



# PAULDING COUNTY BOARD OF EDUCATION DALLAS, GEORGIA

ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015  
(Including Independent Auditor's Reports)



PAULDING COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL

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# DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
Atlanta, Georgia 30334-8400

**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

March 22, 2016

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Paulding County Board of Education

## INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paulding County Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements (Exhibits A through H), which collectively comprise the Board's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the



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effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Paulding County Board of Education, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2015, the Paulding County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* - and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The School District restated beginning Net Position for the cumulative effect of these accounting changes. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through vii and page 35 through 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Paulding County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 7 through 10, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The

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Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016, on our consideration of the Paulding County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paulding County Board of Education's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated Section 50-6-24.

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:er  
2015ARL-11

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PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The discussion and analysis of the Paulding County Board of Education's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Paulding County School District has prepared the annual financial report to comply with the reporting model for financial statements (GASB Statement 34).

### Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- ✓ The School District's financial status continued to improve during fiscal year 2015. The Governmental Fund's net change in fund balance was an increase of \$3.1 million. Which represents a 5.9 percent increase from the fiscal year 2014 balance.
- ✓ General revenues accounted for \$111.1 million in revenue or 41.4 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$157.5 million or 58.6 percent of total revenues. Total revenues were \$268.6 million.
- ✓ The School District had \$249.3 million in expenses related to governmental activities; only \$157.5 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues, primarily taxes, of \$111.1 million were adequate to provide for these programs.
- ✓ Among major funds, the general fund had \$252.1 million in revenues, \$2.1 million in net other financing uses and \$242.1 million in expenditures. The general fund's balance increased to \$48.6 million from \$40.7 million.
- ✓ The implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which established accounting and financial accounting standards for pensions that are provided to the employees of state and local governmental employers through pension plans administered through trusts, required a restatement of beginning net position. The previously reported 2014 net position of \$324.8 million was decreased by \$195.6 million to a restated net position of \$129.2 million.

### Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Paulding County Board of Education as a financial whole, or as an entire operating entity.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the School District as a whole, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds. In the case of the Paulding County Board of Education, the general fund is by far the most significant fund.

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

***Reporting the School District as a Whole***

*Statement of Net Position and Statement of Activities*

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in net position. This change in net position is important because it tells the reader whether, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, facility conditions, required educational programs and other factors.

In the *Statement of Net Position and the Statement of Activities*, the School District has one distinct type of activity:

- Governmental Activities - All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, after school program, school activity accounts and various others.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the District-wide Capital Projects Fund, and the Debt Service Fund.

***Governmental Funds:*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental *funds* is reconciled in the financial statements.

***Fiduciary Funds:*** The School District is the trustee, or *fiduciary*, for assets that belong to others, such as school clubs and organizations within the school activity accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**The School District as a Whole**

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2015.

**Table 1**  
**Net Position**  
**(In Thousands)**

	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014
<b>Assets</b>		
Current and Other Assets	\$ 101,474	\$ 93,918
Capital Assets, Net	391,021	387,858
<b>Total Assets</b>	<b>492,495</b>	<b>481,776</b>
<b>Deferred Outflows of Resources</b>		
Loss on Refunding Debt	5,063	
Related to Defined Benefit Pension Plan	17,653	
<b>Total Deferred Outflows of Resources</b>	<b>22,716</b>	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 515,211</b>	<b>\$ 481,776</b>
<b>Liabilities</b>		
Current and Other Liabilities	\$ 45,631	\$ 41,361
Long-Term Liabilities	267,715	115,594
<b>Total Liabilities</b>	<b>313,346</b>	<b>156,955</b>
<b>Deferred Inflows of Resources</b>		
Related to Defined Benefit Pension Plans	53,400	
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 366,746</b>	<b>\$ 156,955</b>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 277,443	\$ 294,922
Restricted	14,216	6,068
Unrestricted	-143,194	23,831
<b>Total Net Position</b>	<b>\$ 148,465</b>	<b>\$ 324,821</b>

Fiscal year 2014 balances above do not reflect the impact from the Restatement of Net Position. See Note 2 in the Notes to the Basic Financial Statements for additional information.

Total net position decreased \$176.4 million due to an increase in net position of 19.3 million and the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which required a decrease in the beginning net position of \$195.7 million.

Table 2 shows the changes in net position for fiscal year 2015 compared to the changes in net position in fiscal year 2014.



PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Table 2**  
**Change in Net Position**  
**(In Thousands)**

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2015	2014
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 6,075	\$ 5,918
Operating Grants and Contributions	148,628	140,709
Capital Grants and Contributions	2,819	2,871
<b>Total Program Revenues</b>	<b>157,522</b>	<b>149,498</b>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	58,181	51,509
For Debt Services	34	17
Railroad Cars and Other Taxes	23	21
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	14,910	14,131
Intangible Recording Tax	1,414	1,121
Grants and Contributions not		
Restricted to Specific Programs	32,663	34,988
Investment Earnings	31	30
Miscellaneous	4,017	3,999
Special Items		
Gain (Loss) on Sale of Equipment	-164	1
<b>Total General Revenues and Special Items</b>	<b>111,109</b>	<b>105,817</b>
<b>Total Revenues</b>	<b>268,631</b>	<b>255,315</b>
<b>Program Expenses:</b>		
Instruction	158,396	157,573
Support Services		
Pupil Services	8,493	7,533
Improvement of Instructional Services	9,414	6,136
Educational Media Services	4,308	4,280
General Administration	995	509
School Administration	14,748	14,349
Business Administration	2,593	1,080
Maintenance and Operation of Plant	17,995	18,343
Student Transportation Services	12,301	12,439
Central Support Services	1,693	1,493
Other Support Services	355	447
Operations of Non-Instructional Services		
Enterprise Operations	1,247	1,259
Community Services	21	43
Food Services	12,436	13,002
Interest on Short-Term and Long-Term Debt	4,341	5,284
<b>Total Expenses</b>	<b>249,336</b>	<b>243,770</b>
<b>Increase in Net Position</b>	<b>\$ 19,295</b>	<b>\$ 11,545</b>

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Fiscal year 2014 balances above do not reflect the impact from the Restatement of Net Position. See Note 2 in the Notes to the Basic Financial Statements for additional information.

**Governmental Activities**

Instruction comprises 63.5 percent of governmental program expenses. Interest expense comprises 1.7 percent of governmental program expenses. Interest expense was attributable to the outstanding bonds for capital projects and capital leases.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**  
**(In Thousands)**

	Total Cost of Services		Net Cost of Services	
	Fiscal	Fiscal	Fiscal	Fiscal
	Year 2015	Year 2014	Year 2015	Year 2014
Instruction	\$ 158,396	\$ 157,573	\$ 43,482	\$ 50,546
Support Services:				
Pupil Services	8,493	7,533	6,793	6,405
Improvement of Instructional Services	9,414	6,136	6,112	2,278
Educational Media Services	4,308	4,280	1,124	1,049
General Administration	995	509	-1,924	-2,360
School Administration	14,748	14,349	8,454	8,075
Business Administration	2,593	1,080	2,583	1,068
Maintenance and Operation of Plant	17,995	18,343	10,067	10,302
Student Transportation Services	12,301	12,439	9,648	9,978
Central Support Services	1,693	1,493	1,653	1,442
Other Support Services	355	447	132	136
Operations of Non-Instructional Services:				
Enterprise Operations	1,247	1,259	-19	-4
Community Services	21	43	20	42
Food Services	12,436	13,002	-652	31
Interest on Short-Term and Long-Term Debt	4,341	5,284	4,341	5,284
Total Expenses	<u>\$ 249,336</u>	<u>\$ 243,770</u>	<u>\$ 91,814</u>	<u>\$ 94,272</u>

Fiscal year 2014 balances above do not reflect the impact from the Restatement of Net Position. See Note 2 in the Notes to the Basic Financial Statements for additional information.

