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EXECUTIVE SUMMARY

December 29, 2017

Dawson County School System
28 Main Street
Dawsonville, Georgia 30534

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 Education Local Option Sales Tax (ELOST) is a referendum voted and approved by Dawson 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. ELOST 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 ELOST funds under audit are part of the ELOST referendums that were passed in 2010 (ELOST IV) and 2015 (ELOST V). The maximum amount approved to be raised from ELOST IV is $30 million and $36.5 million from ELOST V. The Dawson County School System ("DCSS") works under the direction of the School Board and its Superintendent. Projects selected for ELOST funding are approved by the School Board. The DCSS employs a Construction Manager to oversee major ELOST 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 DCSS. 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.
ELOST funds will be used for the following purposes as outlined in the referendums:

**ELOST IV**
- Acquiring, constructing and equipping one new alternative school.
- Adding to, renovating, repairing, improving, and equipping existing school buildings.
- Acquiring miscellaneous new equipment, fixtures and furnishings for the school system, including computer technology equipment, school buses and other vehicles.
- Acquiring, constructing, and equipping a central administration facility.
- Acquiring land or improving land for new or existing schools.
- Adding to, renovating, repairing, acquiring, improving, and equipping school system buildings and facilities.
- Acquiring additions and renovations to the high school by the payment of the Installment Sale Agreement, dated January 1, 2004, between Georgia School Boards Association and the School District.
- Paying a portion of the payments, including principal and interest, due on the School District's Series 2008 Bonds with a maximum amount of $4,634,000.
- Paying any general obligation debt of the School District issued in conjunction with the imposition of the ELOST tax.
- Paying the expenses incident to accomplish the above items.

**ELOST V**
- Adding to, renovating, repairing, improving, and equipping existing school buildings and school system facilities.
- Acquiring and/or improving land for school system facilities.
- Acquiring miscellaneous new equipment, fixtures and furnishings for the school system, including technology equipment, tablets and laptops, and safety and security equipment.
- Acquiring school buses and other vehicles, transportation and maintenance equipment.
- Acquiring books, digital resources, and other media for the school system.
- Constructing and equipping new classroom space including a performing arts center at Dawson County High School.
- Paying any general obligation debt of the School District issued in conjunction with the continuation of the ELOST tax.
- Paying the expenses incident to accomplish the above items.

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, 2017, we have identified no instances of non-compliance with applicable laws and regulations that apply to capital outlay expenditures funded by ELOST, and have concluded that the Dawson County School System is operating the ELOST program in an economical and efficient manner and safeguarding and maximizing ELOST funds in accordance with Georgia State Code.

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Bates, Carter & Co., LLP
# SCHEDULE OF EXPENDITURES

**ELOST IV**  
**JUNE 30, 2017**

<table>
<thead>
<tr>
<th>Description</th>
<th>Original Budget</th>
<th>Revised Budget</th>
<th>Expended in Current Year</th>
<th>Expended in Prior Years</th>
<th>Project Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquiring, constructing and equipping one new alternative school</td>
<td>$2,600,000</td>
<td>$2,874,990</td>
<td>$2,874,990</td>
<td>COMPLETE</td>
<td></td>
</tr>
<tr>
<td>Adding to, renovating, repairing, improving, and equipping existing school buildings</td>
<td>7,650,000</td>
<td>5,144,491</td>
<td>5,144,491</td>
<td>COMPLETE</td>
<td></td>
</tr>
<tr>
<td>Acquiring miscellaneous new equipment, fixtures and furnishings or the school system, including computer technology equipment, school buses and other vehicles</td>
<td>5,696,060</td>
<td>6,287,804</td>
<td>413,790</td>
<td>COMPLETE</td>
<td></td>
</tr>
<tr>
<td>Acquiring, constructing, and equipping a central administration facility</td>
<td>3,000,000</td>
<td>2,334,686</td>
<td>2,334,686</td>
<td>COMPLETE</td>
<td></td>
</tr>
<tr>
<td>Acquiring land or improving land for new or existing schools</td>
<td>500,000</td>
<td>364,754</td>
<td>364,754</td>
<td>COMPLETE</td>
<td></td>
</tr>
<tr>
<td>Adding to, renovating, repairing, acquiring, improving, and equipping school system buildings and facilities</td>
<td>8,905,165</td>
<td>11,623,830</td>
<td>8,411,247</td>
<td>ONGOING 6/30/2018</td>
<td></td>
</tr>
<tr>
<td>Acquiring additions and renovations to the high school by the payment of the Installment Sale Agreement, dated January 1, 2004, between Georgia School Boards Association and the School District.</td>
<td>1,175,623</td>
<td>1,175,623</td>
<td>1,175,623</td>
<td>COMPLETE</td>
<td></td>
</tr>
<tr>
<td>Paying a portion of the payments, including principal and interest, due on the School District's Series 2008 Bonds with a maximum amount of $4,634,000</td>
<td>123,152</td>
<td>138,199</td>
<td>138,199</td>
<td>COMPLETE</td>
<td></td>
</tr>
<tr>
<td>Paying any general obligation debt of the School District issued in conjunction with the imposition of the ELOST tax</td>
<td>-</td>
<td>2,899,378</td>
<td>2,899,378</td>
<td>COMPLETE</td>
<td></td>
</tr>
<tr>
<td>Paying the expenses incident to accomplish the above items.</td>
<td>350,000</td>
<td>60,762</td>
<td>52,733</td>
<td>COMPLETE</td>
<td></td>
</tr>
</tbody>
</table>

