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# PAULDING COUNTY BOARD OF EDUCATION DALLAS, GEORGIA

ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018  
(Including Independent Auditor's Reports)



PAULDING COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL



## DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
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**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

March 26, 2019

The Honorable Brian P. Kemp, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Paulding County Board of Education

### INDEPENDENT AUDITOR'S REPORT

#### 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 (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District'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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2018, and the respective changes in financial position 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 2018, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. The School District restated net position for the effect of GASB Statement No. 75. Our opinions are 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 and required supplementary information listed in the table of contents 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 about 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 School District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also 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 taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019 on our consideration of the School District'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 solely 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 the effectiveness of the School District's 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 the School District'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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive, flowing style.

Greg S. Griffin  
State Auditor

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PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

## INTRODUCTION

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, 2018. 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 Board's financial performance.

The Paulding County Board of Education has prepared the annual financial report to comply with the reporting model for financial statements (GASB Statement No. 34).

## Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- ✓ The School District's financial status remained stable during fiscal year 2018. The general fund's net change in fund balance was an increase of \$2.0 million, which represents a 4.1 percent increase from the fiscal year 2017 balance.
- ✓ General revenues accounted for \$127.3 million in revenue or 41.3 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$181.1 million or 58.7 percent of total revenues. Total revenues were \$308.4 million.
- ✓ The School District had \$305.9 million in expenses related to governmental activities; only \$181.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues, primarily taxes, of \$127.3 million were adequate to provide for these programs.
- ✓ Among major funds, the general fund had \$290.1 million in revenues, (\$2.5) million in net other financing uses and \$285.6 million in expenditures. The general fund's balance increased from \$49.8 million to \$51.8 million.
- ✓ The implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*, which established accounting and financial accounting standards for Other Post Employment Benefits that are provided to the employees of state and local governmental employers through health plans administered by the Department of Community Health (DCH), required a restatement of beginning net position. The previously reported 2017 net position of \$162.5 million was decreased to a restated deficit net position of \$45.7 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

PAULDING COUNTY BOARD OF EDUCATION  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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.

### ***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 2018?" 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 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

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

purposes and by those to whom the assets belong. The School District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

**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 2018.

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

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017 (1)
<b>Assets</b>		
Current and Other Assets	\$ 107,886	\$ 99,258
Capital Assets, Net	<u>404,357</u>	<u>405,309</u>
<b>Total Assets</b>	<u>512,243</u>	<u>504,567</u>
<b>Deferred Outflows of Resources</b>		
Deferred Charge on Debt Refunding	4,220	4,501
Related to Defined Benefit Pension Plans	46,712	72,734
Related to OPEB Plan	<u>7,571</u>	<u>-</u>
<b>Total Deferred Outflows of Resources</b>	<u>58,503</u>	<u>77,235</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>570,746</u>	<u>581,802</u>
<b>Liabilities</b>		
Current and Other Liabilities	51,049	48,418
Long-Term Liabilities	<u>543,389</u>	<u>369,314</u>
<b>Total Liabilities</b>	<u>594,438</u>	<u>417,732</u>
<b>Deferred Inflows of Resources</b>		
Unearned Grant Revenue	125	250
Related to Defined Benefit Pension Plans	2,553	1,334
Related to OPEB Plan	<u>16,767</u>	<u>-</u>
<b>Total Deferred Inflows of Resources</b>	<u>19,445</u>	<u>1,584</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>613,883</u>	<u>419,316</u>
<b>Net Position</b>		
Net Investment in Capital Assets	302,927	301,702
Restricted	9,041	6,526
Unrestricted (Deficit)	<u>(355,105)</u>	<u>(145,742)</u>
<b>Total Net Position</b>	<u>\$ (43,137)</u>	<u>\$ 162,486</u>

(1) Fiscal Year 2017 balances do not reflect the effects of the restatement of net position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

Total net position decreased \$205.6 million primarily due the implementation of GASB No. 75 which required a decrease in the beginning net position of \$208.1 million, a decrease in total deferred outflows of \$7.6 million and an increase in total deferred inflows of \$16.8 million.

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Table 2 shows the changes in net position for fiscal year 2018 compared to the changes in net position in fiscal year 2017.

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

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017 (1)
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 5,724	\$ 5,823
Operating Grants and Contributions	173,762	165,330
Capital Grants and Contributions	1,612	4,974
<b>Total Program Revenues</b>	<b>181,098</b>	<b>176,127</b>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	75,178	68,098
For Debt Services	(8)	(27)
Railroad Cars	28	23
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	16,814	15,530
Intangible Recording Tax	2,470	2,126
Grants and Contributions not		
Restricted to Specific Programs	27,368	27,944
Investment Earnings	263	247
Miscellaneous	5,228	4,329
Extraordinary Item:		
Impairment of Asset	-	(715)
<b>Total General Revenues and Extraordinary Item</b>	<b>127,341</b>	<b>117,555</b>
<b>Total Revenues</b>	<b>308,439</b>	<b>293,682</b>
<b>Program Expenses:</b>		
Instruction	199,532	192,407
Support Services		
Pupil Services	10,957	10,552
Improvement of Instructional Services	12,889	13,523
Educational Media Services	5,097	4,914
General Administration	1,166	1,332
School Administration	17,268	17,447
Business Administration	2,056	1,310
Maintenance and Operation of Plant	18,566	17,888
Student Transportation Services	14,782	13,954
Central Support Services	3,384	2,363
Other Support Services	331	266
Operations of Non-Instructional Services		
Enterprise Operations	1,175	1,260
Community Services	1	1
Food Services	14,496	14,181
Interest on Short-Term and Long-Term Debt	4,214	4,374
<b>Total Expenses</b>	<b>305,914</b>	<b>295,772</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 2,525</b>	<b>\$ (2,090)</b>

(1) Fiscal year balances do not reflect the effects of the restatement of net position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Governmental Activities**

Instruction comprises 65.2 percent of governmental program expenses. Interest expense comprises 1.4 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 2018	Year 2017	Year 2018	Year 2017
Instruction	\$ 199,532	\$ 192,407	\$ 62,420	\$ 60,731
Support Services:				
Pupil Services	10,957	10,552	9,049	8,598
Improvement of Instructional Services	12,889	13,523	9,656	10,116
Educational Media Services	5,097	4,914	1,637	1,502
General Administration	1,166	1,332	(2,602)	(1,796)
School Administration	17,268	17,447	10,617	10,977
Business Administration	2,056	1,310	2,046	1,287
Maintenance and Operation of Plant	18,566	17,888	10,611	9,811
Student Transportation Services	14,782	13,954	12,266	11,259
Central Support Services	3,384	2,363	3,330	2,246
Other Support Services	331	266	281	216
Operations of Non-Instructional Services:				
Enterprise Operations	1,175	1,260	(6)	78
Community Services	1	1	1	1
Food Services	14,496	14,181	1,296	245
Interest on Short-Term and Long-Term Debt	4,214	4,374	4,214	4,374
<b>Total Expenses</b>	<b>\$ 305,914</b>	<b>\$ 295,772</b>	<b>\$ 124,816</b>	<b>\$ 119,645</b>

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. There are 31.3 percent of instruction activities that are supported through taxes and other general revenues; for all governmental activities, general revenue support is over 40.8 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 \$324.9 million and expenditures and other financing uses of \$318.8 million. There was a net increase of \$4.1 million in the capital projects. The general fund had an increase of \$2.0 million and the debt service fund had an increase of \$0.03 million.

