

JACKSON COUNTY SCHOOL SYSTEM

**COMPLIANCE AND PERFORMANCE AUDIT
SPECIAL PURPOSE LOCAL OPTION SALES TAX**

**Fiscal Year Ended
June 30, 2020**

**JACKSON COUNTY SCHOOL SYSTEM
COMPLIANCE AND PERFORMANCE AUDIT**

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EXECUTIVE SUMMARY

January 18, 2021

Jackson County School System
 1660 Winder Highway
 Jefferson, Georgia 30549

Georgia Code Section 20-2-491 requires public school systems to obtain continuing performance audits for expenditures of sales tax for capital outlay if the tax generates or is reasonably anticipated to generate \$5 million or more annually. The independent performance audit shall:

- Include a goal of ensuring, to the maximum extent possible, that the tax funds are expended efficiently and economically so as to ensure that the school district receives the maximum benefit for the dollars collected.
- Provide for issuance of periodic reports, not less than once annually, with respect to the extent to which the expenditures are expended efficiently and economically as outlined above.
- Provide for issuance of periodic public recommendations, not less than annually, for improvements in meeting the goal specified above.

The Special Purpose Local Option Sales Tax (SPLOST) is a referendum voted and approved by Jackson County voters in which one percent is added to the local sales tax for the purpose of funding building and renovation projects that would otherwise require financing through increased property taxes. SPLOST funds are also available for retiring general obligation bond debts incurred with respect only to capital outlay projects and to issue new general obligation bonds for specific capital outlay projects.

The Jackson County School System ("JCSS") works under the direction of the School Board and its Superintendent. Projects selected for SPLOST funding are approved by the School Board. The JCSS employs a Construction Manager to oversee major SPLOST and capital outlay projects. In conjunction with this, all of the large projects use the Construction Manager at Risk model to manage the projects. The Construction Manager at Risk model is designed to have a contracted construction manager who will take responsibility for all aspects of the designated project under the oversight of the JCSS. Construction Manager at Risk model is the preferred method to use on large projects because there is a guaranteed maximum price for the cost of the construction of the project.

On some of the smaller projects, the JCSS may use the design-bid-build model or use JCSS maintenance employees.

During 2016, the SPLOST V referendum was passed by Jackson County voters. Collections on SPLOST V began in May 2017. The maximum amount approved to be raised from the SPLOST V referendum is \$100 million. The total SPLOST funds collected will be distributed to the JCSS, the Commerce City School District and the Jefferson City School District based on an allocation method that has been approved by all three school systems. JCSS's portion is estimated at a maximum of \$65.13 million of which \$25 million is to be used for debt service. SPLOST V funds will be used for the following purposes as outlined in the referendum:

- Paying all or a portion of the debt service on outstanding Series 2012 General Obligation Bond previously issued;
- Acquiring, constructing, equipping and furnishing new school buildings and other buildings or facilities useful or desirable in connection therewith, including a new middle school;
- Acquiring new technology equipment, safety and security equipment and other school equipment;
- Adding to, renovating, repairing, improving and equipping existing school buildings or facilities useful or desirable in connection therewith;
- Acquiring a portion of a psychoeducational facility;
- Acquiring land;
- Purchasing textbooks and band instruments;
- Purchasing school buses and school vehicles;
- Acquiring any property necessary or desirable therefore, both real and personal.

Our audit was performed in accordance with standards applicable to performance audits contained in the *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America. Based on our procedures for the year ended June 30, 2020, we have identified no instances of non-compliance with applicable laws and regulations that apply to capital outlay expenditures funded by SPLOST, and have concluded that the Jackson County School System is operating the SPLOST program in an economical and efficient manner and safeguarding and maximizing SPLOST funds in accordance with Georgia State Code.

Bates, Carter & Co., LLP

During the year ended June 30, 2020, SPLOST expenditures were as follows:

	Original Budget	Revised Budget	Expended in Current Year (i)	Expended in Prior Years (i)	Project Status	Estimated Completion Date
SPLOST V						
Paying all or a portion of the debt service on outstanding Series 2012 General Obligation Refunding Bonds previously issued	\$ 25,000,000	\$ 25,000,000	\$ -	\$ -	ONGOING	3/1/2025
<i>All Projects Below</i>	35,129,000	66,795,250				
Acquiring, constructing, equipping and furnishing new school buildings and other buildings or facilities useful or desirable in connection therewith, including a new high school and a new middle school			39,651,785	4,161,041	ONGOING	6/30/2022
Acquiring new technology equipment, safety and security equipment and other school equipment	-	-	425,132	287,830	ONGOING	6/30/2022
Adding to, renovating, repairing, improving, equipping and furnishing existing school buildings or other buildings or facilities useful or desirable in connection therewith	-	-	2,906,890	2,173,365	ONGOING	6/30/2022
Acquiring a portion of a psychoeducational facility	-	-	-	90,028	ONGOING	8/1/2019
Acquiring land	-	-	-	-	ONGOING	6/30/2022
Purchasing textbooks and band instruments	-	-	-	-	ONGOING	6/30/2022
Purchasing school buses and school vehicles	-	-	982,416	993,743	ONGOING	6/30/2022
Acquiring any property necessary or desirable therefore, both real and personal	-	-	-	-	ONGOING	6/30/2022
TOTAL PROJECTS	<u>\$ 60,129,000</u>	<u>\$ 91,795,250</u>	<u>\$ 43,966,223</u>	<u>\$ 7,706,007</u>		

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

AUDIT SCOPE, OBJECTIVES AND METHODOLOGY

Audit Scope

Bates, Carter & Co., LLP was engaged to conduct a performance audit of the SPLOST program for the year ended June 30, 2020. This audit was conducted at the request of the Jackson County School System and was conducted in accordance with generally accepted *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit focused on the School System's compliance with state legislation and the receipt and expenditure of sales tax proceeds for allowable SPLOST educational purposes.

