



COMPLIANCE AND PERFORMANCE REVIEW  
SPECIAL PURPOSE LOCAL OPTION SALES TAX

YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2018

Superintendent & Members of the  
Bryan County Board of Education  
Black Creek, GA

### **INDEPENDENT ACCOUNTANT'S REPORT**

I have performed the procedures enumerated below, which were agreed to by the Bryan County Board of Education to complete a review of the Bryan County Board of Education's compliance and performance concerning its education Special Purpose Local Option Sales Tax for the years ended June 30, 2017 and June 30, 2018. Bryan County Board of Education's management is responsible for the information provided to me during this engagement. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below, whether for the purpose for which this report has been requested or for any other purpose.

#### **Background**

In March 2012, Bryan County voters approved the imposition of the fourth education Special Purpose Local Option Sales Tax (SPLOST) for a period not to exceed five years beginning April 2013. Voters also authorized the issuance of \$23,500,000 in bonds to be repaid with the SPLOST IV proceeds. The Board issued a total of \$23,500,000 in bonds.

In March 2017, Bryan County voters approved the imposition of SPLOST V beginning April 2017 for a period not to exceed five years. Voters also authorized the issuance of \$100,000,000 in bonds with a portion to be repaid with SPLOST V proceeds and voter-approved property taxes. The Board chose to issue a total of \$74,250,000.00 in bonds. Of the total originally authorized, \$25,750,000.00 remains unissued.

The SPLOST IV referendum, as approved by voters, described SPLOST IV as (i) acquiring, constructing, and equipping new elementary schools, a new middle school, and a new high school; (ii) adding to, remodeling, renovating, improving, and equipping existing educational buildings, properties, and facilities of the school district and acquiring property, both real and personal, and equipment necessary therefor; (iii) acquiring school buses; (iv) acquiring textbooks; (v) making instructional and administrative technology improvements; and (vi) renovating, adding to, and improving athletic and administrative buildings and facilities.

The SPLOST V referendum, as approved by voters, described SPLOST V as (i) acquiring, constructing, and equipping a new Richmond Hill High School, including athletic fields and facilities, acquiring, constructing, and equipping a new middle school and a new elementary school which may include renovations and repurposing of existing facilities; (ii) adding to, remodeling, renovating, improving, and equipping existing educational buildings, athletic facilities, properties, and facilities and acquiring property, both real and personal and equipment necessary therefor; (iii) acquiring textbooks, including e-books; (iv) making instructional and administrative technology improvements; (v) making safety and security upgrades; (vi) acquiring or purchasing school buses;

and (vii) funding the payment of a portion of the principal and interest on capital outlay projects financed by general obligation bonds.

Georgia Code Section 20-2-491 requires public school systems to obtain continuing performance audit or review for expenditures of sales tax for capital outlays if the tax generates \$5 million or more annually. I was engaged by the Board to complete a performance review for the years ended June 30, 2017 and June 30, 2018. The review focused on the School District's compliance with state and local laws and mandates and the use of sales tax proceeds for allowable SPLOST educational purposes.

### **Objectives**

The following SPLOST performance review objectives were identified for the years ending June 30, 2017 and June 30, 2018:

- Ensuring the maximum extent possible that the tax funds are expended efficiently and economically so as to ensure that the school district receives maximum benefit from the tax dollars collected
- Providing for the issuance of periodic public reports, not less than once annually, with respect to the extent to which expenditures are meeting the goal specified in Objective One
- Providing for issuance of periodic public recommendations, not less than once annually for improvements in meeting the goal specified in Objective One

### **Method**

The methods utilized for meeting the objectives are as follows:

***OBJECTIVE 1:** Ensuring the maximum extent possible that the tax funds are expended efficiently and economically so as to ensure that the school district receives maximum benefit from the tax dollars collected*

Six procedures were identified to assist in evaluating whether SPLOST funds were expended efficiently and economically: (1) identify the Board's procedures for monitoring funding availability and uses, (2) review bidding process for new projects which began during the years under review, (3) review the Board's expenditure process to determine whether disbursement are monitored by a knowledgeable and responsible individual and follow the Board's procurement policies, (4) review a sample of expenditures to determine whether they met the purposes described in the SPLOST IV and SPLOST V referenda, (5) review expenditures to determine whether funds were used in a manner considered reasonable and necessary, and (6) review use of contract change orders.