**General Fund Budgeting Highlights**

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

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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During the course of fiscal year 2018, 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 \$291.4 million reflect an increase to the original budgeted amount of \$285.6 million by \$5.8 million. This difference was primarily due to increases in budgeted state and federal revenues of \$4.3 million and \$0.2 million, respectively. Actual revenues of \$290.1 million were less than the final budgeted amount by \$1.3 million.

The final budgeted expenditures of \$290.2 million reflect an increase to the original budgeted amount of \$286.5 million by \$3.7 million. This difference was primarily due to an increase in instruction of \$1.7 million, an increase in pupil services of \$0.4 million, and increases in student transportation of \$1.0 million each. The final budgeted amount of \$290.2 exceeded the actual expenditures by \$4.6 million.

The School District has made a concerted effort to maintain an appropriate fund balance for current and future operations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2018, the School District had \$404.4 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2018 balances compared with fiscal year 2017 balances.

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

	Governmental Activities	
	Fiscal	Fiscal
	Year 2018	Year 2017
Land	\$ 13,305	\$ 13,305
Construction In Progress	11,798	6,823
Building and Improvements	353,707	360,617
Equipment	17,331	16,327
Land Improvements	8,216	8,237
Total	\$ 404,357	\$ 405,309

An increase occurred in construction in progress due to renovations at Hershel Jones Middle School, East Paulding Middle School and East Paulding High School.

***Long-Term Liabilities***

At June 30, 2018, the School District had \$90.5 million in bonds outstanding with \$4.3 million due within one year. The School District's legal debt limit is 10 percent of the assessed valuation of \$4,380.7 million, or a maximum debt of \$438.1 million. The total current bonded restricted debt of \$90.5 million is well below the legal limit. Other long-term liabilities amounted to \$11.6 million, which consists of unamortized bond premiums, capital leases and compensated absences.

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**Enrollment.** With an enrollment of 29,391 students as of March 2018, Paulding County Board of Education is the 14th largest school district in the State of Georgia (out of 180). As a quintessential bedroom community, with almost 80% of the tax digest held in residential properties, the collapse of the housing market had a devastating impact on the local housing-centric economy, stifling enrollment growth for several years. By fiscal year 2012, School District enrollment was declining compared to increases statewide of (0.06%) and 0.05%, respectively. However, by fiscal year 2018, enrollment growth has clearly returned to the School District, with an increase of 1.4% compared to a statewide average of 0.3%.

**Low Wealth.** In spite of favorable employment, income and free-and-reduced lunch statistics, the School District is considered a low wealth school system due to its over-dependence on residential properties in the tax digest. In fact, with approximately 66.9% of revenue coming from State sources (compared to a statewide average of 53.3%) the School District is highly susceptible to changes in State funding, including austerity reductions, Equalization Grant funding and changes in Quality Basic Education (QBE) methodology. The Equalization Grant, which is designed to support low wealth districts like Paulding County Board of Education, provided \$27.4 million in funding during fiscal year 2018.

**Great Recession.** While Paulding County is recovering from the recession, the residual effect on the tax digest remains material. Between fiscal years 2009 and 2014, the net digest decreased by 35.6% or \$1.5 billion. Since fiscal year 2014, the net digest has recovered over \$1.1 billion in value. However, as of fiscal year 2018 the digest still remains 9.0% or \$344.1 million lower than 2009. Meanwhile, the School District added 1,428 students during the same period. This is significant because approximately one-third of the School District's revenues comes from local sources.

**School-age Children per household.** With limited commercial and industrial activity, the School District is primarily dependent on residential ad valorem property taxes for local revenue. This funding issue is exacerbated by the high number of school-age children per household in Paulding County, as there is not a correlating increase in funding because local funding is based on property tax values not the number of school-age children living in the home. According to the Georgia Department of Education, based on the most current data, the School District ranks 128<sup>th</sup> (out of 180) in local revenue per full-time equivalent student.

**Rising Cost of Human Capital.** With around 80.5% of the School District's budget focused on salaries and benefits, the rising cost of human capital is a major factor bearing on the School District's future. These rising costs include, but are not limited to, the Teachers Retirement System (TRS) and State Health Benefit Plan, which have seen unprecedented increases over the past few years. As the demand for highly qualified teachers increases, the School District must remain competitive in compensation and benefits.

In spite of these challenges, Paulding County Board of Education will continue to efficiently and effectively manage our resources, while remaining committed to passionately pursuing our mission to engage, inspire and prepare ALL students for success today and tomorrow.

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**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.

PAULDING COUNTY BOARD OF EDUCATION

PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2018

EXHIBIT "A"

		GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	75,995,658.78
Receivables, Net		
Interest		12,479.54
Taxes		4,062,112.40
State Government		24,207,300.31
Federal Government		2,275,496.56
Other		248,818.71
Inventories		479,267.70
Prepaid Items		590,584.03
Net OPEB Asset		13,798.00
Capital Assets, Non-Depreciable		25,102,438.37
Capital Assets, Depreciable (Net of Accumulated Depreciation)		379,254,392.77
Total Assets		512,242,347.17
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Debt Refunding		4,219,574.16
Related to Defined Benefit Pension Plans		46,712,382.85
Related to OPEB Plan		7,571,222.00
Total Deferred Outflows of Resources		58,503,179.01
<u>LIABILITIES</u>		
Accounts Payable		11,309,216.74
Salaries and Benefits Payable		33,992,519.78
Payroll Withholdings Payable		400.01
Interest Payable		1,619,875.00
Claims Incurred but not Reported (IBNR)		22,822.50
Contracts Payable		3,185,895.10
Retainages Payable		753,976.59
Deposits and Unearned Revenues		164,417.60
Net Pension Liability		238,255,989.00
Net OPEB Liability		203,022,340.00
Long-Term Liabilities		
Due Within One Year		5,016,167.14
Due in More Than One Year		97,094,382.90
Total Liabilities		594,438,002.36
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unearned Grant Revenue		125,000.00
Related to Defined Benefit Pension Plans		2,552,745.00
Related to OPEB Plan		16,766,840.00
Total Deferred Inflows of Resources		19,444,585.00
<u>NET POSITION</u>		
Net Investment in Capital Assets		302,926,940.06
Restricted for		
Continuation of Federal Programs		5,361,805.06
Debt Service		498,692.41
Capital Projects		3,166,659.27
Net OPEB Asset		13,798.00
Unrestricted (Deficit)		(355,104,955.98)
Total Net Position	\$	(43,137,061.18)

PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 199,531,860.38	\$ 16,068.88
Support Services		
Pupil Services	10,957,388.83	-
Improvement of Instructional Services	12,888,967.02	-
Educational Media Services	5,096,605.39	-
General Administration	1,165,987.52	-
School Administration	17,268,125.43	-
Business Administration	2,056,136.91	-
Maintenance and Operation of Plant	18,566,396.62	-
Student Transportation Services	14,782,262.10	-
Central Support Services	3,383,856.78	-
Other Support Services	330,752.88	-
Operations of Non-Instructional Services		
Enterprise Operations	1,175,313.76	1,179,552.52
Community Services	832.01	-
Food Services	14,496,422.63	4,528,673.34
Interest on Short-Term and Long-Term Debt	4,213,703.73	-
	\$ 305,914,611.99	\$ 5,724,294.74
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		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year (Restated)		
Net Position - End of Year		

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
\$ 135,824,234.94	\$ 1,271,989.59	\$ (62,419,566.97)
1,907,569.98	469.24	(9,049,349.61)
3,232,153.85	578.85	(9,656,234.32)
3,422,262.93	36,937.55	(1,637,404.91)
3,767,456.56	316.70	2,601,785.74
6,620,293.45	31,063.57	(10,616,768.41)
7,273.43	2,604.51	(2,046,258.97)
7,909,038.29	46,209.93	(10,611,148.40)
2,438,457.75	77,319.58	(12,266,484.77)
33,125.39	21,076.73	(3,329,654.66)
49,476.99	230.78	(281,045.11)
-	1,358.42	5,597.18
-	58.54	(773.47)
8,550,187.66	122,032.58	(1,295,529.05)
-	-	(4,213,703.73)
<u>\$ 173,761,531.22</u>	<u>\$ 1,612,246.57</u>	<u>(124,816,539.46)</u>
		75,177,902.47
		(7,983.02)
		28,651.69
		16,813,752.20
		2,469,830.64
		27,368,078.00
		263,132.61
		<u>5,228,110.40</u>
		<u>127,341,474.99</u>
		2,524,935.53
		<u>(45,661,996.71)</u>
		<u>\$ (43,137,061.18)</u>

PAULDING COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 60,141,571.34	\$ 15,740,808.08	\$ 113,279.36	\$ 75,995,658.78
Receivables, Net				
Interest	12,189.69	289.85	-	12,479.54
Taxes	2,422,289.95	1,463,434.32	176,388.13	4,062,112.40
State Government	23,825,584.95	381,715.36	-	24,207,300.31
Federal Government	2,275,496.56	-	-	2,275,496.56
Other	248,818.71	-	-	248,818.71
Due from Other Funds	8,578,714.80	-	-	8,578,714.80
Inventories	479,267.70	-	-	479,267.70
Prepaid Items	590,584.03	-	-	590,584.03
	<u>98,574,517.73</u>	<u>17,586,247.61</u>	<u>289,667.49</u>	<u>116,450,432.83</u>
Total Assets	\$ 98,574,517.73	\$ 17,586,247.61	\$ 289,667.49	\$ 116,450,432.83
<u>LIABILITIES</u>				
Accounts Payable	\$ 11,237,114.81	\$ 72,101.93	\$ -	\$ 11,309,216.74
Due to Other Funds	-	8,578,714.80	-	8,578,714.80
Salaries and Benefits Payable	33,992,519.78	-	-	33,992,519.78
Payroll Withholdings Payable	400.01	-	-	400.01
Contracts Payable	-	3,185,895.10	-	3,185,895.10
Retainages Payable	-	753,976.59	-	753,976.59
Deposits and Unearned Revenue	164,417.60	-	-	164,417.60
	<u>45,394,452.20</u>	<u>12,590,688.42</u>	<u>-</u>	<u>57,985,140.62</u>
Total Liabilities	45,394,452.20	12,590,688.42	-	57,985,140.62
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	1,258,105.85	-	174,717.41	1,432,823.26
Unavailable Revenue - Grants	125,000.00	-	-	125,000.00
	<u>1,383,105.85</u>	<u>-</u>	<u>174,717.41</u>	<u>1,557,823.26</u>
Total Deferred Inflows of Resources	1,383,105.85	-	174,717.41	1,557,823.26
<u>FUND BALANCES</u>				
Nonspendable	9,648,566.53	-	-	9,648,566.53
Restricted	4,882,537.36	4,995,559.19	114,950.08	9,993,046.63
Assigned	1,698,679.73	-	-	1,698,679.73
Unassigned	35,567,176.06	-	-	35,567,176.06
	<u>51,796,959.68</u>	<u>4,995,559.19</u>	<u>114,950.08</u>	<u>56,907,468.95</u>
Total Fund Balances	51,796,959.68	4,995,559.19	114,950.08	56,907,468.95
	<u>98,574,517.73</u>	<u>17,586,247.61</u>	<u>289,667.49</u>	<u>116,450,432.83</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 98,574,517.73	\$ 17,586,247.61	\$ 289,667.49	\$ 116,450,432.83

PAULDING COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 56,907,468.95

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 in the funds.

Land	\$	13,304,734.59	
Construction in progress		11,797,703.78	
Buildings and improvements		472,656,824.86	
Equipment		47,321,066.27	
Land improvements		12,169,353.23	
Accumulated depreciation		<u>(152,892,851.59)</u>	404,356,831.14

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

Net pension liability	\$	(238,255,989.00)	
Net OPEB liability		<u>(203,008,542.00)</u>	(441,264,531.00)

Deferred charges on debt refundings are applicable to future periods and are therefore not reported in the funds and are amortized over the life of the new debt. 4,219,574.16

Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.