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Approximately, 27.5 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is over 36.8 percent.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$269.7 million and expenditures and other financing uses of \$266.6 million. There was a net decrease of \$4.8 million

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

in the capital projects fund due to construction. The general fund had an increase of \$7.9 million and the debt service fund had a net decrease of \$0.03 million. The negative change in the fund balance of the debt service fund for the year is due to the required principal and interest payments of the General Obligation Bonds as well as the roll back of the bond millage rate to zero.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2015, the School District amended its general fund budget as needed. The School District uses zero-based budgeting to propose its annual budget. Any adjustments to the original budget, as governed by board policy, are reflected in the working budget and presented to the board with explanations for any significant variances.

For the General Fund, the final budgeted revenues of \$249.3 million reflect an increase to the original budgeted amount of \$247.3 million by \$2.0 million. This difference was primarily due to increases in state revenues budgeted of \$0.6 million and federal revenues budgeted of \$1.4 million. The actual revenues of \$252.0 million were more than the final budgeted amount by \$2.8 million.

The final budgeted expenditures of \$250.2 million reflect an increase to the original budgeted amount of \$247.6 million by \$2.6 million. This difference was primarily due to an increase in Improvement of Instructional Services. The final budgeted amount of \$250.2 million exceeded the actual expenditures by \$8.2 million.

General Fund revenues exceeded expenditures by \$10.0 million. The School District has made a concerted effort to maintain an appropriate fund balance for current operations and anticipated austerity reductions.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2015, the School District had \$391.0 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2015 balances compared with fiscal year 2014 balances.

**Table 4**  
**Capital Assets**  
**(Net of Depreciation, in Thousands)**

	Governmental Activities	
	Fiscal	Fiscal
	Year 2015	Year 2014
Land	\$ 13,309	\$ 11,200
Construction In Progress	6,397	3,665
Building and Improvements	354,893	359,426
Equipment	11,870	11,734
Land Improvements	4,552	1,833
Total	\$ 391,021	\$ 387,858

An increase occurred in Construction in Progress as a result of increased construction in 2015.

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

***Debt***

At June 30, 2015, the School District had \$102.4 million in bonds outstanding with \$3.8 million due within one year. The School District's legal debt limit is 10 percent of the assessed valuation of \$3,418.3 million, or a maximum debt of \$341.8 million. The total current bonded restricted debt of \$102.4 million is well below the legal limit. Other long-term liabilities amounted to \$12.1 million, which consists of unamortized bond premiums, capital leases and compensated absences.

**Factors Bearing on the District's Future**

With over 28,000 students, Paulding County School District is the 13<sup>th</sup> largest school district in the state. Over two-thirds of the School District's revenue comes from the state. As such, the School District is sensitive to changes in state funding. There are indications the state might adjust its formula-based methodology for allocating state funding, called Quality Basic Education (QBE). Less than one-third of the District's revenue comes from local sources, which continue to lag behind historic level as the result of the recent economic slowdown. Factors bearing on the School District's future include, but are not limited to, changes in state funding methodology, future tax digest levels based on home values, rising employer healthcare costs, and continued state austerity reductions. In addition, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in fiscal year 2015, which will affect how the School District reports pension liability in future years. The District remains committed to provide the most effective and efficient education for the children of Paulding County.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Steve Barnette, Chief Financial Officer at the Paulding County Board of Education, 3236 Atlanta Highway, Dallas, Georgia 30132.

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PAULDING COUNTY BOARD OF EDUCATION

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PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2015

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 73,076,396.24
Investments	1,254,892.96
Accounts Receivable, Net	
Taxes	4,699,008.87
State Government	18,894,729.34
Federal Government	2,364,497.62
Other	185,682.62
Inventories	628,096.56
Prepaid Items	370,486.36
Capital Assets, Non-Depreciable	19,706,467.70
Capital Assets, Depreciable (Net of Accumulated Depreciation)	371,314,274.37
 Total Assets	 492,494,532.64
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Loss on Refunding of Debt	5,063,489.04
Related to Defined Benefit Pension Plan	17,653,069.43
 Total Deferred Outflows of Resources	 22,716,558.47
<u>LIABILITIES</u>	
Accounts Payable	10,907,817.15
Salaries and Benefits Payable	28,123,245.59
Claims Incurred but not Reported (IBNR)	106,570.04
Payroll Withholdings Payable	-335.75
Interest Payable	1,848,875.00
Contracts Payable	4,160,465.56
Retainages Payable	484,338.63
Long-Term Liabilities	
Due Within One Year	4,436,007.52
Due in More Than One Year	110,039,965.28
Net Pension Liability	153,239,442.00
 Total Liabilities	 313,346,391.02
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	53,399,472.00
<u>NET POSITION</u>	
Net Investment in Capital Assets	277,442,589.52
Restricted for	
Continuation of Federal Programs	6,647,305.45
Debt Service	430,366.02
Capital Projects	7,138,443.25
Unrestricted (Deficit)	-143,193,476.15
 Total Net Position	 \$ 148,465,228.09

The notes to the basic financial statements are an integral part of this statement.



PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 158,395,617.31	\$ 40,549.28
Support Services		
Pupil Services	8,493,259.05	
Improvement of Instructional Services	9,414,181.12	
Educational Media Services	4,308,052.33	
General Administration	995,234.87	
School Administration	14,747,553.32	
Business Administration	2,593,092.13	
Maintenance and Operation of Plant	17,995,363.62	
Student Transportation Services	12,301,182.81	
Central Support Services	1,692,530.93	
Other Support Services	355,376.18	
Operations of Non-Instructional Services		
Enterprise Operations	1,247,357.50	1,266,344.04
Community Services	20,683.92	
Food Services	12,435,724.75	4,768,825.13
Interest on Short-Term and Long-Term Debt	4,340,827.89	
	\$ 249,336,037.73	\$ 6,075,718.45
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Special Item		
Loss on Sale of Equipment		
Total General Revenues and Special Item		
Change in Net Position		
Net Position - Beginning of Year (Restated)		
Net Position - End of Year		

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
\$ 112,495,466.39	\$ 2,377,202.65	\$ -43,482,398.99
1,699,350.71	1,241.33	-6,792,667.01
3,300,320.39	1,326.03	-6,112,534.70
3,179,011.73	4,651.95	-1,124,388.65
2,919,024.58	644.07	1,924,433.78
6,288,350.29	5,395.76	-8,453,807.27
7,795.42	2,737.14	-2,582,559.57
7,854,623.24	74,002.63	-10,066,737.75
2,421,940.33	231,660.00	-9,647,582.48
19,265.85	19,925.15	-1,653,339.93
223,089.39	641.51	-131,645.28
	319.59	19,306.13
	238.48	-20,445.44
8,219,841.93	98,655.69	651,598.00
		-4,340,827.89
<u>\$ 148,628,080.25</u>	<u>\$ 2,818,641.98</u>	<u>-91,813,597.05</u>
		58,181,379.80
		34,170.11
		22,509.12
		14,910,451.65
		1,413,500.56
		32,662,946.00
		31,182.89
		4,017,320.11
		-164,535.55
		<u>111,108,924.69</u>
		19,295,327.64
		<u>129,169,900.45</u>
		\$ <u><u>148,465,228.09</u></u>



PAULDING COUNTY BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 55,802,949.31

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Land	\$	13,308,975.26	
Construction in Progress		6,397,492.44	
Land Improvements		7,124,426.52	
Buildings and Improvements		447,842,552.00	
Equipment		38,343,154.72	
Accumulated Depreciation		<u>-121,995,858.87</u>	
Total Capital Assets			391,020,742.07

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

Net Pension Liability			-153,239,442.00
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Deferred losses on refunding of debt are reported in Governmental Activities and amortized over the life of the new debt.

5,063,489.04

Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

-35,746,402.57

Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.

Property Taxes			1,995,310.08
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Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. These consist of:

Bonds Payable	\$	-102,380,000.00	
Accrued Interest Payable		-1,848,875.00	
Capital Leases Payable		-171,437.66	
Compensated Absences Payable		-307,697.74	
Bond Premiums, Net of Amortization		-11,616,837.40	
Claims and Judgments Payable		<u>-106,570.04</u>	
Total Long-Term Liabilities			<u>-116,431,417.84</u>

Net Position of Governmental Activities (Exhibit "A") \$ 148,465,228.09

The notes to the basic financial statements are an integral part of this statement.

PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 58,336,764.58		\$ 58,845.23	\$ 58,395,609.81
Sales Taxes	1,413,220.77	\$ 14,910,451.65		16,323,672.42
State Funds	163,784,268.71	2,602,082.00		166,386,350.71
Federal Funds	18,087,739.04			18,087,739.04
Charges for Services	6,075,718.45			6,075,718.45
Investment Earnings	20,703.86	10,457.39	21.64	31,182.89
Miscellaneous	4,374,928.65	58,000.00		4,432,928.65
Total Revenues	<u>252,093,344.06</u>	<u>17,580,991.04</u>	<u>58,866.87</u>	<u>269,733,201.97</u>
<u>EXPENDITURES</u>				
Current				
Instruction	155,234,524.25			155,234,524.25
Support Services				
Pupil Services	8,746,110.37			8,746,110.37
Improvement of Instructional Services	9,547,092.17			9,547,092.17
Educational Media Services	4,128,562.91			4,128,562.91
General Administration	1,031,453.96			1,031,453.96
School Administration	15,037,668.56			15,037,668.56
Business Administration	1,200,866.00		49.00	1,200,915.00
Maintenance and Operation of Plant	18,232,933.81			18,232,933.81
Student Transportation Services	13,391,190.50			13,391,190.50
Central Support Services	1,600,682.61			1,600,682.61
Other Support Services	365,448.39			365,448.39
Enterprise Operations	1,245,880.98			1,245,880.98
Community Services	19,582.13			19,582.13
Food Services Operation	11,625,283.84			11,625,283.84
Capital Outlay		12,719,048.60		12,719,048.60
Debt Services				
Principal	614,631.68		6,695,000.00	7,309,631.68
Dues and Fees			6,015.00	6,015.00
Interest	39,800.54		4,780,121.60	4,819,922.14
Total Expenditures	<u>242,061,712.70</u>	<u>12,719,048.60</u>	<u>11,481,185.60</u>	<u>266,261,946.90</u>
Excess of Revenues over (under) Expenditures	<u>10,031,631.36</u>	<u>4,861,942.44</u>	<u>-11,422,318.73</u>	<u>3,471,255.07</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of Refunding Bonds			90,640,000.00	90,640,000.00
Premiums on Bonds Sold			11,076,840.15	11,076,840.15
Payment to Bond Refunding Escrow Agent			-100,469,547.20	-100,469,547.20
Refunding Bond Issuance Cost			-1,247,292.95	-1,247,292.95
Insurance Proceeds	-369,181.24			-369,181.24
Transfers In	486,378.99	2,168,460.00	11,393,396.35	14,048,235.34
Transfers Out	-2,174,435.00	-11,873,800.34		-14,048,235.34
Total Other Financing Sources (Uses)	<u>-2,057,237.25</u>	<u>-9,705,340.34</u>	<u>11,393,396.35</u>	<u>-369,181.24</u>
Net Change in Fund Balances	7,974,394.11	-4,843,397.90	-28,922.38	3,102,073.83
Fund Balances - Beginning	<u>40,658,925.39</u>	<u>11,981,841.15</u>	<u>60,108.94</u>	<u>52,700,875.48</u>
Fund Balances - Ending	<u>\$ 48,633,319.50</u>	<u>\$ 7,138,443.25</u>	<u>\$ 31,186.56</u>	<u>\$ 55,802,949.31</u>

The notes to the basic financial statements are an integral part of this statement.

PAULDING COUNTY BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2015

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ 3,102,073.83

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 14,848,440.31	
Depreciation Expense	-11,410,277.94	
Excess of Capital Outlay over Depreciation Expense		3,438,162.37

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. -275,135.62

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -157,271.23

Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases Long-Term Liabilities in the Statement of Net Position. In the current period, proceeds were received from:

Refunding Bonds Issued, Including a Premium of \$11,076,840.15		-101,716,840.15
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Deferred gains and losses on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred outflows on the Statement of Net Position and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:

Amortization of Deferred Loss on Refunding of Bonds		-281,304.96
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Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Bond Principal Retirements	\$ 6,695,000.00	
Capital Lease Payments	614,631.68	
Bond Premium Retirements	164,666.96	
Payments to Bond Refunding Agent	100,469,547.20	
Total Long-Term Debt Repayments		107,943,845.84

Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid. 314,427.29

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These net adjustments consist of:

Compensated Absences	\$ 235,967.40	
Pension Expense	6,665,868.43	
Claims and Judgments	25,534.44	
Total Additional Expenditures		6,927,370.27

Change in Net Position of Governmental Activities (Exhibit "B") \$ 19,295,327.64

The notes to the basic financial statements are an integral part of this statement.

PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 292,051.34
Accounts Receivable, Net	
Other	<u>733.88</u>
Total Assets	<u>\$ 292,785.22</u>
<u>LIABILITIES</u>	
Funds Held for Others	<u>\$ 292,785.22</u>

The notes to the basic financial statements are an integral part of this statement.

**NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY**

**REPORTING ENTITY**

The Paulding County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to issue bonds and levy taxes. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

The School District's basic financial statements are collectively comprised of the District-wide financial statements, fund financial statements and notes to the basic financial statements of the Paulding County Board of Education.

***District-wide Statements:***

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

***Fund Financial Statements:***

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.



- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (property and sales) legally restricted for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund type:

- Agency funds account for assets held by the School District as an agent for various funds, government or individuals.

#### **BASIS OF ACCOUNTING**

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

#### **RESTATEMENT OF PRIOR YEAR NET POSITION**

For fiscal year 2015, the School District made several prior period adjustments due to the adoption of GASB Statement No. 68 and GASB Statement No. 71, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2014, net position in Governmental Activities. The result is a decrease in Net Position at July 1, 2014 of \$195,651,713.00. This change is in accordance with generally accepted accounting principles.

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015

EXHIBIT "H"

Net Position, July 1, 2014, as previously reported	\$	324,821,613.45
Prior Period adjustment - Implementation of GASB 68 and 71:		
Net Pension Liability (June 30, 2014, measurement date)		
TRS	\$	-210,712,801.00
ERS		-137,281.00
Deferred Outflows - School District's contribution made during fiscal year 2014		
TRS		15,173,942.00
ERS		24,427.00
		-195,651,713.00
Net Position, July 1, 2014, as restated	\$	129,169,900.45

**NEW ACCOUNTING PRONOUNCEMENTS**

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning Net Position. The adoption of this statement has a significant impact on the School District's financial statements. As noted above the School District restated beginning Net Position for the cumulative effect of this accounting change.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The School District did not have any activities of this type during the fiscal year, and the adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions. The adoption of this statement has a significant impact on the School District's financial statements. As noted above the School District restated beginning Net Position for the cumulative effect of this accounting change.

**CASH AND CASH EQUIVALENTS**

**COMPOSITION OF DEPOSITS**

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated Section 45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

**INVESTMENTS**

**COMPOSITION OF INVESTMENTS**

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following:

- (1) Obligations issued by the State of Georgia or by other states,
- (2) Obligations issued by the United States government,
- (3) Obligations fully insured or guaranteed by the United States government or a United States government agency,
- (4) Obligations of any corporation of the United States government,
- (5) Prime banker's acceptances,
- (6) The local government investment pool (Georgia Fund 1) administered by the State of Georgia, Office of the State Treasurer,
- (7) Repurchase agreements, and
- (8) Obligations of other political subdivisions of the State of Georgia.

The School District does not have a formal policy regarding investment policies that address credit risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

**RECEIVABLES**

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

**PROPERTY TAXES**

The Paulding County Board of Commissioners adopted the property tax levy for the 2014 tax digest year (calendar year) on August 12, 2014 (levy date) based on property values as of January 1, 2014. Taxes were due on November 15, 2014 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2014 tax digest are reported as revenue in the governmental funds for fiscal year 2015. The Paulding County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2015, for maintenance and operations amounted to \$53,628,496.82 and for school bonds amounted to \$42,874.19.

