

**GRIFFIN-SPALDING COUNTY SCHOOL SYSTEM
SPLOST PERFORMANCE AUDIT
JUNE 30, 2016**

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Independent Auditor's Report on SPLOST Expenditures

The Board of Education
Griffin-Spalding County School System
Griffin, Georgia

EXECUTIVE SUMMARY

Purpose

The State of Georgia Legislature requires local Boards of Education receiving sales tax proceeds of \$5 million or more annually to have an annual performance audit or review. In September of 2016, the Griffin-Spalding County School System engaged Robinson, Grimes & Company, P.C. to perform the annual performance audit of the SPLOST program.

The primary objectives of the performance audit, which are more fully described on pages 3 and 4 of this report, are as follows:

- To determine if the SPLOST funds were expended efficiently and economically so as to secure the School System the maximum possible benefit from the tax dollars collected,
- To provide for the issuance of periodic reports at least annually with respect to the extent to which expenditures are meeting the goals described above,
- To provide for the issuance of public recommendations at least annually for improvements in meeting the goals described above.

Background

The voters of Spalding County approved the first special local option sales tax (SPLOST) for educational purposes in September 1996 and voted to continue the SPLOST in September 2001. In March 2007, prior to the expiration of the second sales tax program, the voters of Spalding County approved a third SPLOST program for education purposes. The original budgeted revenue generated from the 1% sales tax (SPLOST) was expected to total \$57,000,000 over five years and was approved by the voters in order to fund the building of new schools, add classroom space, renovate, remove, repair, improve, and equip existing school buildings, add technology hardware to classrooms, all at an estimated cost of \$43,000,000 and retire previously incurred general obligation indebtedness of the school system at an estimated cost of \$14,000,000.

EXECUTIVE SUMMARY (Continued)

In March 2012, prior to the expiration of the third sales tax program, the voters of Spalding County approved a fourth SPLOST program for education purposes. The original budgeted revenue generated from the 1% sales tax (SPLOST) is expected to total \$30,000,000 over three years and was approved by the voters in order to fund the building of new schools, add classroom space, renovate, remove, repair, improve, and equip existing school buildings, add technology hardware to classrooms, all at an estimated cost of \$25,200,000. In March 2015, prior to the expiration of the fourth sales tax program, the voters of Spalding County approved a fifth SPLOST program for education purposes. The original budgeted revenue generated from the 1% sales tax (SPLOST) is expected to total \$50,000,000 over five years and was approved by the voters in order to fund the building of new schools, add classroom space, renovate, remove, repair, improve, and equip existing school buildings, add technology hardware to classrooms, all at an estimated cost of \$45,000,000.

Results in Brief

Based on the results of our audit, we conclude that the Griffin-Spalding County School System expended SPLOST funds efficiently and economically for the year ended June 30, 2016.

More Specifically:

1. Based on our procedures we conclude that administrative controls are in place to ensure the proper management of the sales tax proceeds received by the School System.
2. Relating to the School System's construction related expenditures, we conclude that the process for soliciting and evaluating proposals and bids for construction is adequate and promotes active competition among bidders.
3. Relating to the cash management of the SPLOST proceeds received by the School System, we conclude that the cash management of these funds has been conducted in a sound fiscal manner. The School System invested idle SPLOST funds and earned market rates of return in 2016.

BACKGROUND INFORMATION

The Constitution of Georgia, Article VIII, Section VI, Paragraph IV, authorizes boards of education of each county school district by resolution to impose, levy, and collect a sales and use tax for educational purposes upon approval by a majority of qualified voters who vote in a referendum thereon.

BACKGROUND INFORMATION (Continued)

The proceeds from the tax can be used for the following purposes:

- Capital outlay projects for educational purposes
- Retirement of previously incurred general obligation debt issued for capital projects of the School System
- A combination of the foregoing

In 1996, the voters of Spalding County approved the first Special Purpose Local Optional Sales Tax for educational purposes (SPLOST).

Sales tax levies under the first SPLOST commenced July 1, 1997 and ended five years later on June 30, 2002. In July 2001, the Griffin-Spalding County Board of Education adopted a resolution calling for an election to determine if the sales tax should be reemployed upon the expiration of the first SPLOST on June 30, 2002. In September, 2001, prior to the expiration of the first sales tax program, the voters of Spalding County approved a second SPLOST program for education purposes.

