



**SPLOST Performance Audit**

**Fiscal Year Ended June 30, 2013**



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The Board of Education  
Bartow County School System  
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The Official Code of Georgia Annotated §20-2-491 requires a performance audit or review on educational sales tax expenditures of a Board of Education if that sales tax generates \$5 million or more. The performance audit should be designed and executed so that:

1. It provides assurance to the "maximum extent possible that the tax funds are expended efficiently and economically, so as to secure to the expending School District the maximum possible benefit from the tax dollars collected"
2. Public reports are issued at least once a year, to provide insight as to the extent that funds are being expended efficiently and economically in order to maximize the benefit from tax collections as described in (1) above.
3. Periodic public recommendations are issued at least once a year for the purpose of improving the School District's operations in regards to efficiently and economically maximizing the use of the educational sales tax collections.

On March 21 of 2006, the voters of Bartow County approved by referendum the establishment of a special local option sales tax (SPLOST) in which one percent is added to the local sales tax in order to (1) fund the cost of acquiring, constructing, and equipping one new high school and one new elementary school; school bus and driver's education vehicles; instructional and administrative technology improvements for existing schools; adding to, renovating, repairing, improving, and equipping existing school buildings and facilities; acquiring any necessary property, real and personal all at a maximum cost of \$109,098,608; and (2) to retire a portion of the School System's Series 1998 Bonds and Series 1999 Bonds or bonds issued by the School System to refund the Series 1998 Bonds or the Series 1999 Bonds by making provision for the payment of the principal and interest on the bonds coming due on May 1, 2008 through November 1, 2012, in the maximum amount of \$10,535,193.



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On July 10, 2010, the voters of Bartow County authorized a reimposition of a one percent sales and use tax in order to fund the cost of retiring a portion of the School System's General Obligation Refunding Bonds Series 2009 by paying or making provision for the payment of the principal of and interest on such bonds coming due in November 1, 2012 through May 1, 2014, in the maximum amount of \$4,200,650, and (2) the cost of acquiring, constructing, and equipping two new elementary schools and one new middle school, acquiring land for future schools, instructional and administrative technology improvements (including necessary software), school buses, adding to, renovating, repairing, improving, and equipping existing school buildings and other buildings and facilities useful or desirable in connection therewith, and acquiring any necessary property therefor, both real and personal, all at a maximum cost of \$110,000,000.

### **Audit Objectives**

The primary objective of a performance audit of educational sales tax expenditures is to determine that sales tax dollars are being disbursed efficiently and economically so the School System receiving the funds is obtaining the 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:

1. Construction projects and equipment purchases were executed in accordance with the SPLOST resolutions approved by the Bartow County Board of Education.
2. Debt service payments made with SPLOST III funds during the fiscal year were for the Series 1998 and/or 1999 Bonds or any bonds issued since the tax levy to refund all or a portion of the Series 1998 and or 1999 Bonds.
3. Debt service payments made with SPLOST IV funds during the fiscal year were for the Series 2009 Bonds or any bonds issued since the tax levy to refund all or a portion of the Series 2009 Bonds.
4. The School System has established and adhered to specific policies regarding the requisitions and approvals and the selection of contractors for its construction projects and vendors for significant equipment purchases.
5. Management is monitoring the progress of construction projects through routine status checks on site in addition to budget versus actual comparisons at various stages of construction.
6. Accumulated sales tax proceeds are invested in a manner that yields a competitive investment return for the School System while remaining compliant with the deposit and investment guidelines set forth by the State of Georgia.



### **Audit Scope**

The Bartow County School System engaged Williamson & Company, CPA's to conduct the annual performance audit of the System's Special Purpose Local Option Sales Tax (SPLOST) program for the fiscal year ended June 30, 2013. In order to complete the performance audit, we examined a sample of disbursements made with SPLOST funds during the fiscal year, reports and schedules related to various construction projects funded through SPLOST collections, applicable statements from financial institutions, and the School System's purchasing and procurement policies as they relate to the type of expenditures paid for with SPLOST funds along with the SPLOST III and SPLOST IV tax levy resolutions that set forth the allowable expenditures under each resolution.

### **Audit Methodology**

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.

In order to achieve the objectives of the performance audit we:

- Developed an adequate plan that facilitates an efficient and effective performance audit of the School System's SPLOST program
- Obtained an understanding of the policies, procedures, and personnel involved, along with the provisions of local laws and regulations as they pertain to the School System's current SPLOST resolution
- Gained an understanding of the internal control's employed by the School System to ensure SPLOST funds are being deposited, maintained, and disbursed in a manner that is within the guidelines set forth by the State of Georgia and local legislation
- Designed effective procedures to achieve the audit objectives and provide a reasonable basis for our conclusions including findings, comments, and recommendations
- Summarized our objectives, scope, methodology, and conclusion in a written audit report

The following documents and procedures were obtained in order to form our conclusions on the Bartow County School System's SPLOST program for the fiscal year ended June 30, 2013:

- Reviewed Official Code of Georgia Annotated §20-2-491, which sets forth the requirements related to SPLOST performance audits
- Reviewed the SPLOST III and SPLOST IV tax levy resolutions which the School System operated under during the fiscal year ended June 30, 2013



- Interviewed management and staff of the School System that are involved with the SPLOST III and SPLOST IV administration.
- Reviewed the School System's policies and procedures relating to deposits, purchasing, disbursements, and the procurement and contracting of services
- Obtained the general ledger detail for the School System's capital projects fund and debt service fund and identified specific transactions for examination
- Obtained and reviewed documentary evidence that supports our conclusions in regards to the School System's use of SPLOST funds.