Related to pensions	\$	44,159,637.85	
Related to OPEB		<u>(9,195,618.00)</u>	34,964,019.85

Taxes that are not available to pay for current period expenditures are deferred in the funds. 1,432,823.26

Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$	(90,490,000.00)	
Accrued interest payable		(1,619,875.00)	
Capital leases payable		(161,766.02)	
Compensated absences payable		(400,274.92)	
Unamortized bond premiums		(11,058,509.10)	
Claims and judgments payable		<u>(22,822.50)</u>	<u>(103,753,247.54)</u>

Net position of governmental activities (Exhibit "A") \$ (43,137,061.18)

PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 75,437,013.48	\$ -	\$ 27,381.27	\$ 75,464,394.75
Sales Taxes	2,469,830.64	16,813,752.20	-	19,283,582.84
State Funds	183,412,428.95	1,534,926.99	-	184,947,355.94
Federal Funds	17,942,917.69	-	-	17,942,917.69
Charges for Services	5,724,294.74	-	-	5,724,294.74
Investment Earnings	258,672.61	4,421.61	38.39	263,132.61
Miscellaneous	4,838,505.01	17,221.40	-	4,855,726.41
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	290,083,663.12	18,370,322.20	27,419.66	308,481,404.98
<u>EXPENDITURES</u>				
Current				
Instruction	185,636,106.32	-	-	185,636,106.32
Support Services				
Pupil Services	10,720,154.70	-	-	10,720,154.70
Improvement of Instructional Services	12,601,995.16	-	-	12,601,995.16
Educational Media Services	4,633,765.95	-	-	4,633,765.95
General Administration	1,175,560.96	-	-	1,175,560.96
School Administration	17,155,640.93	-	-	17,155,640.93
Business Administration	1,349,124.10	-	-	1,349,124.10
Maintenance and Operation of Plant	18,109,594.17	-	-	18,109,594.17
Student Transportation Services	16,625,513.34	-	-	16,625,513.34
Central Support Services	2,272,006.04	-	-	2,272,006.04
Other Support Services	258,502.62	-	-	258,502.62
Enterprise Operations	1,168,357.65	-	-	1,168,357.65
Community Services	299.43	-	-	299.43
Food Services Operation	13,706,630.05	-	-	13,706,630.05
Capital Outlay	-	8,840,683.80	-	8,840,683.80
Debt Services				
Principal	139,448.08	-	4,140,000.00	4,279,448.08
Dues and Fees	-	-	5,717.50	5,717.50
Interest	16,353.92	126,271.98	4,052,800.00	4,195,425.90
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	285,569,053.42	8,966,955.78	8,198,517.50	302,734,526.70
Revenues over (under) Expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	4,514,609.70	9,403,366.42	(8,171,097.84)	5,746,878.28
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Capital Assets	7,490.00	-	-	7,490.00
Insurance Proceeds	377,520.28	-	-	377,520.28
Transfers In	2,479,858.75	5,343,006.00	8,197,217.50	16,020,082.25
Transfers Out	(5,347,423.50)	(10,672,658.75)	-	(16,020,082.25)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(2,482,554.47)	(5,329,652.75)	8,197,217.50	385,010.28
Net Change in Fund Balances	2,032,055.23	4,073,713.67	26,119.66	6,131,888.56
Fund Balances - Beginning	<hr/>	<hr/>	<hr/>	<hr/>
	49,764,904.45	921,845.52	88,830.42	50,775,580.39
Fund Balances - Ending	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 51,796,959.68	\$ 4,995,559.19	\$ 114,950.08	\$ 56,907,468.95

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, 2018

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ 6,131,888.56

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 12,668,393.64	
Depreciation expense	<u>(12,997,094.02)</u>	(328,700.38)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. (623,918.17)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (265,823.61)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.

Deferral of loss on refunding bonds	\$ (281,304.96)	
Bond principal retirements	4,140,000.00	
Capital lease payments	139,448.08	
Bond premium retirements	<u>194,235.46</u>	4,192,378.58

Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid. 68,791.67

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

Pension expense	\$ (2,712,211.85)	
OPEB expense	<u>(4,055,885.00)</u>	(6,768,096.85)

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.

Compensated absences	\$ (54,263.96)	
Claims and judgments	<u>172,679.69</u>	<u>118,415.73</u>

Change in net position of governmental activities (Exhibit "B") \$ 2,524,935.53

PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>465,178.95</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>465,178.95</u>

**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 board elected by the voters and a Superintendent appointed by the Board. The School District is organized as a separate legal entity and has the power to request the levy of taxes and issue bonds. 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**

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

**BASIS OF PRESENTATION**

The School District's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements. The government-wide statements focus on the School District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

**GOVERNMENT-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 Net Position presents the School District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

1. **Net investment in capital assets** consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by 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.
2. **Restricted net position** consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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 financial statements are presented for governmental and fiduciary funds. 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:

- The 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.
- The 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 for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- The 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 and interest and paying agent's fees.

The School District reports the following fiduciary fund type:

- Agency funds are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

**BASIS OF ACCOUNTING**

The basis of accounting determines when transactions are reported on the financial statements. The government-wide 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, and grants. 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 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 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.

#### NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The adoption of this statement has a significant impact on the School District's financial statements. As noted in the Restatement of Net Position note disclosure, the School District restated beginning net position for the cumulative effect of this accounting change.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeated in substance. The adoption of this statement does not have a significant impact on the School District's financial statements.

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) 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 (O.C.G.A.) §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.

### **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.

Due to other funds and due from other funds consist of activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year.

### **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 food inventories are reported at cost (calculated on the first in, first out basis). 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 future accounting periods are recorded as prepaid items, in both the government-wide and governmental fund financial statements.

### **CAPITAL ASSETS**

On the government-wide financial statements, capital assets are recorded 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 the acquisition value on the date donated. 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 are not capitalized. The School District does not capitalize book collections or works of art.

Capital acquisition and construction are recorded as expenditures in the governmental fund financial statements at the time of purchase (including ancillary charges), and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is computed using the straight-line for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives.

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

	Capitalization Policy	Estimated Useful Life
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

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position 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.

In addition to liabilities, the statement of financial position 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.

**COMPENSATED ABSENCES**

Compensated absences payable consists of vacation leave employees earned based on services already rendered.

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 of 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. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements.

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.

**LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS**

In the School District's government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the prorated method, which is a departure from generally accepted accounting principles. To conform to generally accepted accounting principles, bond premiums and discounts should be amortized using the effective interest method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the governmental fund financial statements, the School District recognizes the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs are reported as debt service expenditures.

## 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 pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

## POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees Postemployment Benefit Fund (School OPEB Fund) and additions to/deductions from School OPEB Fund fiduciary net position have been determined on the same basis as they are reported by School OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (SEAD - OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund (SEAD-OPEB) plan (the Plan) and additions to/deductions from the SEAD-OPEB's fiduciary net position have been determined on the same basis as they are reported by SEAD-OPEB. For this purpose, death benefits are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## FUND BALANCES

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

**Nonspendable** consists of resources 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** consists of resources that can be used only for specific purposes pursuant constraints either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed** consists of resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. The Board 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** consists of resources 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 or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

**Unassigned** consists of resources within the general fund not meeting the definition of any aforementioned category. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

**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.

**PROPERTY TAXES**

The Paulding County Board of Commissioners adopted the property tax levy for the 2017 tax digest year (calendar year) on August 8, 2017(levy date) based on property values as of January 1, 2017. Taxes were due on November 15, 2017 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. 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, 2018, for maintenance and operations amounted to \$69,025,999.88 and for school bonds amounted to \$17,741.41.

The tax millage rate levied for the 2017 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>18.879</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$6,420,653.46 during fiscal year ended June 30, 2018.

**SALES TAXES**

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$16,813,752.20 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.

