTS

NOTE 10. SIGNIFICANT COMMITMENTS

On May 29, 2018, the School District entered into an agreement with Durham School Services, L.P. for the transportation of pupils. The term of this agreement shall be July 1, 2018 through June 30, 2023.

The following is an analysis of the significant outstanding service contract executed by the School District as of June 30, 2018.

Service	Unearned Executed Contracts
Transportation of Pupils	\$ 9,064,724

NOTE 11. SIGNIFICANT CONTINGENT LIABILITIES

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

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

NOTE 12. 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 post-employment 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

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 \$969,874 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

At June 30, 2018, the School District reported a liability of \$27,276,451 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 0.194139%, which was a decrease of (0.011373) % from its proportion measured as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$1,328,870. 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 in assumptions	\$ -	\$ 2,077,032
Net difference between projected and actual earnings on OPEB plan investments	7,978	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,428,573
School District contributions subsequent to the measurement date	969,874	-
Total	\$ 977,852	\$ 3,505,605

The School District's contributions subsequent to the measurement date of \$969,874 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending 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:

Fiscal Year Ending June 30	OPEB
2019	\$ (628,511)
2020	(628,511)
2021	(628,511)
2022	(628,511)
2023	(630,505)
2024	(353,078)

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

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%, average, 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 two 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 seven years for males and set forward three 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 and BB set forward one 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 and (set forward two years for males and four years for females is used for death after disability retirement.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

- For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB and set forward three years for males and two 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 five 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 ended 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 increase 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 rate of return
Local government investment pool	100.00%	1.13%

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

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%)
School District's proportionate share of the OPEB liability	\$ 32,385,900	\$ 27,276,451	\$ 23,244,062

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 School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trent Rate	1% Increase
School District's proportionate share of the OPEB liability	\$ 22,609,070	\$ 27,276,451	\$ 33,353,374

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>.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS

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

Teachers Retirement System of Georgia (“TRS”)

Plan Description. All teachers of the School District as defined in §47-3-60 of the O.C.G.A. and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (“TRS”). TRS, a cost-sharing multiple- employer defined benefit pension plan, is administered by the TRS Board of Trustees (“TRS Board”).

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

Benefits Provided. TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after ten 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. For the current fiscal year, employer contributions to the pension plan were \$3,143,355 and \$10,685 from the School District and the State, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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 TRS. The ERS Board of Trustees, plus two additional trustees, administer PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

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

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

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 \$49,198.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public School Employees' Retirement System ("PSERS") (Continued)

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

At June 30, 2018, the School District reported a liability of \$29,466,262 for its proportionate share of the net pension liability for TRS.

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

School District's proportionate share of the Net Pension Liability	\$ 29,466,262
State of Georgia's proportionate share of the Net Pension Liability associated with the School District	<u>204,810</u>
	<u>\$ 29,671,072</u>

The 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 School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2017.

At June 30, 2017, the School District's TRS proportion was 0.158546%, which was a decrease of 0.005957% 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 \$220,551.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2018, the School District recognized pension expense of \$2,536,192 for TRS and \$44,450 for PSERS and revenue of \$44,450 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 resource and deferred inflows of resources related to pension from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,102,220	\$ 111,203
Changes in assumptions	645,937	-
Net difference between projected and actual earnings on pension plan investments	-	202,777
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,683,720
School District contributions subsequent to the measurement date	3,143,355	-
Total	\$ 4,891,512	\$ 1,997,700

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

School District contributions subsequent to the measurement date of June 30, 2017, for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>TRS</u>
2019	\$ (882,617)
2020	1,070,630
2021	529,057
2022	(964,250)
2023	(2,363)

Actuarial assumptions: The total pension liability 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 and 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 and set forward two years for males and four years for females was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

Public School Employees' Retirement System

Inflation	2.75%
Salary 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 Blue-Collar Mortality Table projected to 2025 with projection scale BB and 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 and set forward five years for both males and females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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, 2004 – June 30, 2009.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

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

Asset Class	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	0.00%	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 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 non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

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

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
School District's proportionate share of the net pension liability	\$ 48,357,594	\$ 29,466,262	\$ 13,904,051