The tax millage rate levied for the 2014 tax year (calendar year) for the Paulding County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>18.879</u> mills
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The School District elected not to roll back the maintenance and operations millage rate of 18.879 mills in fiscal year 2015 (tax digest year 2014). In fiscal year 2014 (tax digest year 2013), the School District elected to roll back the maintenance and operations millage rate from 18.909 mills to 18.879 for the fiscal year.

In fiscal year 2013 (tax digest year 2012) the School District elected to roll back the bond millage rate from 2.963 mills to 0.000 mills, and has maintained that rate since. The property tax revenue associated with bonds reported in the Debt Service Fund is related to prior years' tax levy.

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$4,701,729.68 during fiscal year ended June 30, 2015.

**SALES TAXES**

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$14,910,451.65 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

On May 20, 2014, the voters of Paulding County voted in favor of a Special Purpose Local Option Sales Tax referendum for educational purposes. The re-imposition of the tax, as approved by the voters, is for the purposes of (A) paying the principal and interest (during the period the one percent sales and use tax is to be imposed) on Paulding County School District's outstanding General Obligation Bonds, Series 2007 and 2008 in a maximum amount of \$43,396,575.00 and (B) funding the following capital outlay projects in a maximum amount of \$56,603,425.00: acquisition, construction and equipping of facilities and equipment throughout the School District, including renovations, additions and improvements to Shelton Elementary School and North Paulding High School, track and field improvements, HVAC upgrades, roof and gutter replacement, flooring improvements, safety and security upgrades, intercom replacement, plumbing improvements, new technology and band equipment. Proceeds from this referendum will begin in May 2016.

**INVENTORIES**

**FOOD INVENTORIES**

On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their Federally assigned value and purchased foods inventories are reported at cost (first-in, first-out). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

**PREPAID ITEMS**

Payments made to vendors for services that will benefit periods subsequent to June 30, 2015, are recorded as prepaid items.

**CAPITAL ASSETS**

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

Capitalization thresholds and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 5,000.00	20 years
Buildings and Improvements	\$ 5,000.00	50 years
Equipment	\$ 5,000.00	5 to 25 years
Intangible Assets	\$ 100,000.00	20 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets which are amortized.

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 20 years.

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position and/or the balance sheet will report a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Under the full accrual method of accounting, the School District has reported deferred outflows of resources related to a defined benefit pension

plan, as discussed in Note 15 - Retirement Plans. Additionally, the School District has reported deferred outflows of resources related to the deferred charge on refunded debt resulting from the difference in the carrying value of the refunded debt and its reacquisition price amortized over the life of the refunded and refunding debt.

In addition to liabilities, the statement of net position and/or the balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Under the full accrual method of accounting, the School District has reported deferred inflows of resources related to a defined benefit pension plan, as discussed in Note 15 - Retirement Plans. This item is reported only in the District-wide Statement of Net Position. Additionally, the School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

#### **COMPENSATED ABSENCES**

Members of the Teachers' Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual school districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School District's financial statements.

Vacation leave of 12 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis with less than 5 years experience and 15 days per fiscal year to all full time personnel employed on a twelve month basis with 5 or more years of experience. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 20 days.

#### **GENERAL OBLIGATION BONDS**

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds based on the proportion of the annual principal payment to the total principal. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In addition, general obligation bonds have been issued to refund existing general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Position.

## PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS), the Employees' Retirement System of Georgia (ERS) and the Public School Employees' Retirement System (PSERS) and additions to/deductions from TRS/ERS/PSERS fiduciary net position have been determined on the same basis as they are reported by TRS/ERS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 15 - Retirement Plans.

## NET POSITION

The School District's net position in the District-wide Statements is classified as follows:

**Net Investment in Capital Assets** - This represents the School District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

**Restricted Net Position** - This represents resources for which the School District is legally or contractually obligated to spend resources for bus replacement, continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

**Unrestricted Net Position** - Unrestricted Net Position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of Net Investment in Capital Assets and Restricted Net Position. Included in the net deficit reported is the School District's Net Pension liability of \$153,239,442.00 which is required for financial reporting.

## FUND BALANCES

The School District's fund balances are classified as follows:

**Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - Constraints placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed** - Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board of Education or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

**Unassigned** - The residual classification for the General Fund. This classification represents fund balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

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Fund Balances of the Governmental Funds at June 30, 2015, are as follows:

Nonspendable			
Interfund Advances Receivable	\$	12,000,000.00	
Inventories		628,096.56	
Prepaid Assets		370,486.36	\$ 12,998,582.92
Restricted			
Continuation of Federal Programs	\$	6,019,208.89	
Capital Projects		4,950,979.81	
Debt Service		2,218,650.00	13,188,838.70
Assigned			
School Activity Accounts			1,508,852.92
Unassigned			28,106,674.77
Fund Balance, June 30, 2015			\$ 55,802,949.31

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

**USE OF ESTIMATES**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3: BUDGETARY DATA**

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidance and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of Official Code of Georgia Annotated section 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.



The Superintendent is authorized by the Board to approve adjustments of no more than 10 percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 10 percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See Schedule 6 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

#### **NOTE 4: DEPOSITS AND INVESTMENTS**

##### **COLLATERALIZATION OF DEPOSITS**

Official Code of Georgia Annotated (O.C.G.A.) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. Section 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

Acceptable security for deposits consists of any one of or any combination of the following:

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

**CATEGORIZATION OF DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2015, School District had deposits with a carrying amount of \$73,378,450.07, which includes \$10,002.49 in Certificates of Deposit that are reported as Investments, and a bank balance of \$74,687,339.57. The bank balances insured by Federal depository insurance were \$1,422,343.02 and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name were \$73,058,759.66.

The amounts exposed to custodial credit risk are classified into three categories as follows:

- Category 1 - Uncollateralized,
- Category 2 - Cash collateralized with securities held by the pledging financial institution,  
or
- Category 3 - Cash collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

The School District's deposits by custodial credit risk category at June 30, 2015, are as follows:

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 0.00
2	0.00
3	<u>206,236.89</u>
Total	<u>\$ 206,236.89</u>

**CATEGORIZATION OF INVESTMENTS**

At June 30, 2015, the carrying value of the School District's total investments was \$1,254,892.96, which is materially the same as fair value. This includes \$10,002.49 invested in Certificates of Deposit, which are collateralized in the same manner as other cash deposits. The remaining investment consisted entirely of funds invested in the Georgia Fund 1, (local government investment pool), administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at [www.audits.ga.gov/SGD/CAFR.html](http://www.audits.ga.gov/SGD/CAFR.html).

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2015, was 56 days.

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**NOTE 5: NON-MONETARY TRANSACTIONS**

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their Federally assigned value. See Note 2 – Inventories.

**NOTE 6: CAPITAL ASSETS**

The following is a summary of changes in the Capital Assets during the fiscal year:

	Balances July 1, 2014	Increase	Decreases	Balances June 30, 2015
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 11,199,852.54	\$ 2,109,122.72		\$ 13,308,975.26
Construction Work In Progress	3,664,616.49	7,723,358.78	\$ 4,990,482.83	6,397,492.44
Total Capital Assets, Not Being Depreciated	14,864,469.03	9,832,481.50	4,990,482.83	19,706,467.70
Capital Assets, Being Depreciated:				
Buildings and Improvements	443,575,496.22	4,422,799.78	155,744.00	447,842,552.00
Equipment	37,399,857.57	2,626,411.90	1,683,114.75	38,343,154.72
Land Improvements	4,181,201.94	2,957,229.96	14,005.38	7,124,426.52
Less: Accumulated Depreciation:				
Buildings and Improvements	84,149,747.92	8,955,867.20	155,744.00	92,949,871.12
Equipment	25,665,174.58	2,218,337.94	1,410,473.13	26,473,039.39
Land Improvements	2,348,386.94	236,072.80	11,511.38	2,572,948.36
Total Capital Assets, Being Depreciated, Net	372,993,246.29	-1,403,836.30	275,135.62	371,314,274.37
Governmental Activity Capital Assets - Net	\$ 387,857,715.32	\$ 8,428,645.20	\$ 5,265,618.45	\$ 391,020,742.07