**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. The Board prepares and presents the annual budget by fund type, fund, function, and object for management control; however, the level of control will be set at the aggregate level. There is no statutory prohibition regarding over expenditure of the budget at any 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 a budget primer (including draft enrollment projections, position allotments, and budget initiatives) and an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. These public meetings also provide opportunities for public input on the budget. 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 O.C.G.A. §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% 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% 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 the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual in the Supplementary Information Section for a detail of any over/under expenditures during the fiscal year under review.

#### **NOTE 4: DEPOSITS AND CASH EQUIVALENTS**

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

O.C.G.A. § 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% 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. § 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% 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, 2018, School District had deposits with a carrying amount of \$75,322,484.28, and a bank balance of \$76,274,848.64. The bank balances insured by Federal depository insurance were \$1,236,134.88 and the bank balances collateralized with securities held by the pledging financial institution or by the pledging financial institution's trust department or agent in the School District's name were \$74,632,146.36.

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At June 30, 2018, \$406,567.40 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	71,892.14
Uninsured with collateral held by the pledging financial institution		-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name		<u>334,675.26</u>
<b>Total</b>	<b>\$</b>	<b><u>406,567.40</u></b>

Reconciliation of cash and cash equivalents balances to carrying value of deposits:

Cash and cash equivalents		
Statement of Net Position	\$	75,995,658.78
Statement of Fiduciary Net Position		<u>465,178.95</u>
Total cash and cash equivalents		76,460,837.73
Less:		
Cash on hand		350.00
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		<u>1,138,003.45</u>
Total carrying value of deposits - June 30, 2018	\$	<u>75,322,484.28</u>

**CATEGORIZATION OF CASH EQUIVALENTS**

The School District reported cash equivalents of \$1,138,003.45 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not 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, which approximates fair value. 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, 2018, was 10 days.

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, 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, 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).

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**NOTE 5: CAPITAL ASSETS**

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

	Balances July 1, 2017	Increases	Decreases	Balances June 30, 2018
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 13,304,734.59	\$ -	\$ -	\$ 13,304,734.59
Construction in Progress	6,822,647.17	8,264,191.27	3,289,134.66	11,797,703.78
<b>Total Capital Assets Not Being Depreciated</b>	<b>20,127,381.76</b>	<b>8,264,191.27</b>	<b>3,289,134.66</b>	<b>25,102,438.37</b>
Capital Assets Being Depreciated				
Buildings and Improvements	470,914,612.89	3,084,976.68	1,342,764.71	472,656,824.86
Equipment	43,732,921.12	4,076,827.12	488,681.97	47,321,066.27
Land Improvements	11,637,820.00	531,533.23	-	12,169,353.23
Less Accumulated Depreciation for:				
Buildings and Improvements	110,297,635.54	9,437,471.58	785,796.65	118,949,310.47
Equipment	27,404,991.26	3,006,999.80	421,731.86	29,990,259.20
Land Improvements	3,400,659.28	552,622.64	-	3,953,281.92
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>385,182,067.93</b>	<b>(5,303,756.99)</b>	<b>623,918.17</b>	<b>379,254,392.77</b>
<b>Governmental Activity Capital Assets - Net</b>	<b>\$ 405,309,449.69</b>	<b>\$ 2,960,434.28</b>	<b>\$ 3,913,052.83</b>	<b>\$ 404,356,831.14</b>

Current year depreciation expense by function is as follows:

Instruction	\$ 9,034,603.94
Support Services	
Pupil Services	\$ 4,208.50
Improvements of Instructional Services	5,191.49
Educational Media Services	331,282.20
General Administration	2,840.35
School Administration	278,600.23
Business Administration	23,359.13
Maintenance and Operation of Plant	414,443.51
Student Transportation Services	1,609,683.44
Central Support Services	189,031.14
Other Support Services	2,069.87
Athletic Programs	6,780.26
Community Services	525.00
Food Services	2,868,015.12
	<u>1,094,474.96</u>
	<u>\$ 12,997,094.02</u>

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**NOTE 6: INTERFUND ASSETS, LIABILITIES, AND TRANSFERS**

**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, 2018, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 8,578,714.80	\$ -
Capital Projects Fund	-	8,578,714.80
	\$ 8,578,714.80	\$ 8,578,714.80

Interfund assets and liabilities are used to provide supplemental funding for capital construction projects. In fiscal year 2015, the School District's general fund advanced cash to the capital projects fund for ESPLOST V capital projects. Collections for ESPLOST V began in April 2016. Repayment of this advance began in May 2017 and will conclude in April 2021.

**INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfers to	Transfers From	
	General Fund	Capital Projects Fund
General fund	\$ -	\$ 2,479,858.75
Capital projects fund	5,343,006.00	-
Debt service fund	4,417.50	8,192,800.00
Total	\$ 5,347,423.50	\$ 10,672,658.75

Transfers are used to (1) move property tax revenues collected by the general fund to (a) the capital projects fund as required matching or supplemental funding source for capital construction projects, to (b) the debt service fund to pay bond administration fees, to (2) move ESPLOST proceeds collected by the capital projects fund to the debt service fund to pay principal and interest on bonds, and to (3) move advanced ESPLOST funds to the general fund to (a) pay for band equipment approved for purchase in ESPLOST and (b) repay funds advanced by the general fund for capital construction projects.

**NOTE 7: LONG-TERM LIABILITIES**

The changes in long-term liabilities during the fiscal year for governmental activities were as follows:

	Governmental Activities				
	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
General Obligation (G.O.) Bonds	\$ 94,630,000.00	\$ -	\$ 4,140,000.00	\$ 90,490,000.00	\$ 4,335,000.00
Unamortized Bond Premiums	11,252,744.56	-	194,235.46	11,058,509.10	529,767.23
Capital Leases	301,214.10	-	139,448.08	161,766.02	143,782.03
Compensated Absences	346,010.96	1,201,210.02	1,146,946.06	400,274.92	7,617.88
	\$ 106,529,969.62	\$ 1,201,210.02	\$ 5,620,629.60	\$ 102,110,550.04	\$ 5,016,167.14

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**GENERAL OBLIGATION DEBT OUTSTANDING**

The School District's bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. Bonds have also been issued to advance-refund previously issued bonds. The School District repays general obligation bonds from voter-approved property and/or ESPLOST tax collections. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Refunding - Series 2014	2.00% - 5.00%	10/23/2014	2/1/2033	90,640,000.00	90,490,000.00

The following schedule details debt service requirements to maturity for the School District's total general obligation bonds payable:

Fiscal Year Ended June 30:	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
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	4,665,000.00	3,534,900.00	570,095.54
2022	4,885,000.00	3,301,650.00	596,981.07
2023	5,125,000.00	3,057,400.00	626,310.74
2024 - 2028	29,940,000.00	11,178,000.00	3,658,876.81
2029 - 2033	37,085,000.00	4,275,975.00	4,532,045.64
Total Principal and Interest	\$ 90,490,000.00	\$ 32,993,275.00	\$ 11,058,509.10