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

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE – PRIOR PERIOD ADJUSTMENT

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. The provisions of these statements establish accounting and financial reporting standards for post-employment benefits for retired employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement required the School District to record a liability for its proportionate share of the Net OPEB Liability of the School OPEB Fund. The following adjustment was required to net position of governmental activities to record the net pension liability as of July 1, 2017:

Net position June 30, 2017, as previously reported	\$ 14,455,790
Deferred outflows, contributions subsequent to measurement date	1,012,258
Proportionate share of net OPEB liability	(30,457,466)
Net deficit June 30, 2017, as restated	\$ (14,989,418)

NOTE 15. SUBSEQUENT EVENT

In March 2019, the School System issued \$21,315,000 of general obligation bonds. The interest rates on the Series 2019 bonds varies between 4% and 5%, with final maturity on March 1, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

PEACH COUNTY BOARD OF EDUCATION

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.158546%	0.164503%	0.165988%	0.169038%
School District's proportionate share of the net pension liability	\$ 29,466,262	\$ 33,938,803	\$ 25,270,025	\$ 21,355,722
State of Georgia's proportionate share of the net pension liability associated with the School District	204,810	400,450	261,092	225,764
	<u>\$ 29,671,072</u>	<u>\$ 34,339,253</u>	<u>\$ 25,531,117</u>	<u>\$ 21,581,486</u>
School District's covered payroll	\$ 18,204,772	\$ 18,242,957	\$ 17,701,468	\$ 17,245,228
School District's proportionate share of the net pension liability as a percentage of its covered payroll	161.86%	186.04%	142.76%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	79.33%	76.06%	81.44%	84.03%

Note: The measurement date for the year ended June 30, 2018, is June 30, 2017. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

PEACH COUNTY BOARD OF EDUCATION

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>220,551</u>	<u>297,380</u>	<u>218,463</u>	<u>200,687</u>
	<u>\$ 220,551</u>	<u>\$ 297,380</u>	<u>\$ 218,463</u>	<u>\$ 200,687</u>
School District's covered payroll	\$ 883,564	\$ 921,461	\$ 1,054,135	\$ 1,111,727
School District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	85.69%	81.00%	87.00%	88.29%

Note: The measurement date for the year ended June 30, 2018, is June 30, 2017. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

PEACH COUNTY BOARD OF EDUCATION

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,143,355	\$ 2,597,821	\$ 2,603,270	\$ 2,327,743
Contributions in relation to the contractually required contribution	<u>3,143,355</u>	<u>2,597,821</u>	<u>2,603,270</u>	<u>2,327,743</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 18,699,316	\$ 18,204,772	\$ 18,242,957	\$ 17,701,468
Contributions as a percentage of covered payroll	16.81%	14.27%	14.27%	13.15%

Note: The schedule above is intended to shown information for the last ten fiscal years. Additional years will be displayed as they become available.

PEACH COUNTY BOARD OF EDUCATION

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2018</u>
School District's proportion of the net pension liability	0.194139%
School District's proportionate share of the net pension liability	\$ 27,276,451
School District's covered-employee payroll	\$ 15,692,184
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.82%
Plan fiduciary net position as a percentage of the total pension liability	1.61%

Note: The measurement date for the year ended June 30, 2018 is June 30, 2017. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

PEACH COUNTY BOARD OF EDUCATION

**SCHEDULE OF CONTRIBUTIONS
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30,**

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 969,874	\$ 1,012,258
Contributions in relation to the contractually required contribution	<u>969,874</u>	<u>1,012,258</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
School District's covered-employee payroll	\$ 15,877,734	\$ 15,692,184
Contributions as a percentage of covered-employee payroll	6.11%	6.45%

Note: The schedule above is intended to shown information for the last ten fiscal years. Additional years will be displayed as they become available.

PEACH COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Teachers Retirement System

Changes of assumptions:

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

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

Public School Employees Retirement System

Changes of assumptions:

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

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

School OPEB Fund

Changes of benefit items:

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 of 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.