In January 2007, the Griffin-Spalding County Board of Education adopted a resolution calling for an election to determine if the sales tax should be reemployed upon the expiration of the second SPLOST on June 30, 2007. On March 20, 2007, the majority of the voters approved the reimposition of the sales tax (SPLOST) to be effective on July 1, 2007.

In November 2011, the Griffin-Spalding County Board of Education adopted a resolution calling for an election to determine if the sales tax should be reemployed upon the expiration of the third SPLOST on June 30, 2012. On March 6, 2012, the majority of the voters approved the reimposition of the sales tax (SPLOST) to be effective on July 1, 2012.

In January 2015, the Griffin-Spalding County Board of Education adopted a resolution calling for an election to determine if the sales tax should be reemployed upon the expiration of the fourth SPLOST on June 30, 2015. On March 17, 2015, the majority of the voters approved the reimposition of the sales tax (SPLOST) to be effective on July 1, 2015.

The Georgia General Assembly requires local boards of education receiving annual sales tax proceeds of five million dollars or more to have continuing performance audits or performance reviews of the expenditure of sales tax funds (O.C.G.A. § 20-2-491).

AUDIT OBJECTIVES

The purpose and objectives of the Performance Audit are as follows:

- To determine if the SPLOST funds were expended efficiently and economically so as to

AUDIT OBJECTIVES (Continued)

secure the School System the maximum possible benefit from the tax dollars collected. The objective of the Audit includes ensuring that:

- Sales tax proceeds were disbursed in compliance with the SPLOST Resolutions (the “Resolutions”) approved by the Board on January 9, 2007, November 29 2011 and January 6, 2015.
- Administrative controls were established and appeared to be adequate to ensure the responsible fiscal management of the sales tax proceeds received by the School System.
- The School System’s construction expenditures were comparable to those of other school system building construction expenditures.
- The School System’s construction expenditures followed bidding procedures established by the School System.
- Investment of the sales tax proceeds received by the School System has been conducted in a sound fiscal manner.

- To provide for the issuance of periodic reports at least annually with respect to the extent to which expenditures are meeting the goals described above,

- To provide for the issuance of public recommendations at least annually for improvements in meeting the goals described above.

These objectives are consistent with the requirements of the provisions of the legislation (O.C.G.A. § 20-2-491).

AUDIT SCOPE

The Griffin-Spalding County School System engaged Robinson, Grimes & Company, P.C. to conduct an annual Performance Audit of the System's Special Purpose Local Option Sales Tax (SPLOST) Program for the year ended June 30, 2016.

We reviewed SPLOST expenditures incurred in the year ended June 30, 2016 related to new schools, additions/renovations, maintenance, curriculum/technology and safety and support for schools and administration.

Our audit fieldwork was conducted in September 2016.

AUDIT METHODOLOGY

We conducted the Performance Audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT METHODOLOGY (Continued)

These standards require the following:

- Adequate planning of the audit
- Proper supervision of staff assigned to the audit
- Adequate design of audit procedures to provide reasonable assurance about compliance with laws, regulations and other compliance requirements
- An understanding of management controls relevant to the audit
- Obtaining sufficient, competent, and relevant evidence to afford a reasonable basis for the auditor's findings and conclusions
- A written audit report which contains the audit objectives, scope and methodology, findings and conclusions, recommendations, significant instances of noncompliance and illegal acts, significant weaknesses in management controls, views of responsible officials, noteworthy accomplishments, and issues needing further study, if any
- Guidelines for the report presentation and distribution

We used the following methodology to gather and analyze the information and evidence for the performance audit:

- Obtained and reviewed State of Georgia statutes relating to the Special Local Option Sales Tax and audit thereof
- Obtained and reviewed the Resolutions of the Griffin-Spalding County Board of Education which provided for the SPLOST referendums
- Interviewed management and staff of the School System who are involved with the SPLOST program
- Obtained and reviewed documented policies, procedures and administrative rules relating to contracts for services, purchasing, and general financial procedures
- Obtained and reviewed detail general ledger reports for accounts relating to the SPLOST program
- Obtained and reviewed selected source documentation, including bid proposals, bid tabulations, purchase orders, contractual agreements, change orders, invoices, and pay applications

AUDIT PROCEDURES, RESULTS AND CONCLUSIONS

Disbursement of SPLOST Funds

Objective:

To determine that SPLOST sales tax proceeds are being disbursed in compliance with the SPLOST Resolutions approved by the Board on January 9, 2007, November 29, 2011 and January 6, 2015.