**$30,000,000** | **$32,904,517** | **$2,473,215** | **$29,270,155**

In addition to the expenditures shown above, Dawson County School System has incurred interest to provide advance funding for the above projects as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Expended in Current Year</th>
<th>Expended in Prior Years</th>
<th>Project Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment of any general obligation debt issued in conjunction with the imposition of this tax (Interest Portion)</td>
<td>$2,455,822</td>
<td>COMPLETE</td>
<td></td>
</tr>
</tbody>
</table>
### SCHEDULE OF EXPENDITURES

**ELOST V**  
**JUNE 30, 2017**

<table>
<thead>
<tr>
<th>Description</th>
<th>Original Budget</th>
<th>Revised Budget</th>
<th>Expended in Current Year</th>
<th>Expended in Prior Years</th>
<th>Project Completion Status</th>
<th>Estimated Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adding to, renovating, repairing, improving, and equipping existing school buildings.</td>
<td>$7,635,000</td>
<td>$6,887,251</td>
<td>$109,419</td>
<td>$1,352,742</td>
<td>ONGOING</td>
<td>6/30/2021</td>
</tr>
<tr>
<td>Acquiring and/or improving land for school system facilities.</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>481,834</td>
<td>-</td>
<td>ONGOING</td>
<td>6/30/2021</td>
</tr>
<tr>
<td>Acquiring miscellaneous new equipment, fixtures and furnishings for the school system, including technology equipment, tablets and laptops, and safety and security equipment</td>
<td>7,200,000</td>
<td>7,200,000</td>
<td>1,608,906</td>
<td>1,757,252</td>
<td>ONGOING</td>
<td>6/30/2021</td>
</tr>
<tr>
<td>Acquiring school buses and other vehicles, transportation and maintenance equipment.</td>
<td>2,065,000</td>
<td>2,065,000</td>
<td>-</td>
<td>34,000</td>
<td>ONGOING</td>
<td>6/30/2021</td>
</tr>
<tr>
<td>Acquiring books, digital resources, and other media for the school system.</td>
<td>500,000</td>
<td>500,000</td>
<td>258,307</td>
<td>60,722</td>
<td>ONGOING</td>
<td>6/30/2021</td>
</tr>
<tr>
<td>Constructing and equipping new classroom space including a performing arts center at DCHS.</td>
<td>13,000,000</td>
<td>13,598,289</td>
<td>1,366,543</td>
<td>12,231,746</td>
<td>COMPLETE</td>
<td>9/30/2016</td>
</tr>
<tr>
<td>Paying the expenses incident to accomplish the above items.</td>
<td>-</td>
<td>149,460</td>
<td>1,065</td>
<td>150,460</td>
<td>ONGOING</td>
<td>6/30/2021</td>
</tr>
</tbody>
</table>

$32,400,000  $32,400,000  $3,826,074  $15,586,922

In addition to the expenditures shown above, Dawson County School System has incurred interest to provide advance funding for the above projects as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Expended in Current Year</th>
<th>Expended in Prior Years</th>
<th>Project Completion Status</th>
<th>Estimated Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>ELOST IV Payment of any general obligation debt issued in conjunction with the imposition of this tax (Interest Portion)</td>
<td>$662,600</td>
<td>$447,255</td>
<td>ONGOING</td>
<td>6/30/2021</td>
</tr>
</tbody>
</table>
AUDIT SCOPE, OBJECTIVES AND METHODOLOGY

Audit Scope

Bates, Carter & Co., LLP was engaged to conduct a performance audit of the ELOST program for the year ended June 30, 2017. This audit was conducted at the request of the Dawson 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 DCSS's compliance with state legislation and the receipt and expenditure of sales tax proceeds for allowable ELOST 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 ELOST 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 DCSS.
- Investment of the sales tax proceeds received by DCSS 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 ELOST 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 ELOST 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 disbursements related to ELOST.
- Conclude the audit and prepare a draft report.
- Obtain management input and representations and finalize report.
FINDINGS SUMMARY AND CONCLUSIONS

Objective 1:
Determine that the sales tax proceeds are being disbursed in compliance with the ELOST Resolution approved by the Board.

- We reviewed the Resolution approved by the voters which outlined eligible expenditures from ELOST proceeds.
- We conducted interviews with the Director of Financial Services 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 Resolution.
- 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 DCSS ELOST funds were disbursed in compliance with the ELOST Resolution.

Objective 2:
Determine that sales tax proceeds are being disbursed in a fiscally responsible manner.

- We conducted interviews with the Director of Financial Services to identify how costs and use of funding of ELOST monies are determined, how it is classified, and ultimately how it is recorded in the general ledger.
- We reviewed 26 disbursements to verify that costs were properly identified as ELOST, were properly reviewed and authorized by appropriate personnel, and were properly coded to an ELOST account. Total expenditures reviewed represented approximately 30 percent of the total ELOST expenditures incurred in fiscal year 2017.
- We gained an understanding of the bid process for contracts.
- 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, we conclude that the DCSS ELOST 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 DCSS.

- We conducted interviews with the Director of Financial Services 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 DCSS ELOST program has adequate administrative controls over the receipt of sales tax proceeds.

Objective 4:
Determine that the investment of the sales tax ELOST proceeds received by DCSS has been conducted in a sound fiscal manner.

- We conducted interviews with the Director of Financial Services to identify how funds are invested.
- We reviewed the investment vehicle used by DCSS and noted the type of investment is in accordance with O.C.G.A. 36-80-3. The School System invests monies in an interest bearing account with a bank. DCSS bid out services for banking in order to receive the best available interest rate.

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 Dawson 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 Dawson County School System Board of Education.