SUPPLEMENTARY INFORMATION

PEACH COUNTY BOARD OF EDUCATION

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Agency/Funding</u>	<u>Governmental Fund Types General Fund</u>
Grants	
Bright from the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 255,070
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	1,435,563
Kindergarten Program - Early Intervention Program	37,635
Primary Grades (1-3) Program	2,944,248
Primary Grades - Early Intervention (1-3) Program	221,959
Upper Elementary Grades (4-5) Program	1,372,185
Upper Elementary Grades - Early Intervention (4-5) Program	198,434
Middle School (6-8) Program	2,256,873
High School General Education (9-12) Program	1,944,863
Vocational Laboratory (9-12) Program	649,010
Students with Disabilities	2,330,900
Program for Intellectually Gifted Students - Category VI	646,558
Remedial Education Program	165,936
Alternative Education Program	160,089
English Speakers of Other Languages (ESOL)	197,544
Media Center Program	407,609
20 Days Additional Instruction	125,545
Staff and Professional Development	66,635
Principal Staff and Professional Development	1,549
Indirect Cost	
Central Administration	553,395
School Administration	863,839
Facility Maintenance and Operations	911,973
Categorical Grants	
Pupil Transportation	548,214
Nursing Services	74,213
Vocational Supervisors	16,502
Education Equalization Funding Grant	548,692
Food Services	63,142
Vocational Education	55,465
Amended Formula Adjustment	(288,434)
Other State Programs	
Charter Schools	341,788
Math and Science Supplements	24,006
Preschool Handicapped Program	66,789
Teachers' Retirement	10,685
Teacher of the Year	507

PEACH COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Agency/Funding</u>	<u>Governmental Fund Types General Fund</u>
Grants	
Governor's Office of Student Achievement	
Connections for Classrooms	52,006
Rural STEM Grant	30,000
Office of Treasury and Fiscal Services	
Public School Employees Retirement	<u>49,198</u>
	<u>\$ 19,340,185</u>

See Notes to the Basic Financial Statements.

PEACH COUNTY BOARD OF EDUCATION

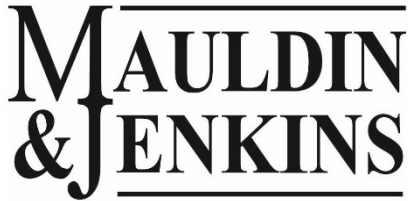
**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE
LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Project</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Costs (2)</u>	<u>Expended In Current Year (3)</u>	<u>Expended In Prior Years (3)</u>	<u>Total Expenditures</u>
(2016-1) Acquiring, constructing, and equipping a new Peach County High School to include athletic facilities to be located in the central portion of Peach County.	\$ 32,000,000	\$ 35,000,000	\$ 27,172	\$ 811,905	\$ 839,077
(2016-2) Improving, repairing, and equipping existing buildings and facilities to include athletic facilities, acquiring technology, safety and security equipment, acquiring buses, purchasing vocational, fine arts and athletic equipment, and purchasing textbooks and e-books (collectively, the "Projects").	3,000,000	3,000,000	-	-	-
(2016-3) The payment of principal and interest on previously incurred general obligation debt of the School District in a maximum amount of \$200,000.	200,000	113,761	-	113,761	113,761
(2016-4) The payment of a portion of the principal and interest on the Bonds issued to fund the above projects related to the 2016 resolution in the maximum of \$17,600,000.	17,600,000	17,600,000	-	-	-
	<u>\$ 52,800,000</u>	<u>\$ 55,713,761</u>	<u>\$ 27,172</u>	<u>\$ 925,666</u>	<u>\$ 952,838</u>

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the project(s). Includes all cost from project inception to completion.
- (3) The voters of Peach County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the project.
- (4) The School District paid off all outstanding bond debt in March 2016. SPLOST funds are now accumulating to be used for the construction of the new Peach County High School.

See Notes to the Basic Financial Statements.