***Procedure #1:*** A brief discussion with the Director of Finance and a review of the general ledger and year to date budget reports determined the extent to which budgeting and planning tools were utilized for SPLOST projects. The Director of Finance prepares a report that compares cumulative project expenditures to revenue sources. Revenue sources include bond proceeds, investment

earnings, capital outlay grants and transfers from other funds. The report assists the Board in identifying the amount expended and remaining funding available for future SPLOST expenditures.

**Results:** Based on the results of inquiries made and review of reports, adequate processes are in place to monitor actual project expenditures.

**Procedure #2:** Review procurement procedures to determine whether the School District is following Board approved policies and procedures. A copy of the Board policy regarding bids and procurements was obtained and a discussion was held with senior management. When selecting a vendor, the Board requests bids for purchases with a minimum cost of \$5,000 per unit. Project expenditures were reviewed for the years under review, noting three purchases placed for bid. Two vendors were selected and bid and quote documentation was reviewed to test procurement procedures. Board meeting minutes indicated that bids were approved prior to being awarded.

**Results:** Based on the results of testing, the School District is following the established procurement policies and procedures.

**Procedure #3:** Review Board's expenditure process to determine whether disbursements are in accordance with procurement policies and are monitored by appropriate personnel. The Board requires approval of invoices before payments are processed. Designated board personnel must approve all invoices. The supervising architect reviews all contractor applications for payment to certify the work performed and material supplied by the contractor is correct and due for payment. Thirteen (13) checks totaling, \$4,143,430.25, were selected and reviewed.

**Results:** Contracts, invoices and other supporting documentation were examined and expenditures are properly approved by an individual who reviews the work to ensure that invoices submitted are valid and appropriate.

**Procedure #4:** Review a sample of expenditures to determine whether they met the purposes described in the referendum. A copy of the SPLOST IV and V Resolutions as approved by the Board of Education and the voters of Bryan County was obtained. A sample of disbursements were selected using the general ledgers for the periods July 1, 2016 to June 30, 2017 and July 1, 2017 to June 30, 2018. Six (6) items were selected from FY 2017, totaling \$3,932,826.33 and seven (7) items were selected from FY 2018, totaling \$210,603.92 for testing to ensure that spending of SPLOST funding was compliant with the approved activity in the resolution. In addition, capitalized interest payments were paid in accordance to the bond amortization schedule for FY 2017 and FY 2018. Each expenditure was vouched to supporting documentation, such as vendor invoices and purchase orders.

**Results:** All of the checks tested were issued for a purpose included in the approved SPLOST IV and SPLOST V referenda. No exceptions were noted.

**Procedure #5:** Review expenditures to determine whether funds were used in a manner considered reasonable and necessary. The Board's general ledger was scanned to obtain an understanding of how SPLOST funds were expended. During the year's ended June 30, 2017 and

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June 30, 2018, SPLOST expenditures were incurred for construction and equipping of new schools, instructional and administrative technology improvements and payment of capitalized interest. The checks reviewed in Procedure #4 were utilized to test reasonableness.

**Results:** Disbursements made during the years under review appear reasonable and necessary based on approved projects in the SPLOST IV and SPLOST V referendums. The expenditures tested were related to the activities approved in the SPLOST referendums.

**Procedure #6:** Review use of contract change orders to determine their frequency and whether they resulted in SPLOST project cost increases. Contract change orders with an effective date occurring between July 1, 2016 and June 30, 2018 were requested for review. One contract change order was identified during the years under review. Details of change were duly noted and the increased cost to the project was properly approved by authorized personnel.

