Special Purpose Local Option Sales Tax Program • Fiscal Year 2025

City of Jefferson Board of Education

Jackson County, Georgia

Compliance and Performance Audit Report

Greg S. Griffin | State Auditor

DOAA
Georgia Department
of Audits & Accounts

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Ms. Donna McMullan Superintendent and Members of the
City of Jefferson Board of Education

We have audited the Special Purpose Local Option Sales Tax (SPLOST) records and operations of the City of Jefferson Board of Education (School District) for the year ended June 30, 2025. Management of the School District is responsible for the School District's compliance with the specified requirements. Our responsibility is to determine the School District's compliance with the specified requirements based on our audit objectives.

Audit Summary

Our performance audit of the School District's Special Purpose Local Option Sales Tax (SPLOST) for the fiscal year ended June 30, 2025 found the following:

- The School District has appropriately designed internal control procedures over the SPLOST expenditure transaction cycle and those controls have been placed into operation and are being followed.
- The School District has spent the SPLOST funds in accordance with Official Code of Georgia Annotated (O.C.G.A.) §20-2-491 and the SPLOST resolution passed March 16, 2021 by the voters of Jackson County.

Introduction

Georgia Code Section §20-2-491 requires public school systems to obtain continuing performance audits for expenditure of sales tax for capital outlays if the tax generates $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 maximum benefit from the dollars collected.
- Provide for issuance of periodic public reports, not less than once annually, with respect to the extent to which tax funds are expended efficiently and economically as described in item 1 above.
- Provide for issuance of periodic public recommendations, not less than annually for improvements in meeting the goal specified in item 1 above.

The Special Purpose Local Option Sales Tax (SPLOST) is a referendum voted and approved by the 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 School District works under the direction of the School Board and its superintendent. Projects selected for SPLOST funding are approved by the School Board. During fiscal year 2021, the 2022 SPLOST referendum was passed by the voters of Jackson County. The maximum amount approved to be raised from the 2022 SPLOST referendum is $27,330,000.00. The 2022 SPLOST funds will be used for the following purposes as outlined in the referendum:

> "(i) Paying a portion of the debt service on the outstanding Series 2004 and 2011B General Obligation Bonds, and Series 2017A and Series 2020 General Obligation Refunding Bonds issued by the Jefferson City School District (the "Outstanding Jefferson Debt"), the maximum amount of debt service to be paid with sales tax proceeds to be $16,876,657.00; (ii) acquiring, constructing and equipping new school buildings and other buildings or facilities useful or desirable in connection therewith; (iii) acquiring new technology, safety and security equipment and other school equipment; (iv) acquiring school buses, school vehicles and transportation and maintenance equipment; (v) acquiring land and any improvements thereon, and modifying those improvements as desired; (vi) demolishing, adding to, renovating, repairing, improving, equipping and furnishings existing school buildings or other buildings or facilities useful or desirable in connection therewith, including, but not limited to new classrooms; (vii) paying a portion of the purchase price payments due on that certain Installment Sale Agreement between City of Jefferson Public Building Authority and School District of the City of Jefferson, dated May 1, 2018, with a maximum payment amount of $2,441,338.00; (viii) acquiring any property necessary or desirable therefor, both real and personal; (ix) acquiring textbooks and band instruments."

Audit Objectives

The overall objective of the performance audit was to evaluate whether the tax funds are expended efficiently and economically so that the School District is receiving the maximum benefit from the dollars collected. The specific audit objectives were:

- Determine whether the schedule of projects adheres to the approved resolution adopted by the School District.
- Determine if SPLOST funds were spent in accordance with SPLOST resolution passed March 16, 2021.
- Determine whether there is an effective means of monitoring program performance within a projected timeline, to evaluate the validity of expenditures, and to evaluate the timely completion of each project.
- Determine whether management of the School District is following Board approved procurement policies and procedures and ensuring to the maximum extent possible that the tax funds are expended efficiently and economically.
- Provide for the issuance of periodic reports at least annually with respect to the extent to which expenditures are meeting the goals described in O.C.G.A. §20-2-491.
- Provide for the issuance of public recommendations at least annually for improvements in meeting the goals described in O.C.G.A. §20-2-491.
- Determine that all SPLOST revenue is properly recorded.
- Determine whether debt-related expenditures are related to debt as approved on the SPLOST referendum and that amounts paid agree to the amortization schedule.

Audit Scope and Methodology

We were engaged to conduct a performance audit of the SPLOST program. The audit focused on the School District's compliance with state and local laws and mandates and the receipts and expenditure of sales tax proceeds for allowable SPLOST purposes. This audit covers the year of the SPLOST program from July 1, 2024 to June 30, 2025. From a listing of disbursements made during the specified time frame, we tested 22 individually significant items totaling $25,205,338.69. In addition, of the remaining population, we sampled 9 of 89 items totaling $108,091.67. We also verified all debt service payments of $3,092,839.16 to amortization schedules. In total, we tested $28,406,269.52 or 90% of the total SPLOST disbursements for the audit period.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit 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.

Planning

Prior to conducting the audit, we determined mutual expectations in performing the engagement and meeting timelines. We discussed policies and procedures, methodologies, and other relevant aspects of the School District's SPLOST program with relevant staff. We requested various schedules from the School District's staff and discussed with them the date the fieldwork was expected to begin.