**CAPITAL LEASES**

The School District has acquired custodial equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The following assets were acquired through capital leases and are reflected in the capital asset note at fiscal year-end:

	Governmental Activities
Equipment	\$ 331,562.75
Less: Accumulated Depreciation	63,360.38
	\$ 268,202.37

Capital leases currently outstanding are as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Custodial Equipment, Aramark	5.00%	7/1/2015	6/30/2020	\$ 541,987.41	\$ 161,766.02

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The following is a schedule of total capital lease payments:

Fiscal Year Ended June 30:	Principal	Interest
2019	\$ 143,782.03	\$ 8,563.82
2020	17,983.99	946.53
Total Principal and Interest	\$ 161,766.02	\$ 9,510.35

**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.

**NOTE 8: RISK MANAGEMENT**

**INSURANCE**

**Commercial Insurance**

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; and natural disasters. Except as described below, the School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Georgia School Boards Association Risk and Insurance Management System**

The School District participates in the Georgia School Boards Association Risk and Insurance Management System (the 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.

**WORKERS' COMPENSATION**

**Georgia School Boards Association Workers' Compensation Fund**

The School District participates in the Georgia School Boards Association Workers' Compensation Fund (the 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 in excess of \$550 thousand loss per occurrence, up to \$2.0 million. In addition to the \$550,000.00 per occurrence retention, the Fund also retains an additional \$200,000.00 per year corridor retention.

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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>
2017	\$	53,380.00	\$	194,254.96	\$	52,132.77	\$	195,502.19
2018	\$	195,502.19	\$	(172,544.32)	\$	135.37	\$	22,822.50

**UNEMPLOYMENT COMPENSATION**

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>
2017	\$	-	\$	6,975.00	\$	6,975.00	\$	-
2018	\$	-	\$	6,920.00	\$	6,920.00	\$	-

**SURETY BOND**

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

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

**NOTE 9: FUND BALANCE CLASSIFICATION DETAILS**

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2018:

Nonspendable			
Interfund Advances Receivable	\$	8,578,714.80	
Inventories		479,267.70	
Prepaid Assets		590,584.03	\$ 9,648,566.53
Restricted			
Continuation of Federal Programs	\$	4,882,537.36	
Capital Projects		3,166,659.27	
Debt Service		1,943,850.00	9,993,046.63
Assigned			
School Activity Accounts			1,698,679.73
Unassigned			38,043,442.06
Fund Balance, June 30, 2018		\$	<u>59,383,734.95</u>

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.

**NOTE 10: SIGNIFICANT COMMITMENTS**

**COMMITMENTS UNDER CONSTRUCTION CONTRACTS**

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2018, together with funding available:

Project	Unearned Executed Contracts (1)	Payments through June 30, 2018 (2)	Funding Available From State (1)
East Paulding High School Renovation	\$ 305,489.71	\$ 5,352,852.52	\$ 247,767.10
East Paulding Middle School Renovation	1,304,409.01	3,067,185.33	1,610,897.09
Herschel Jones Middle School Renovation	1,988,546.66	2,178,943.34	978,176.38
	<u>\$ 3,598,445.38</u>	<u>\$ 10,598,981.19</u>	<u>\$ 2,836,840.57</u>

(1) The amounts described are not reflected in the basic financial statements.

(2) Payments include contracts and retainages payable at year-end.

**NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES**

**FEDERAL GRANTS**

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. Any disallowances resulting from the grantor audit may become a liability of the School District. However, the School District believes that such disallowances, if any, will be immaterial to its overall financial position.

**LITIGATION**

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 have a material adverse effect on the financial condition of the School District.

**NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND**

**Plan Description:** Certified teachers and non-certified public school employees of the School District as defined in §20-2-875 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

**Benefits Provided:** The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the

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same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

**Contributions:** As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were \$7,511,604.00 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

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

At June 30, 2018, the School District reported a liability of \$203,022,340.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the School District's proportion was 1.445003%, which was a decrease of 0.010390% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$11,568,646.00. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 15,459,634.00
Net difference between projected and actual earnings on OPEB plan investments	59,381.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,305,098.00
School District contributions subsequent to the measurement date	7,511,604.00	-
<b>Total</b>	<b>\$ 7,570,985.00</b>	<b>\$ 16,764,732.00</b>

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School District contributions subsequent to the measurement date of \$7,511,604.00 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB
2019	\$ (3,000,395.00)
2020	\$ (3,000,395.00)
2021	\$ (3,000,395.00)
2022	\$ (3,000,395.00)
2023	\$ (3,015,240.00)
2024	\$ (1,688,531.00)

**Actuarial assumptions:** The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

**OPEB:**

Inflation	2.75%
Salary increases	
ERS	3.25% – 7.00%, including inflation
JRS	4.50%, including inflation
LRS	None
TRS	3.25 – 9.00%, including inflation
PSERS	N/A
Long-term expected rate of return	3.88%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.75%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2022

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years or both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement.

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- For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.
- For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 5 years for both males and females) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Additionally, there was a change that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the School OPEB Fund is based on their current or last employer payroll location. Current and former employees of public school districts, libraries, regional educational service agencies and community colleges are allocated to the School OPEB Fund irrespective of retirement system affiliation. In addition, the discount rate increased from 3.07% to 3.58%.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of 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 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>
Local Government Investment Pool	100.00%	1.13%

\*Rate shown is net of the 2.75% assumed rate of inflation.

**Discount rate:** In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2115. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2029. Therefore, the calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

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**Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate:** The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1 percentage-point higher (4.58%) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	\$ 241,052,662.00	\$ 203,022,340.00	\$ 173,008,713.00

**Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates:** The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 168,282,390.00	\$ 203,022,340.00	\$ 248,253,701.00

**OPEB plan fiduciary net position:** Detailed information about the OPEB plan's fiduciary net position is available in the Comprehensive Annual Financial Report (CAFR) which is publicly available at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (SEAD – OPEB)**

**Plan description:** SEAD-OPEB was created in 2007 by the Georgia General Assembly to amend Title 47 of the O.C.G.A., relating to retirement, so as to establish a fund for the provision of term life insurance to retired and vested inactive members of the Employees' Retirement System of Georgia (ERS), the Legislative Retirement System (LRS), and the Georgia Judicial Retirement System (GJRS). The plan is a cost-sharing multiple-employer defined benefit other postemployment benefit plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans other than OPEB Plans. The SEAD-OPEB trust fund accumulates the premiums received from the aforementioned retirement plans, including interest earned on deposits and investments of such payments.

**Benefits provided:** The amount of insurance for a retiree with creditable service prior to April 1, 1964 is the full amount of insurance in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964 is 70% of the amount of insurance in effect at age 60 or at termination, if earlier. Life insurance proceeds are paid in a lump sum to the beneficiary upon death of the retiree.