**Results:** The use of change orders was infrequent during the years under review and resulted in a slight increase to the SPLOST project. No problems were identified.

The following is a schedule of SPLOST IV and SPLOST V project expenditures. Expenditures occurring prior to the fiscal year ended June 30, 2016 have been provided by the Board but were not subject to the current year's review.

EXPENDITURE CATEGORY	SPLOST IV PROJECTS			
	PRIOR YEARS	FY 2017	FY 2018	TOTAL
McAllister Elementary School	\$ 19,325,921	\$ 2,076,553		\$ 21,402,474
North Bryan Elementary School	15,364,456	1,891,151		17,255,607
BCHS Portable Classrooms	-		\$ 69,345	69,345
Instructional & Administrative Technology	-		163,854	163,854
TOTAL EXPENDITURES	34,690,377	3,967,704	233,199	38,891,280
Transfers to/(from) Other Funds	(4,865,000)	(3,083,617)	300,000	(7,648,617)
Less State Revenue	(7,956,787)	(884,087)		(8,840,874)
EXPENDITURES FUNDED WITH SPLOST REVENUE	\$ 21,868,590	\$ -	\$ 533,199	22,401,789

EXPENDITURE CATEGORY	SPLOST V PROJECTS			
	PRIOR YEARS	FY 2017	FY 2018	TOTAL
New Richmond Hill Elementary School	\$ -	\$ -	\$ 29,415	\$ 29,415
New Richmond Hill High School	-		67,560	67,560
TOTAL EXPENDITURES	-	-	96,975	96,975
Transfers to/(from) Other Funds	-			-
Less State Revenue	-			-
EXPENDITURES FUNDED WITH SPLOST REVENUE	\$ -	-	\$ 96,975	\$ 96,975

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While bond proceeds have provided funding for the Board's projects, SPLOST revenues have been utilized to make bond principal and interest payments. See the schedule of bond-related disbursements and outstanding obligations below. Expenditures occurring prior to the fiscal year June 30, 2016 have been provided by the Board but were not subject to the current year's review.

PAYMENT TYPE	PRIOR YEARS	FY 2017	FY 2018	TOTAL	OUTSTANDING
					OBLIGATION AS OF 6/30/18
Series 2013 Bond Interest	\$ 1,442,899	\$ 433,175	\$ 271,000	\$ 2,147,074	\$ 89,500
Series 2013 Bond Repayment	9,100,000	4,800,000	5,000,000	18,900,000	4,600,000
Series 2018 Bond Interest		-	-	-	58,759,656
Series 2018 Bond Repayment		-	-	-	74,250,000
Other Bond Expenditures	215,263	3,000	500	218,763	-
	<u>\$ 10,758,162</u>	<u>\$ 5,236,175</u>	<u>\$ 5,271,500</u>	<u>\$ 21,265,837</u>	<u>\$ 137,699,156</u>

***OBJECTIVE 2:** Providing for the issuance of periodic public reports, not less than once annually, with respect to the extent to which expenditures are meeting the goal specified in Objective One*

The link to the report of the FY 2015 and FY 2016 SPLOST review is found on the Board's website. However, the link indicates that the server's IP address could not be found. Board personnel indicated the Board is in the process of revising its website.

***OBJECTIVE 3:** Providing for issuance of period public recommendations, not less than once annually for improvements in meeting the goal specified in Objective One*

It is recommended that the Board post the results of its FY 2015 and 2016 SPLOST review to its website and make it accessible for viewing.

I was not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Bryan County Board of Education's compliance and performance concerning its education Special Purpose Local Option Sales Tax. Accordingly, I do not express such an opinion or any other form of assurance on them.

This report is intended solely for the information and use of the Bryan County Board of Education and the State of Georgia and is not intended to be and should not be used by anyone other than these specified parties.

*Jaqueline M. Wells* CPA, CGFM  
June 30, 2020