Preliminary Analytical Review

The preliminary analytical review (PAR) provided direction to our audit approach. In this analysis, we developed expectations related to projects, program documentation, key personnel, program organization, and account balances and relationships among those account balances. During the audit, tests were designed to confirm the expectations developed during our PAR. We also performed a PAR to analyze the laws governing SPLOST funds and to identify in advance the critical audit risk areas.

Risk Assessment

Our audit approach is risk-based, whereby we assess risk for each identified objective. Depending on the risk assessment, we performed substantive or analytical procedures, or a combination of both, to test the related objectives. These assessments were made during the planning process and throughout the engagement.

Understanding the Control Environment and Test Key Controls

We examined the School District's internal controls related to the SPLOST program, focusing on formulating comments and suggestions for improving operations. We used a discussion memorandum format to document the relevant accounting cycles and processes from start to finish. Utilizing our understanding of the control environment, we walked through certain internal controls to provide further support for the audit.

Preparation of a Tailored Audit Program

Based upon preliminary analytical review, control documentation and walk-through procedures, audit programs were designed in order for conclusions to be reached for each audit objective.

Audit Results

Based on the results of our audit, we conclude that the City of Jefferson School District's SPLOST program is operating in compliance with all applicable laws and regulations and the referendum approved by the County's citizens. The following are the specific results of our audit:

Objective #1: Determine whether the schedule of projects adheres to the approved resolution adopted by the School District.

Procedures: We obtained and reviewed the SPLOST resolution as approved by the Board of Education of the School District and the voters of Jackson County which outlines eligible expenditures from SPLOST proceeds. We verified that the list of SPLOST projects provided by the School District agreed to those stated in the resolution.

Results: We found no exceptions as a result of these procedures.

Objective #2: Determine if SPLOST funds were spent in accordance with the SPLOST resolution passed on March 16, 2021.

Procedures: We obtained a copy of the SPLOST resolution as approved by the Board of Education of the School District and the voters of the county. Using a listing of disbursements for the test period, we tested 22 individually significant items and a nonstatistical random sample of 9 of the remaining 89 expenditures to ensure that spending of SPLOST funding was compliant with the approved activity in the resolution. We tested each transaction to supporting documentation such as vendor invoices.

Results: We found no exceptions as a result of these procedures.

Objective #3: Determine whether there is an effective means of monitoring program performance within a projected timeline, to evaluate the validity of expenditures, and to evaluate the timely completion of each project.

Procedures: We obtained an understanding of the monitoring and budget procedures and how the School District ensures projects are completed within project specifications, timelines, and approved budgets. We tested 22 individually significant items and a nonstatistical random sample of 9 of the remaining 89 expenditures to ensure that the School District has policies and procedures in place to ensure that expenditures are properly approved by an individual who reviews the work to ensure that invoices submitted are valid in regard to work completed and appropriate for the SPLOST projects.

Results: We found no exceptions as a result of these procedures.

Objective #4: Determine whether management of the School District is following Board approved procurement policies and procedures and ensuring to the maximum extent possible that the tax funds are expended efficiently and economically.

Procedures: We obtained a copy of the School District's procurement and bid policies, including construction contracts. We tested 22 individually significant items and a nonstatistical random sample of 9 of the remaining 89 items to ensure all policies set in place by the Board are being followed.

We reviewed board minutes for any new construction contracts and obtained bid documentation for any SPLOST related construction activity to ensure Board policy is being followed.

Results: We found no exceptions as a result of these procedures.

Objective #5: Provide for the issuance of periodic reports at least annually with respect to the extent to which expenditures are meeting the goals described in O.C.G.A. §20-2-491.

Procedures: We obtained and reviewed the prior year performance audit report to determine this objective was met in the previous year. In addition, this objective is being met by the publication of this report for the current year.

Results: We found no exceptions as a result of these procedures.

Objective #6: Provide for the issuance of public recommendations at least annually for improvements in meeting the goals described in O.C.G.A. §20-2-491.

Procedures: We obtained and reviewed the prior year performance audit report to determine this objective was met in the previous year. In addition, this objective is being met by the publication of this report for the current year.

Results: We found no exceptions as a result of these procedures.

Objective #7: Determine that all SPLOST revenue is properly recorded.

Procedures: We confirmed with the Georgia Department of Revenue the amounts collected for and remitted to the School District and ensured it was properly recorded. In addition, we verified that the board reviewed all revenues that come into the SPLOST account each month.

Results: We found no exceptions as a result of these procedures.

Objective #8: Determine whether debt-related expenditures are related to debt as approved on the SPLOST referendum, and that amounts paid agree to amortization schedules.

Procedures: We reviewed all debt service payments reported on the SPLOST schedule to ensure that payments were related to debt approved in the SPLOST referendum and that amounts paid agreed to the amortization schedules for the related debt.

Results: We found no exceptions as a result of these procedures.

School District Response: City of Jefferson Board of Education agrees with the report.

Communication of Audit Findings and Recommendations

No matters were reported.

Closing

This report is intended solely for the information and use of the Board and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

July 7, 2026