Current year depreciation expense by function is as follows:

Instruction		\$ 8,197,263.33
Support Services		
Pupil Services	\$ 5,474.30	
Improvement of Instructional Services	5,847.83	
Educational Media Services	319,634.31	
General Administration	2,840.35	
School Administration	273,909.28	
Business Administration	12,070.85	
Maintenance and Operation of Plant	327,055.66	
Student Transportation Services	1,087,552.71	
Central Support Services	151,311.63	
Other Support Services	2,829.08	
Athletic Programs	1,409.40	
Community Services	1,051.70	2,190,987.10
Food Services		1,022,027.51
		\$ 11,410,277.94

**NOTE 7: INTERFUND ASSETS AND LIABILITIES**

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2015, consisted of the following:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 12,004,999.88	
District-wide Capital Projects		\$ 12,004,999.88
Total	\$ 12,004,999.88	\$ 12,004,999.88

Transfers are used to provide supplemental funding for capital construction projects. In fiscal year 2015, the School District's General Fund advanced \$12,000,000.00 to the Capital Projects Fund for SPLOST V capital projects. Collections for SPLOST V will begin in April 2016. Repayment of this advance will begin in May 2016 and conclude in April 2021.

**NOTE 8: INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Transfer to</u>	Transfers From	
	General Fund	District-wide Capital Projects
General Fund		\$ 486,378.99
District-wide Capital Projects	\$ 2,168,460.00	
Debt Service Fund	5,975.00	11,387,421.35
Total	\$ 2,174,435.00	\$ 11,873,800.34

Transfers are used to move property tax revenues collected by the General Fund to (1) the District-wide Capital Projects Fund as required match or supplemental funding source for capital construction projects and to the Debt Service Fund to pay Bond administration fees, (2) move ESPLOST proceeds collected by the Capital Projects Fund to the Debt Service Fund to pay principal and interest on Bonds, and (3) move advanced SPLOST V funds to the General Fund to pay for band equipment approved for purchase in SPLOST V.

**NOTE 9: RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; acts of God and unemployment compensation.

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The School District participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage. Additional coverage is provided through agreements by the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the system varies by line of coverage.

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund.

Changes in the workers' compensation claims liability during the last two fiscal years are as follows:

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2014	\$ 139,346.86	\$ 41,000.00	\$ 48,242.38	\$ 132,104.48
2015	\$ 132,104.48	\$ 0.00	\$ 25,534.44	\$ 106,570.04

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2014	\$ 0.00	\$ 19,574.75	\$ 19,574.75	\$ 0.00
2015	\$ 0.00	\$ 7,392.00	\$ 7,392.00	\$ 0.00

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The School District has purchased a surety bond to provide additional insurance coverage as follows:

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 250,000.00

**NOTE 10: LONG-TERM LIABILITIES**

**CAPITAL LEASES**

The Paulding County Board of Education has entered into various lease agreements for computer equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

**COMPENSATED ABSENCES**

Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the General Fund is the fund used to liquidate this long-term debt. The School District uses the vesting method to compute compensated absences.

**ADVANCE REFUNDING**

During fiscal year 2015, the Paulding County Board of Education issued \$90,640,000.00 in General Obligation Refunding Bonds to advance refund \$91,205,000.00 of outstanding bonds. The bond issue of \$90,640,000.00, plus premiums of \$11,076,840.15 less underwriters and bond issue cost of \$1,247,293.19 provided net proceeds of \$100,469,546.96. The total net proceeds plus additional debt service funds of \$735,537.50 were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2007 and portions of the 2008 Bond issues. As a result, the 2007 Series Bonds and portions of the 2008 Series Bonds are considered defeased, and the liability for these portions has been removed from the District-wide Statement of Net Position. The Paulding County Board of Education refunded the aforementioned bonds to reduce its total Debt Service payments over 19 years beginning in fiscal year 2015 by a combined amount of \$8,898,228.89 and to obtain an economic gain (difference between the present values of total debt service payments and the old and new debt) of \$6,821,308.28.

**GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2008	4.00% - 5.00%	\$ 11,740,000.00
General Government - Refunding - Series 2014	2.00% - 5.00%	90,640,000.00
		\$ 102,380,000.00

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The changes in Long-Term Liabilities during the fiscal year ended June 30, 2015, were as follows:

	Governmental Activities				
	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
G. O. Bonds	\$ 109,640,000.00	\$ 90,640,000.00	\$ 97,900,000.00	\$ 102,380,000.00	\$ 3,790,000.00
Capital Leases	786,069.34		614,631.68	171,437.66	161,150.12
Compensated Absences	543,665.14	1,052,808.92	1,288,776.32	307,697.74	306,720.67
Bond Premium Amortized	4,624,417.17	11,076,840.15	4,084,419.92	11,616,837.40	178,136.73
	<u>\$ 115,594,151.65</u>	<u>\$ 102,769,649.07</u>	<u>\$ 103,887,827.92</u>	<u>\$ 114,475,972.80</u>	<u>\$ 4,436,007.52</u>

At June 30, 2015, payments due by fiscal year which includes principal and interest for these items are as follows:

	Capital Leases	
	Principal	Interest
<u>Fiscal Year Ended June 30:</u>		
2016	\$ 161,150.12	8,640.81
2017	10,287.54	341.56
Total Principal and Interest	<u>\$ 171,437.66</u>	<u>\$ 8,982.37</u>

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
<u>Fiscal Year Ended June 30:</u>			
2016	\$ 3,790,000.00	\$ 4,437,300.00	\$ 178,136.73
2017	3,960,000.00	4,249,300.00	185,956.11
2018	4,140,000.00	4,052,800.00	194,235.46
2019	4,335,000.00	3,887,700.00	529,767.23
2020	4,455,000.00	3,757,650.00	544,432.07
2021 - 2025	25,715,000.00	15,230,250.00	3,142,552.34
2026 - 2030	32,925,000.00	8,364,900.00	4,023,664.63
2031 - 2033	23,060,000.00	1,752,775.00	2,818,092.83
Total Principal and Interest	<u>\$ 102,380,000.00</u>	<u>\$ 45,732,675.00</u>	<u>\$ 11,616,837.40</u>

**NOTE 11: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$645,827.52 for retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education  
 Paid to the Teachers' Retirement System of Georgia  
 For Teachers' Retirement System (TRS) Employer's Cost  
 In the amount of \$129,680.52

Office of State Treasurer  
 Paid to the Public School Employees' Retirement System  
 For Public School Employees' Retirement (PSERS) Employer's Cost  
 In the amount of \$516,147.00

Funds paid on behalf of the School District are reported in governmental funds. See Note 15 - Retirement Plans for the State support related to the Net Pension Liability.

**NOTE 12: SIGNIFICANT COMMITMENTS**

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2015, together with funding available:

Project	Unearned Executed Contracts	Funding Available From State
Paulding County High School Renovation	\$ 2,293,576.31	\$ 2,574,021.00
East Paulding High School Artificial Turf	1,383,975.06	
Paulding County High School Artificial Turf	800,448.14	
Shelton Elementary School Renovation	10,062,398.17	1,331,484.00
Northside Elementary Renovation	656,259.55	955,399.00
	\$ 15,196,657.23	\$ 4,860,904.00

The amounts described in this note are not reflected in the basic financial statements.

**NOTE 13: SIGNIFICANT CONTINGENT LIABILITIES**

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.



**NOTE 14: POST-EMPLOYMENT BENEFITS**

**Georgia School Personnel Post-employment Health Benefit Fund**

*Plan Description:* The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand-alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

*Funding Policy:* The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012 pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2015:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

July 1, 2014 - June 30, 2015	\$945.00 per member per month
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For non-certificated school personnel:

July 1, 2014 - June 30, 2015	\$596.20 per member per month
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PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015

EXHIBIT "H"

No additional contribution was required by the Board for fiscal year 2015 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2015	100%	\$ 24,195,800.69
2014	100%	\$ 23,863,046.18
2013	100%	\$ 22,949,775.09

**NOTE 15: RETIREMENT PLANS**

Paulding County Board of Education participates in various retirement plans administered by the State of Georgia, as further explained below.

**TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)**

*Plan Description:* All teachers of the School District as defined in § 47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) and certain other support personnel as defined by § 47-3-63 are provided a pension through the Teachers' Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers' Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at [www.trsga.com/publications](http://www.trsga.com/publications).

*Benefits Provided:* TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

*Contributions:* Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. § 47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2015. The school district's contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual school district payroll.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2015	100%	\$ 17,265,236.60
2014	100%	\$ 15,162,833.64
2013	100%	\$ 13,852,585.04

**EMPLOYEES' RETIREMENT SYSTEM**

*Plan description:* The Employees' Retirement System of Georgia (ERS) is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at [www.ers.ga.gov/formspubs/formspubs](http://www.ers.ga.gov/formspubs/formspubs).

*Benefits provided:* The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

*Contributions:* Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2015 was 21.96% of annual covered payroll for old and new plan members and 18.87% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2015	100%	\$ 22,079.83
2014	100%	\$ 23,173.66
2013	100%	\$ 11,038.10

**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

*Plan description:* PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers' Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at [www.ers.ga.gov/formspubs/html](http://www.ers.ga.gov/formspubs/html).

*Benefits provided:* A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

*Contributions:* The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. § 47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the School District reported a liability of \$153,239,442.00 for its proportionate share of the net pension liability for TRS (\$153,019,018.00) and ERS (\$220,424.00.00).

The TRS net pension liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School District were as follows:

School District's proportionate share of the net pension liability	\$ 153,019,018.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>1,415,351.00</u>
Total	<u>\$ 154,434,369.00</u>

The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2014.

At June 30, 2014, the School District's TRS proportion was 1.211199%, which was an increase of 0.001935% from its proportion measured as of June 30, 2013. At June 30, 2014, the School District's ERS proportion was 0.005877%, which was an increase of 0.003048% from its proportion measured as of June 30, 2013.

At June 30, 2015, the School District did not have a PSERS liability for a proportionate share of the Net Pension Liability because of a Special Funding Situation with the State of Georgia, which is responsible for the Net Pension Liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is \$2,066,777.00.

The PSERS net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2014.

For the year ended June 30, 2015, the School District recognized pension expense of \$10,551,100.00 for TRS, \$70,348.00 for ERS and \$179,486.00 for PSERS, revenue of \$101,920.00 for TRS and \$179,486.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015

EXHIBIT "H"

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$ 53,345,673.00		\$ 53,799.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	\$ 274,732.00		\$ 91,021.00	
School District contributions subsequent to the measurement date	<u>17,265,237.00</u>		<u>22,079.00</u>	
Total	<u>\$ 17,539,969.00</u>	<u>\$ 53,345,673.00</u>	<u>\$ 113,100.00</u>	<u>\$ 53,799.00</u>

Paulding County Board of Education contributions subsequent to the measurement date of June 30, 2014 for TRS and ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2016	\$ -13,273,976.00	\$ 43,438.00
2017	\$ -13,273,976.00	\$ 20,683.00
2018	\$ -13,273,976.00	\$ -13,450.00
2019	\$ -13,273,988.00	\$ -13,449.00
2020	\$ 24,975.00	\$ 0.00

*Actuarial assumptions:* The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

**Teachers' Retirement System:**

Inflation	3.00%	
Salary increases	3.75% - 7.00%	average, including inflation
Investment rate of return	7.50%	net of pension plan investment expense including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015

EXHIBIT "H"

**Employees' Retirement System:**

Inflation	3.00%	
Salary increases	5.45% - 9.25%	average, including inflation
Investment rate of return	7.50%	net of pension plan investment expense including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

**Public School Employees' Retirement System:**

Inflation	3.00%	
Salary increases	N/A	
Investment rate of return	7.50%	net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on TRS, ERS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Fixed Income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
	<u>100.00%</u>	

\* Rates shown are net of the 3.00% assumed rate of inflation

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015

EXHIBIT "H"

*Discount rate:* The discount rate used to measure the total TRS, ERS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS, ERS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Paulding County Board of Education's proportionate share of the net pension liability to changes in the discount rate:* The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

*Teachers' Retirement System:*

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 281,993,519.00	\$ 153,019,018.00	\$ 46,811,194.00

*Employees' Retirement System:*

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 321,422.00	\$ 220,424.00	\$ 134,451.00

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS, ERS and PSERS financial report which is publically available at [www.trsga.com/publications](http://www.trsga.com/publications) and <http://www.ers.ga.gov/formspubs/formspubs.html>.



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PAULDING COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE "1"

	2015
School District's proportion of the net pension liability	1.211199%
School District's proportionate share of the net pension liability	\$ 153,019,018.00
State of Georgia's proportionate share of the net pension liability associated with the School District	1,415,351.00
Total	\$ 154,434,369.00
School District's covered-employee payroll	\$ 123,475,844.00
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	123.93%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

The schedule is intended to show information for 10 years. Additional years will be displayed as they become available. Schedule includes all significant plans and funds administered by Paulding County Board of Education.

PAULDING COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE "2"

	2015
School District's proportion of the net pension liability	0.005877%
School District's proportionate share of the net pension liability	\$ 220,424.00
School District's covered-employee payroll	\$ 125,534.00
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	175.59%
Plan fiduciary net position as a percentage of the total pension liability	77.99%

The schedule is intended to show information for 10 years. Additional years will be displayed as they become available. Schedule includes all significant plans and funds administered by Paulding County Board of Education.

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PAULDING COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 17,265,236.60	\$ 15,162,833.64	\$ 13,852,585.04
Contributions in relation to the contractually required contribution	<u>\$ 17,265,236.60</u>	<u>\$ 15,162,833.64</u>	<u>\$ 13,852,585.04</u>
Contribution deficiency (excess)	\$ 0.00	\$ 0.00	\$ 0.00
School District's covered-employee payroll	\$ 131,294,575.52	\$ 123,475,843.97	\$ 121,407,406.13
Contributions as a percentage of covered-employee payroll	13.15%	12.28%	11.41%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 12,471,991.66	\$ 12,647,372.00	\$ 13,316,799.98	\$ 12,477,624.25	\$ 11,670,712.97	\$ 10,345,262.27	\$ 8,847,988.00
<u>\$ 12,471,991.66</u>	<u>\$ 12,647,372.00</u>	<u>\$ 13,316,799.98</u>	<u>\$ 12,477,624.25</u>	<u>\$ 11,670,712.97</u>	<u>\$ 10,345,262.27</u>	<u>\$ 8,847,988.00</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
\$ 121,322,876.07	\$ 123,028,910.51	\$ 136,722,792.40	\$ 134,457,157.87	\$ 125,761,993.21	\$ 111,479,119.29	\$ 95,757,445.89
10.28%	10.28%	9.74%	9.28%	9.28%	9.28%	9.24%

PAULDING COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "4"

	2015	2014	2013	2012
Contractually required contribution	\$ 22,079.83	\$ 23,173.66	\$ 11,038.10	\$ 5,557.86
Contributions in relation to the contractually required contribution	\$ 22,079.83	\$ 23,173.66	\$ 11,038.10	\$ 5,557.86
Contribution deficiency (excess)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
School District's covered-employee payroll	\$ 100,545.67	\$ 125,534.45	\$ 74,081.21	\$ 47,788.99
Contributions as a percentage of covered-employee payroll	21.96%	18.46%	14.90%	11.63%

This schedule is intended to show information for 10 years. The School District did not have any employees participating in this plan until fiscal year 2012, so only 4 years of information is displayed.

**Teachers' Retirement System**

**Changes of assumptions** : In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

**Method and assumptions used in calculations of actuarially determined contributions** : The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2015 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

**Employees' Retirement System**

**Changes of assumptions** : There were no changes in assumptions or benefits that affect the measurement of the total pension liability since the prior measurement date.