AUDIT PROCEDURES, RESULTS AND CONCLUSIONS (Continued)

Procedures:

We reviewed the SPLOST Resolutions adopted on January 9, 2007, November 29, 2011 and January 6, 2015, noting the proposed expenditures of sales tax revenue. First, we compared the proposed expenditures, on a test basis, to the categories of actual expenditures on internally prepared management summary reports. We then vouched a representative sample of the actual costs listed to the individual contracts and supporting documentation. Finally, we examined a sample of invoices, noting their classification and their compliance with the objectives of the Resolutions.

Results:

Expenditures incurred during the year were for projects included in the Resolutions approved by the Board on January 9, 2007, November 29, 2011 and January 6, 2015. No exceptions were noted with respect to the School System's compliance with the directives of the SPLOST Resolutions.

Conclusion:

Based on our procedures, we conclude that the SPLOST proceeds were disbursed in compliance with the SPLOST Resolutions approved by the Board.

Adequate Administrative Controls

Objective:

To determine if administrative controls have been established to ensure the responsible fiscal management of the sales tax proceeds received by the School System.

Procedures:

Through inquiry, observation, and interviews with management we assessed the accounting controls in place. We reviewed the sufficiency, completeness, and adequacy of the administrative controls. We interviewed key management to determine their familiarity with the controls in place. We then tested the effectiveness of the controls. Specifically we examined, on a test basis, individual transactions of the school System to determine the effectiveness, application and adequacy of the administrative controls.

Results:

The administrative controls over School System financial transactions require management oversight and appear to be operating effectively.

AUDIT PROCEDURES, RESULTS AND CONCLUSIONS (Continued)

Conclusion:

Based on our procedures, we conclude that administrative controls have been established to ensure the proper management of the sales tax proceeds received by the School System.

Comparable Construction Expenditures

Objective:

To determine if the School System's construction project expenditures for completed projects were comparable to those of other school system building construction expenditures in the region.

Conclusion:

During the year ended June 30, 2016, this comparison was not applicable since the only completed construction projects were various renovation projects for which comparable costs were not available.

Construction Expenditures

Objective:

To determine that the construction expenditures followed bidding procedures established by the School System.

Procedures:

We selected a sample of construction bids to ensure the bid procedures were followed in accordance with School System policy.

Results:

The bid procedures were followed and the appropriate bid price from qualified bidders was approved by the Board.

Conclusion:

Based on the above procedures, we conclude that established bidding procedures have been followed by the School System.

AUDIT PROCEDURES, RESULTS AND CONCLUSIONS (Continued)

Investment of Sales Tax Proceeds

Objective:

To determine if the investment of the sales tax proceeds received by the School System has been conducted in a sound fiscal manner.

Procedures:

On a test basis we verified the timeliness of deposits, reviewed both the performance and the nature of the investments, to determine whether the assets were invested according to SPLOST and School System guidelines.

Results:

As with other invested funds of the School System, SPLOST revenues are directly deposited into the Georgia Fund One, a fund operated by the State of Georgia Office of Treasury. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). No exceptions were noted.

Conclusion:

Based on our procedures, we conclude that the investment of SPLOST proceeds received by the School System was conducted in a sound fiscal manner.

Issuance of Reports

Objective:

To provide for the issuance of periodic reports at least annually with respect to the extent to which expenditures are meeting the goals described in this report.

Results:

This objective has been met with the issuance of this report to the Board of Education of the Griffin-Spalding County School System.

Periodic Public Recommendations

Objective:

To provide for the issuance of periodic public recommendations at least annually for improvements in meeting the goals described in this report.

AUDIT PROCEDURES, RESULTS AND CONCLUSIONS (Continued)

Results:

This objective has been met with the issuance of this report.

Robinson, Grimes + Company, P.C.

Certified Public Accountants

October 27, 2016