**Contributions:** Georgia law provides that employee contributions to the plan shall be in an amount established by the Board of Trustees not to exceed one-half of 1% of the member's earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the Employer reported a liability (asset) of (\$13,798.00) for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2017. The total OPEB liability (asset) used to calculate the net OPEB liability (asset) was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability (asset) as of June 30, 2017 was determined using standard roll-forward techniques. The Employer's proportion of the net OPEB liability

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(asset was based on actual member salaries reported to the SEAD-OPEB plan during the fiscal year ended June 30, 2017. At June 30, 2017, the Employer's proportion was 0.005309%, which was a decrease of 0.000181% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Employer recognized OPEB expense of (\$1,157.00). At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SEAD-OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 2,108.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	237.00	-
Total	\$ 237.00	\$ 2,108.00

There were no employer contributions subsequent to the measurement date to be reported as deferred outflows of resources or recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	SEAD-OPEB
2019	\$ (409.00)
2020	\$ (408.00)
2021	\$ (527.00)
2022	\$ (527.00)

**Actuarial assumptions:** The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

**SEAD - OPEB:**

Inflation	2.75%
Salary increases:	
ERS	3.25% - 7.00%, including inflation
GJRS	4.50%, including inflation
LRS	None
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation

Postretirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. There is a margin for future mortality improvement in the tables used by the plan.

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The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of plan investment expense and the assumed rate of 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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	SEAD - OPEB Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.50)%
Domestic large stocks	37.20%	9.00%
Domestic mid stocks	3.40%	12.00%
Domestic small stocks	1.40%	13.50%
International developed market stocks	17.80%	8.00%
International emerging market stocks	5.20%	12.00%
Alternative	5.00%	10.50%
Total	100.00%	

\* Rates shown are net of inflation

**Discount rate:** The discount rate used to measure the total OPEB 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 State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the School District’s proportionate share of the net OPEB liability to changes in the discount rate:** The following presents the Employer’s proportionate share of the net OPEB liability calculated using the discount rate of 7.50%, as well as what the Employer’s proportionate share of the net OPEB 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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB Liability (Asset)	\$ (7,552.00)	\$ (13,798.00)	\$ (18,917.00)

**OPEB plan fiduciary net position:** Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued ERS comprehensive annual financial report which is publicly available at [www.ers.ga.gov/financials](http://www.ers.ga.gov/financials).

### **NOTE 13: RETIREMENT PLANS**

The School District 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 O.C.G.A §47-3-60 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 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 2018. The School District's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual School District payroll, of which 16.77% of payroll was required from the School District and 0.03% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$25,685,081.88 and \$52,105.84 from the School District and the State, respectively.

#### **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 \$4,200.00, plus 6% of annual compensation in excess of \$4,200.00. 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 required contribution rate for the year ended June 30, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. 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 to the pension plan were \$803.29 for the current fiscal year.

#### **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/formspubs](http://www.ers.ga.gov/formspubs/formspubs).

**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.

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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. The current fiscal year contribution was \$484,176.00.

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

At June 30, 2018, the School District reported a liability of \$238,255,989.00 for its proportionate share of the net pension liability for TRS \$238,127,976.00 and ERS \$128,013.00.

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	\$ 238,127,976.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>1,241,499.00</u>
Total	<u>\$ 239,369,475.00</u>

The net pension liability for TRS and ERS was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 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, 2017.

At June 30, 2017, the School District's TRS proportion was 1.281270%, which was an increase of 0.008353% from its proportion measured as of June 30, 2016. At June 30, 2017, the School District's ERS proportion was 0.003152%, which was a decrease of 0.000391% from its proportion measured as of June 30, 2016.

At June 30, 2018, 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 \$1,984,964.00.

The PSERS net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 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, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$28,451,339.00 for TRS, (\$23,621.00) for ERS and \$400,048.00 for PSERS and revenue of \$12,184.00 for TRS and \$400,048.00 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.

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EXHIBIT "H"

At June 30, 2018, 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
Differences between expected and actual experience	\$ 8,907,453.00	\$ 898,670.00	\$ 1,403.00	\$ 1.00
Changes of assumptions	5,220,061.00	-	291.00	-
Net difference between projected and actual earnings on pension plan investments	-	1,638,719.00	-	319.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	6,897,283.00	-	-	15,036.00
School District contributions subsequent to the measurement date	<u>25,685,082.00</u>	<u>-</u>	<u>803.29</u>	<u>-</u>
Total	<u>\$ 46,709,879.00</u>	<u>\$ 2,537,389.00</u>	<u>\$ 2,497.29</u>	<u>\$ 15,356.00</u>

The School District contributions subsequent to the measurement date of \$25,685,082.00 for TRS and \$803.29 for 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, 2019. 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
2019	\$ 822,657.00	\$ (12,731.00)
2020	\$ 14,893,169.00	\$ 1,262.00
2021	\$ 8,147,253.00	\$ 1,437.00
2022	\$ (5,548,026.00)	\$ (3,630.00)
2023	\$ 172,355.00	\$ -

**Actuarial assumptions:** The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

**Teachers Retirement System:**

Inflation	2.75%
Salary increases	3.25% – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries'

PAULDING COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018

EXHIBIT "H"

projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

***Employees' Retirement System:***

Inflation	2.75%
Salary increases	3.25% – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

***Public School Employees Retirement System:***

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2018

EXHIBIT "H"

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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS Target allocation	ERS/PSERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	-	5.00%	10.50%
Total	100.00%	100.00%	

\* Rates shown are net of the 2.75% assumed rate of inflation

**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 School District'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:

<b>Teachers Retirement System:</b>	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 390,795,947.00	\$ 238,127,976.00	\$ 112,363,881.00
<b>Employees' Retirement System:</b>	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 180,684.00	\$ 128,013.00	\$ 83,083.00

**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 publicly available at [www.trsga.com/publications](http://www.trsga.com/publications) and [www.ers.ga.gov/formspubs/formspubs.html](http://www.ers.ga.gov/formspubs/formspubs.html).

**DEFINED CONTRIBUTION PLAN**

On September 1, 2017, the School District began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2018

EXHIBIT "H"

The School District selected Valic as the provider of this plan. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to 100% match up to 3% of the employee's base pay.

The employee becomes vested in the plan with 3 years of experience. Employees who had already achieved 3 years of experience at the time the plan was implemented were vested upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and 3 years of service to Paulding County School District. If an employee terminates employment prior to achieving 3 years of service, funds paid on behalf of the non-vested employee are credited back to the School District.

Employer contributions for the current fiscal year is as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2018	100%	\$ 92,357.71

**NOTE 14: RESTATEMENT OF PRIOR YEAR NET POSITION**

For fiscal year 2018, the School District made prior period adjustments due to the adoption of GASB Statement No. 75, as described in "New Accounting Pronouncements", which require the restatement of the June 30, 2017, net position in Governmental Activities. The result is a decrease in net position at July 1, 2017 of \$208,148,275. This change is in accordance with generally accepted accounting principles.