COMPLIANCE SECTION



**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**

**To the Superintendent and Members of the
Peach County Board of Education
Fort Valley, Georgia**

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Peach County Board of Education as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Peach County Board of Education's basic financial statements and have issued our report thereon dated July 1, 2019. Our report includes a reference to a change in accounting principle resulting from the implementation of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Peach County Board of Education'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 Peach County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Peach County Board of Education's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 Peach County Board of Education'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Macon, Georgia
July 1, 2019



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

To the Superintendent and Members of the
Peach County Board of Education
Fort Valley, Georgia

Report on Compliance for Each Major Federal Program

We have audited the Peach County Board of Education's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Peach County Board of Education's major federal programs for the year ended June 30, 2018. Peach County Board of Education'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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Peach County Board of Education'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 Peach County Board of Education'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 Peach County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, Peach County Board of Education complied, in all material respects, with the 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.

Report on Internal Control Over Compliance

Management of the Peach County Board of Education 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 Peach County Board of Education'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 Peach County Board of Education's internal control over compliance.

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

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

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

Mauldin & Jenkins, LLC

Macon, Georgia
July 1, 2019

PEACH COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL 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	\$ 548,303
National School Lunch Program	10.555	18185GA324N1100	1,718,597
Total Child Nutrition Cluster			<u>2,266,900</u>
Child Nutrition Discretionary Grants	10.579	1818GA350N8103	23,042
Total U.S. Department of Agriculture			<u>2,289,942</u>
Education, U.S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	157,981
Grants to States	84.027	H027A170073	635,176
Preschool Grants	84.173	H173A160081	6,454
Preschool Grants	84.173	H173A170081	359
Total Special Education Cluster			<u>799,971</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Education Agencies	84.010	S010A160010	163,887
Title I Grants to Local Education Agencies	84.010	S010A170010	1,514,516
English Language Acquisition Grants	84.365	S365A160010	4,647
English Language Acquisition Grants	84.365	S365A170010	20,208
Supporting Effective Instruction State Grants	84.367	S367A160001	18,448
Supporting Effective Instruction State Grants	84.367	S367A170001	168,371
Migrant Education	84.011	S011A160011	2,153
Migrant Education	84.011	S011A170011	20,806
Career & Technical Education - Basic Grants to States	84.048	V048A160010	2,581
Career & Technical Education - Basic Grants to States	84.048	V048A170010	45,174
Total U.S. Department of Education			<u>2,760,761</u>
Defense, U.S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.unknown	N/A	56,613
Total Expenditures of Federal Awards			<u>\$ 5,107,316</u>

N/A = Not Available

PEACH COUNTY BOARD OF EDUCATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Peach County Board of Education and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2. DONATED COMMODITIES

The Child Nutrition Cluster includes \$166,240 of non-cash expenditures in the form of donated food commodities.

NOTE 3: DE MINIMIS COST RATE

The School System elected not to use the 10% de minimis cost rate for the year ended June 30, 2018.

NOTE 4. SUBRECIPIENTS

The School System did not pass through any funds to subrecipients for the year ended June 30, 2018.

PEACH COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	___ Yes <u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u> X </u> None Reported
Noncompliance material to financial statements noted?	___ Yes <u> X </u> No

Federal Awards

Internal Control over major programs: Material weaknesses identified?	___ Yes <u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u> X </u> None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___ Yes <u> X </u> No
Identification of major program:	

CFDA Number

Name of Federal Program or Cluster

10.553
10.555

U.S. Department of Agriculture:

Child Nutrition Cluster
School Breakfast Program
National School Lunch Program

84.027
84.173

U.S. Department of Education:

Special Education Cluster
Grants to States
Preschool Grants

PEACH COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDIT RESULTS (Continued)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

B. FINDINGS: FINANCIAL STATEMENTS AUDIT

None Reported.

C. FINDINGS: FEDERAL PROGRAMS AUDIT

None Reported.

PEACH COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2017-001 Deficit Fund Balance

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

In accordance with the Official Code of Georgia Annotated §20-2-67(a), when an audit reports irregularities or budget deficits in the fund accounting information regarding a local school system or a school within the local school system, the findings of irregularities or budget deficits must be reported to the State Board of Education and the local board of education.

Condition: The School District’s School Nutrition Fund reported a deficit fund balance of \$83,586 at June 30, 2017. This amount represents a decrease from the prior year amount of \$259,176.

Auditee Response/Status: The remaining School Nutrition Fund deficit as of June 30, 2018 is immaterial.