**Method and assumptions used in calculations of actuarially determined contributions** : The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2015 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	2.725% – 4.625% for FY 2012-2013, 5.45% - 9.25% for FY2014+
Investment rate of return	7.50%, net of pension plan investment expense, including inflation



PAULDING COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2015

SCHEDULE "6"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property Taxes	\$ 57,329,600.00	\$ 57,329,600.00	\$ 58,336,764.58	\$ 1,007,164.58
Sales Taxes	1,274,000.00	1,274,000.00	1,413,220.77	139,220.77
State Funds	161,562,973.38	162,125,548.67	163,784,268.71	1,658,720.04
Federal Funds	17,542,257.41	18,949,674.75	18,087,739.04	-861,935.71
Charges for Services	5,272,058.21	5,272,058.21	6,075,718.45	803,660.24
Investment Earnings	19,600.00	19,600.00	20,703.86	1,103.86
Miscellaneous	4,290,287.69	4,295,287.69	4,374,928.65	79,640.96
<b>Total Revenues</b>	<b>247,290,776.69</b>	<b>249,265,769.32</b>	<b>252,093,344.06</b>	<b>2,827,574.74</b>
<b>EXPENDITURES</b>				
Current				
Instruction	158,215,233.29	158,694,464.20	155,234,524.25	3,459,939.95
Support Services				
Pupil Services	8,398,354.44	9,087,022.55	8,746,110.37	340,912.18
Improvement of Instructional Services	6,884,878.51	9,863,836.75	9,547,092.17	316,744.58
Educational Media Services	4,236,264.79	4,243,707.98	4,128,562.91	115,145.07
General Administration	953,811.95	1,045,875.91	1,031,453.96	14,421.95
School Administration	14,984,888.94	15,159,107.44	15,037,668.56	121,438.88
Business Administration	1,471,944.12	1,471,944.12	1,200,866.00	271,078.12
Maintenance and Operation of Plant	18,089,425.15	18,455,661.33	18,232,933.81	222,727.52
Student Transportation Services	13,243,768.43	13,987,648.12	13,391,190.50	596,457.62
Central Support Services	4,418,259.92	1,617,329.63	1,600,682.61	16,647.02
Other Support Services	416,539.81	377,344.91	365,448.39	11,896.52
Enterprise Operations	1,240,305.96	1,240,305.96	1,245,880.98	-5,575.02
Community Services Operations	53,526.90	19,026.90	19,582.13	-555.23
Food Services Operation	14,968,494.75	14,968,494.75	11,625,283.84	3,343,210.91
Debt Service			654,432.22	-654,432.22
<b>Total Expenditures</b>	<b>247,575,696.96</b>	<b>250,231,770.55</b>	<b>242,061,712.70</b>	<b>8,170,057.85</b>
Excess of Revenues over (under) Expenditures	-284,920.27	-966,001.23	10,031,631.36	10,997,632.59
<b>OTHER FINANCING SOURCES (USES)</b>				
Other Sources	578,026.00	1,266,611.95	117,197.75	-1,149,414.20
Other Uses	-2,673,026.00	-2,869,116.95	-2,174,435.00	694,681.95
<b>Total Other Financing Sources (Uses)</b>	<b>-2,095,000.00</b>	<b>-1,602,505.00</b>	<b>-2,057,237.25</b>	<b>-454,732.25</b>
<b>Net Change in Fund Balances</b>	<b>-2,379,920.27</b>	<b>-2,568,506.23</b>	<b>7,974,394.11</b>	<b>10,542,900.34</b>
Fund Balances - Beginning	40,511,049.82	40,511,049.82	40,658,925.39	147,875.57
Adjustments		217,585.08		-217,585.08
<b>Fund Balances - Ending</b>	<b>\$ 38,131,129.55</b>	<b>\$ 38,160,128.67</b>	<b>\$ 48,633,319.50</b>	<b>\$ 10,473,190.83</b>

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

SCHEDULE "7"

FUNDING AGENCY PROGRAM/GRANT	<u>CFDA NUMBER</u>	<u>PASS- THROUGH ENTITY ID NUMBER</u>	<u>EXPENDITURES IN PERIOD</u>
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ <u>11,717,101.95</u> (1)
Total U. S. Department of Agriculture			<u>11,717,101.95</u>
Education, U. S. Department of			
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - School Improvement Grants	84.388	N/A	<u>217,524.40</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	4,734,221.72
Preschool Grants	84.173	N/A	<u>113,178.34</u>
Total Special Education Cluster			<u>4,847,400.06</u>
Other Programs			
Direct			
Fund for the Improvement of Education	84.215		21,338.76
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	N/A	10,736.11
Career and Technical Education - Basic Grants to States	84.048	N/A	191,310.73
Education for Homeless Children and Youth	84.196	N/A	17,729.61
English Language Acquisition Grants	84.365	N/A	73,031.09
Improving Teacher Quality State Grants	84.367	N/A	338,113.05
Mathematics and Science Partnerships	84.366	N/A	636,000.08
Title I Grants to Local Educational Agencies	84.010	N/A	<u>3,529,316.19</u>
Total Other Programs			<u>4,817,575.62</u>
Total U. S. Department of Education			<u>9,882,500.08</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			54,329.68
Department of the Army			
R.O.T.C. Program			<u>337,383.98</u>
Total U. S. Department of Defense			<u>391,713.66</u>
Total Expenditures of Federal Awards			<u>\$ 21,991,315.69</u>

N/A = Not Available

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

SCHEDULE "7"

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$726,414.47.
- (2) Expenditures for the funds earned on School Breakfast Program (\$1,694,875.87) were not maintained separately and are included in the 2015 National School Lunch Program.

Major Programs are identified by an asterisk (\*) in front of the CFDA number.

The School District did not provide Federal Assistance to any Subrecipient.

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Paulding County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2015

SCHEDULE "8"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
<b>GRANTS</b>			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 7,977,452.00		\$ 7,977,452.00
Kindergarten Program - Early Intervention Program	1,065,485.00		1,065,485.00
Primary Grades (1-3) Program	20,278,055.00		20,278,055.00
Primary Grades - Early Intervention (1-3) Program	3,647,105.00		3,647,105.00
Upper Elementary Grades (4-5) Program	9,895,339.00		9,895,339.00
Primary Grades - Early Intervention (4-5) Program	1,812,588.00		1,812,588.00
Middle Grades (6-8) Program	18,933,195.00		18,933,195.00
High School General Education (9-12) Program	17,512,345.00		17,512,345.00
Vocational Laboratory (9-12) Program	5,437,765.00		5,437,765.00
Students with Disabilities	23,031,754.00		23,031,754.00
Gifted Student - Category VI	5,742,459.00		5,742,459.00
Remedial Education Program	471,238.00		471,238.00
Alternative Education Program	1,396,628.00		1,396,628.00
English Speakers of Other Languages (ESOL)	537,013.00		537,013.00
Media Center Program	3,179,052.00		3,179,052.00
20 Days Additional Instruction	978,300.00		978,300.00
Staff and Professional Development	567,847.00		567,847.00
Indirect Cost			
Central Administration	2,804,587.00		2,804,587.00
School Administration	5,992,442.00		5,992,442.00
Facility Maintenance and Operations	7,732,121.00		7,732,121.00
Mid-term Adjustment Hold-Harmless	195,294.00		195,294.00
Amended Formula Adjustment	-12,633,767.00		-12,633,767.00
Categorical Grants			
Pupil Transportation	1,362,858.00		1,362,858.00
Nursing Services	534,260.00		534,260.00
Education Equalization Funding Grant	32,662,946.00		32,662,946.00
Other State Programs			
Food Services	349,880.00		349,880.00
Georgia Foundation for Public Education Teacher of the Year Grant	1,014.25		1,014.25
Math and Science Supplements	152,797.34		152,797.34
Miscellaneous	307,163.48	\$ 15,100.00	322,263.48
Preschool Handicapped Program	388,189.96		388,189.96
Professional Staff and Professional Development	9,982.00		9,982.00
Pupil Transportation - State Bonds	231,660.00		231,660.00
Teachers' Retirement	129,680.52		129,680.52
Tuition for Multi-Handicapped Children	240,725.00		240,725.00
Vocational Education	297,673.40		297,673.40
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects		2,586,982.00	2,586,982.00
Office of the State Treasurer			
Public School Employees' Retirement	516,147.00		516,147.00
<b>CONTRACT</b>			
Human Resources, Georgia Department of			
Family Connection	44,994.76		44,994.76
	<u>\$ 163,784,268.71</u>	<u>\$ 2,602,082.00</u>	<u>\$ 166,386,350.71</u>

See notes to the basic financial statements.