### **Results of Audit Procedures**

Based on the results of our audit procedures, we have determined that the Bartow County School System's SPLOST program is operating within the guidelines set forth by the State of Georgia and the local resolution passed by voters and approved by the School Board. A detailed description of the objectives, procedures and results are as follows:

**Objective 1 Projects and Purchases** – To determine if construction projects and equipment purchases were executed in accordance with the SPLOST resolution approved by the Bartow County Board of Education.

Procedures – We reviewed the SPLOST resolutions that the School System operated under for fiscal year ended June 30, 2013 to determine the types of expenditures that were allowed. Next, we obtained the general ledger for the System's capital projects fund and selected a sample of 15 SPLOST disbursements totaling \$21,620,121. From this sample, we examined the supporting documentation to confirm that the transactions were recorded in the proper period, amounts recorded matched the invoice, and the nature of the expenditure was within the parameters set forth by the resolution.

Conclusion – Within the sample tested, we did not identify any transactions that were not permitted by the SPLOST resolution under audit. All items examined were recorded in the proper period.

**Objective 2 Debt Service Payments** – To confirm that debt service payments made with SPLOST III funds during the fiscal year were for the Series 1998 and/or 1999 Bonds or any bonds issued since the tax levy to refund all or a portion of the Series 1998 and or 1999 Bonds. Also, to confirm that debt service payments made with made with SPLOST IV funds during the fiscal year were for Series 2009 Bonds as prescribed in the applicable tax levy resolution.

Procedures – We identified the transfers made to the Debt Service Fund and the subsequent debt service payments made during and after the fiscal year and examined the documentation relating to those payments.



Conclusion – The debt service payments examined were for bond payments that were either covered under the SPLOST resolution or were debt payments made as repayments for capital projects approved by the resolution that were advance funded using debt proceeds. In each instance, the debt service expenditures were within the compliance requirements of the SPLOST resolution.

**Objective 3 Policies and Procedures** – To verify that the School Board has established and adhered to specific policies regarding the requisitions and approvals and the selection of contractors for its construction projects and vendors for significant equipment purchases.

Procedures – We obtained and reviewed the School System’s purchasing policy manual and flowchart detailing the requirements for different types of expenditures. From the disbursement sample selected in Objective 1, we examined the supporting documentation to verify that expenditures and disbursements are being executed in accordance with the School System’s purchasing policy. We also selected 1 of the projects with disbursements that exceeded \$40,000 to confirm that formal proposals were submitted, evaluated, tabulated, and awarded based on the formal procurement policy.

Conclusion – Based on the sample examined, the School System is following its own policies and procedures in regards to purchases and projects exceeding thresholds that require the submission of formal proposals.

**Objective 4 Monitoring** - To verify that management is monitoring the progress of construction projects through routine status checks on site in addition to budget versus actual comparisons at various stages of construction.

Procedures – We interviewed the Chief Financial Officer and Construction Director to update our understanding of the School System’s procedures in place that facilitate a strong line of communication from the construction site to the School Board. This included reviewing the School Board minutes and viewing the project updates via the internet. We also examined the lead and subsidiary schedules for current SPLOST projects that detail the budgeted amounts as well as the amounts spent to date on each project.

Conclusion – Based on our discussions with management and evidence that supports those discussions, the School System appears to have sound procedures in place for the continual monitoring of construction projects from the beginning to the end of the project.

**Objective 5 Accumulated Proceeds** – To determine that accumulated unspent sales tax proceeds are invested in a manner that yields a competitive investment return for the School System while remaining compliant with the deposit and investment guidelines set forth by the State of Georgia.



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Procedures – We discussed the School System's policy for accumulated SPLOST funds that have been collected and not disbursed. We also examined the statements of the financial institutions where the SPLOST funds are originally deposited, and examined any movement of funds that were not expenditure related to verify that any excess SPLOST funds are being maintained responsibly and within the guidelines set forth by the Official Code of Georgia Annotated.

Conclusion – Based on our discussions with management, bank confirmations, and tracking of the transactions through the accounting system, accumulated SPLOST funds are maintained in accounts that are offering competitive yields compared to the Georgia Fund 1 with financial institutions currently doing business in Georgia.

This report is intended solely for the information and use of the Bartow County Board of Education and its management and other officials, and is not intended to be and should not be used by anyone other than these specified parties.

*Williamson and Company*

Williamson and Company  
Certified Public Accountants  
Cartersville, Georgia  
December 9, 2013