Audit Objectives

The overall objective of a performance audit of education sales tax expenditures based on O.C.G.A. 20-2-491 is to determine that sales tax dollars are being disbursed efficiently and economically so the School System receiving the funds is obtaining maximum benefit possible from the tax dollars collected. This is achieved through the design and execution of a series of procedures to meet more specific audit objectives in order to determine that:

- The sales tax proceeds are being disbursed in compliance with the SPLOST Resolution approved by the Board.
- The sales tax proceeds are being disbursed in a fiscally responsible manner.
- Adequate administrative controls have been established to ensure the proper management of the sales tax proceeds received by JCSS.
- Investment of the sales tax proceeds received by JCSS has been conducted in a sound fiscal manner.

Additionally, O.C.G.A 20-2-491 provides that the following other objectives are met:

- Provide for the issuance of periodic public reports at least annually with respect to the extent to which expenditures are meeting the goal described above.
- Provide for the issuance of periodic public recommendations at least annually for improvements meeting the goal described above.

Audit Methodology

An audit performed under *Governmental Auditing Standards* must be adequately planned, performed, and supervised. The following details some of the significant phases of the engagement:

- Plan the engagement and obtain a written understanding of the scope and objectives of the audit.
- Document our understanding of the internal control environment related to the expenditures of the SPLOST funds.
- Prepare an audit program based on audit objectives and the control environment to include the following steps:
 - Conduct interviews with staff members responsible for the SPLOST program.
 - Review bidding procedures to ensure that there is a variety of vendors used, vendors are qualified, and that the lowest qualified vendor bid was selected on projects.
 - Review a sample of 30 expenditures.
- Conclude the audit and prepare a draft report.
- Obtain management input and representations and finalize report.

FINDINGS SUMMARY, CONCLUSIONS AND MANAGEMENT COMMENTS

Objective 1:

Determine that the sales tax proceeds are being disbursed in compliance with the SPLOST Resolutions approved by the Board.

- We reviewed the Resolutions approved by the voters which outlined eligible expenditures from SPLOST proceeds.
- We reviewed the SPLOST V project lists and verified projects agree to those stated in the Resolutions.
- We conducted interviews with the Chief Financial Officer to understand how projects are chosen and how priorities are made among projects.
- We reviewed board minutes to verify if projects were brought before the board and if projects were voted on before the start of the project.
- We verified bond payments made during the audit period were for the debt outlined in the Resolutions.
- We reviewed the Local Facilities Plan that includes County growth projections, projected student populations, projected priorities, and a facilities outline by school.

Conclusion:

Based on our procedures, there were no findings and we conclude that the JCSS SPLOST funds were disbursed in compliance with the SPLOST Resolutions.

Objective 2:

Determine that sales tax proceeds are being disbursed in a fiscally responsible manner.

- We conducted interviews with the Chief Financial Officer to identify how costs and use of funding of SPLOST monies are determined, how it is classified, and ultimately how it is recorded in the general ledger.
- We reviewed a sample of disbursements to verify that costs were properly identified as SPLOST, were properly reviewed and authorized by appropriate personnel, and were properly coded to a SPLOST account.
- We gained an understanding of the bid process for contracts and tested to ensure the process was being followed according to board policy.
- We gained an understanding of the various project models to ensure that the best method is used and sound procurement policies are followed.

Conclusion:

Based on our procedures, there were no findings and we conclude that the JCSS SPLOST program is following sound procurement procedures. The various project models include Construction Manager at Risk, Design-Bid-Build, and Design-Build. Based on conversations, the decision to use the Construction Manager at Risk for the large projects is appropriate and in accordance with program objectives.

Objective 3:

Determine if adequate administrative controls have been established to ensure the proper management of the sales tax proceeds received by the School System.

- We conducted interviews with the Chief Financial Officer to identify how funds are received and recorded from the State.
- We reviewed the general ledger accounts to verify monthly deposits.

Conclusion:

Based on our audit procedures we conclude that the JCSS SPLOST program has adequate administrative controls over the receipt of sales tax proceeds.

Objective 4:

Determine that the investment of the sales tax proceeds received by the School System has been conducted in a sound fiscal manner.

- We conducted interviews with the Chief Financial Officer to identify how funds are invested.
- We reviewed the investment vehicle and noted the type of investment is in accordance with O.C.G.A. 36-80-3. The School System invested monies at Mountain Valley Community Bank (MVCB) for the year ended June 30, 2020. Monies invested at MVCB are held in an investment account.

Conclusion:

Based on our audit procedures, we conclude that the sales tax proceeds are being invested in a sound fiscal manner.

Objective 5:

Provide for the issuance of periodic public reports at least annually with respect to the extent to which expenditures are meeting the goal described above.

Conclusion:

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

Objective 6:

Provide for the issuance of periodic public recommendations at least annually for improvements meeting the goal described above.

Conclusion

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