PAULDING COUNTY BOARD OF EDUCATION  
 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
 YEAR ENDED JUNE 30, 2015

SCHEDULE "9"

<u>SPLIST IV Projects</u>	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)(3)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
<i>As approved by the voters on November 2, 2010</i>							
A special one percent sales and use tax for educational purposes shall be imposed in Paulding County for a period of time not to exceed 20 calendar quarters, commencing upon the expiration of the existing special one percent sales and use tax (beginning on April 2011), and for the raising of not more than \$90,000,000.00 for the purpose of:							
(a) paying a portion of the principal and interest on the Paulding County School District's outstanding General Obligation Bonds, Series 1995, Series 2003, Series 2007 and Series 2008, coming due February 1, 2012 through and including August 1, 2016, in the maximum amount of \$54,537,249.50, and	\$ 54,537,250.00	\$ 51,838,362.00	\$ 11,387,421.00	\$ 30,098,991.00	0.00	0.00	8/1/2016
(b)(i) financing capital outlays for the maintenance, renovation, completion, construction and expansion of new and existing school facilities, and (ii) acquiring any property necessary or desirable therefore, both real and personal, the maximum cost of such projects not to exceed \$35,462,750.50.	35,462,750.00	33,501,924.00	7,198,929.00	6,350,173.00	0.00	0.00	3/31/2018
<b>Total SPLIST IV</b>	<b>90,000,000.00</b>	<b>85,340,286.00</b>	<b>18,586,350.00</b>	<b>36,449,164.00</b>	<b>0.00</b>	<b>0.00</b>	
<u>SPLIST V Projects (4)</u>							
<i>As approved by the voters on May 20, 2015</i>							
A one percent sales and use tax for educational purposes shall be imposed in the Paulding County School District for a period of time not to exceed twenty consecutive calendar quarters (beginning April 2016) and for the raising of not more than \$100,000,000.00 for the purpose of:							
(A) paying the principal and interest (during the period the one percent sales and use tax is to be imposed) on Paulding County School District's outstanding General Obligation Bonds, Series 2007 and 2008 in a maximum amount of \$43,396,575.00 and	43,396,575.00	38,912,700.00					2/1/2022
(b) funding the following capital outlay projects in a maximum amount of \$56,603,425.00: acquisition, construction and equipping of facilities and equipment throughout the School District, including renovations, additions and improvements to Shelton Elementary School and North Paulding High School, track and field improvements, HVAC upgrades, roof and gutter replacement, flooring improvements, safety and security upgrades, public address and intercom replacement, plumbing improvements, new technology and band equipment.	48,671,425.00	41,948,239.00					3/31/2023
Maintenance, renovation, addition and improvement projects:							
Track and field improvements	5,982,000.00	4,807,721.00	3,051,558.00	267,518.00			12/31/2015
Band equipment	1,450,000.00	1,450,000.00	486,379.00				6/30/2019
Technology	500,000.00	500,000.00	750.00				3/31/2023
<b>Total SPLIST V</b>	<b>100,000,000.00</b>	<b>87,618,660.00</b>	<b>3,538,687.00</b>	<b>267,518.00</b>	<b>0.00</b>	<b>0.00</b>	
<b>Total All Projects</b>	<b>\$ 190,000,000.00</b>	<b>\$ 172,958,946.00</b>	<b>\$ 22,125,037.00</b>	<b>\$ 36,716,682.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Special Purpose Local Option Sales Tax (SPLIST).
- (2) The School District's current estimate of total cost for the projects, including all estimated cost from inception to completion.
- (3) Other funding sources: current cost estimates and expenditure totals include Capital Outlay Project reimbursements through the State of Georgia.
- (4) SPLIST V has been approved by voters of Paulding County, but does not go into effect until April 2016 when SPLIST IV expires. The School District used local funds to partially fund SPLIST V projects during the year ending June 30, 2015. These expenses will be reimbursed when SPLIST V goes into effect.

See notes to the basic financial statements.

PAULDING COUNTY BOARD OF EDUCATION  
 GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)  
 ALLOTMENTS AND EXPENDITURES - BY PROGRAM  
 YEAR ENDED JUNE 30, 2015

SCHEDULE "10"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 8,758,057.00	\$ 8,685,554.71	\$ 134,851.62	\$ 8,820,406.33
Kindergarten Program-Early Intervention Program	1,297,684.00	376,267.00	6,747.63	383,014.63
Primary Grades (1-3) Program	22,257,178.00	24,208,097.25	756,547.57	24,964,644.82
Primary Grades-Early Intervention (1-3) Program	4,235,178.00	1,363,786.37	11,541.01	1,375,327.38
Upper Elementary Grades (4-5) Program	10,870,119.00	13,156,126.03	210,679.66	13,366,805.69
Upper Elementary Grades-Early Intervention (4-5) Program	2,102,951.00	1,336,380.71	8,047.93	1,344,428.64
Middle School (6-8) Program	20,870,535.00	23,842,565.31	725,939.03	24,568,504.34
High School General Education (9-12) Program	19,208,489.00	22,058,309.01	893,064.49	22,951,373.50
Vocational Laboratory (9-12) Program	5,973,060.00	3,921,675.99	448,569.72	4,370,245.71
Students with Disabilities	25,228,049.00			
Category I			54,750.52	54,750.52
Category II		1,992,338.51	15,173.28	2,007,511.79
Category III		18,324,365.68	100,230.94	18,424,596.62
Category IV		335,279.60	25,187.59	360,467.19
Category V			39,289.29	39,289.29
Gifted Student - Category VI	6,333,017.00	1,287,563.31	47,105.69	1,334,669.00
Remedial Education Program	549,720.00		2,177.55	2,177.55
Alternative Education Program	1,534,335.00	623,986.70	8,247.32	632,234.02
English Speakers of Other Languages (ESOL)	594,667.00	1,320,243.23	18,716.71	1,338,959.94
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	129,813,039.00	122,832,539.41	3,506,867.55	126,339,406.96
Media Center Program	3,505,746.00	3,722,079.82	388,901.19	4,110,981.01
Staff and Professional Development	626,986.00	163,606.78	300,422.45	464,029.23
TOTAL QBE FORMULA FUNDS	\$ 133,945,771.00	\$ 126,718,226.01	\$ 4,196,191.19	\$ 130,914,417.20

(1) Comprised of State Funds plus Local Five Mill Share.

(2) Allotments do not include the impact of the State amended formula adjustment.

See notes to the basic financial statements.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



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## DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
Atlanta, Georgia 30334-8400

**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

March 22, 2016

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Paulding County Board of Education

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding County Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Paulding County Board of Education's basic financial statements and have issued our report thereon dated March 22, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Paulding County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Paulding County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Paulding County Board of Education's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Paulding County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we have reported to management of Paulding County Board of Education in a separate letter dated March 22, 2016.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, not to provide an opinion on the effectiveness of the Paulding County Board of Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Paulding County Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:er  
2015YB-10

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## DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
Atlanta, Georgia 30334-8400

**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

March 22, 2016

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Paulding County Board of Education

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ladies and Gentlemen:

### **Report on Compliance for Each Major Federal Program**

We have audited Paulding County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Paulding County Board of Education's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Paulding County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Paulding County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Paulding County Board of Education's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Paulding County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control over Compliance**

Management of Paulding County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Paulding County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Paulding County Board of Education's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin  
State Auditor



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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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PAULDING COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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PAULDING COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2015

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issue: Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted:	No

**Federal Awards**

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs: All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$659,750.98
Auditee qualified as low-risk auditee?	Yes

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.