Net Position, July 1, 2017 as previously reported	\$ 162,486,278.29
Prior Period Adjustment - Implementation of GASB No. 75: Net OPEB Liability (measurement date)	(215,682,632.00)
Deferred Outflows - School District's Contributions made during fiscal year 2017	<u>7,534,357.00</u>
Net Position, July 1, 2017, as restated	\$ <u>(45,661,996.71)</u>

**NOTE 15: PRIOR YEAR DEFEASEMENT OF DEBT**

In fiscal year 2015, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements. On February 1, 2018, the remaining portion of these bonds were redeemed.

**NOTE 16: TAX ABATEMENTS**

Paulding County enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to Paulding County.

PAULDING COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018

EXHIBIT "H"

For the fiscal year ended June 30, 2018, Paulding County abated property taxes due to the School District that were levied on August 8, 2017, and due on November 15, 2017, totaling \$129,688.51. Included in that amount abated, the following are individual tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 10 percent property tax abatement to a logistics manufacturer for the purpose of increasing employment in Paulding County. The abatement totaled to \$119,479.58.
- A 40 percent property tax abatement to an envelope manufacturer for the purpose of increasing employment in Paulding County. The abatement amounted to \$ 10,208.93.

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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

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	1.281270%	\$ 238,127,976.00	\$ 1,241,499.00	\$ 239,369,475.00	\$ 147,679,049.00	161.25%	79.33%
2017	1.272917%	\$ 262,616,970.00	\$ 2,287,784.00	\$ 264,904,754.00	\$ 140,692,477.88	186.66%	76.06%
2016	1.233333%	\$ 187,762,702.00	\$ 1,666,877.00	\$ 189,429,579.00	\$ 131,294,575.52	143.01%	81.44%
2015	1.211199%	\$ 153,019,018.00	\$ 1,415,351.00	\$ 154,434,369.00	\$ 123,475,844.00	123.93%	84.03%

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

SCHEDULE "2"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total net pension liability
2018	0.003152%	\$ 128,013.00	\$ 77,310.20	165.58%	76.33%
2017	0.003543%	\$ 167,599.00	\$ 82,381.24	203.44%	72.34%
2016	0.004398%	\$ 178,180.00	\$ 100,545.67	177.21%	76.20%
2015	0.005877%	\$ 220,424.00	\$ 125,534.00	175.59%	77.99%

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

SCHEDULE "3"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.00%	\$ -	\$ 1,984,964.00	\$ 1,984,964.00	\$ 6,969,358.26	N/A	85.69%
2017	0.00%	\$ -	\$ 2,579,092.00	\$ 2,579,092.00	\$ 6,573,133.30	N/A	81.00%
2016	0.00%	\$ -	\$ 2,149,951.00	\$ 2,149,951.00	\$ 9,817,620.76	N/A	87.00%
2015	0.00%	\$ -	\$ 2,066,777.00	\$ 2,066,777.00	\$ 9,475,042.07	N/A	88.29%

PAULDING COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 SCHOOL OPEB FUND  
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "4"

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability (asset)	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's employee-covered payroll	School District's proportionate share of the net OPEB liability as a percentage of its employee-covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	1.445003%	\$ 203,022,340.00	\$ -	\$ 203,022,340.00	\$ 126,248,777.38	160.81%	1.61%

PAULDING COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 SEAD - OPEB  
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "5"

<u>Year Ended</u>	<u>School District's proportion of the net OPEB liability (asset)</u>	<u>School District's proportionate share of the net OPEB liability</u>	<u>School District's employee-covered payroll</u>	<u>School District's proportionate share of the net OPEB liability as a percentage of employee- covered payroll</u>	<u>Plan fiduciary net position as a percentage of total OPEB liability</u>
2018	0.005309%	\$ (13,798.00)	\$ 77,310.20	-17.85%	130.17%

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

SCHEDULE "6"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2018	\$ 25,685,081.88	\$ 25,685,081.88	\$ -	\$ 153,123,650.63	16.77%
2017	\$ 20,964,343.05	\$ 20,964,343.05	\$ -	\$ 147,679,049.00	14.20%
2016	\$ 19,903,701.40	\$ 19,903,701.40	\$ -	\$ 140,692,477.88	14.15%
2015	\$ 17,111,863.27	\$ 17,111,863.27	\$ -	\$ 131,294,575.52	13.03%
2014 (1)	\$ 15,162,833.64	\$ 15,162,833.64	\$ -	\$ 123,475,843.97	12.28%
2013 (1)	\$ 13,852,585.04	\$ 13,852,585.04	\$ -	\$ 121,407,406.13	11.41%
2012 (1)	\$ 12,471,991.66	\$ 12,471,991.66	\$ -	\$ 121,322,876.07	10.28%

(1) These amounts include contributions paid on the School District's behalf by Georgia Department of Education.

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

SCHEDULE "7"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2018	\$ 803.29	\$ 803.29	\$ -	\$ 3,237.76	24.81%
2017	\$ 19,180.65	\$ 19,180.65	\$ -	\$ 77,310.20	24.81%
2016	\$ 20,364.63	\$ 20,364.63	\$ -	\$ 82,381.24	24.72%
2015	\$ 22,079.83	\$ 22,079.83	\$ -	\$ 100,545.67	21.96%
2014	\$ 23,173.66	\$ 23,173.66	\$ -	\$ 125,534.45	18.46%
2013	\$ 11,038.10	\$ 11,038.10	\$ -	\$ 74,081.21	14.90%
2012	\$ 5,557.86	\$ 5,557.86	\$ -	\$ 47,788.99	11.63%

PAULDING COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 SCHOOL OPEB FUND  
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "8"

<u>Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>School District's employee-covered payroll</u>	<u>Contribution as a percentage of employee-covered payroll</u>
2018	\$ 7,511,604.00	\$ 7,511,604.00	\$ -	\$ 132,022,605.66	5.69%
2017	\$ 7,534,357.00	\$ 7,534,357.00	\$ -	\$ 126,248,777.38	5.97%

PAULDING COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 SEAD-OPEB  
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "9"

<u>Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>School District's employee-covered payroll</u>	<u>Contribution as a percentage of employee-covered payroll</u>
2018	\$ -	\$ -	\$ -	\$ 3,237.76	0%
2017	\$ -	\$ -	\$ -	\$ 77,310.20	0%

**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.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP 2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

**Employees' Retirement System**

**Changes of assumptions:** On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

**Public School Employees 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.

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement and withdrawal. The expectation of retired life mortality was changed to the RP 2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females).

**School OPEB Fund**

**Changes of benefit terms:** In June 30, 2010 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in a Medicare Advantage plan to receive the State subsidy.

**Changes in assumptions:** In the revised June 30, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location. Additionally, there were changes to the discount rate and an increase in the investment rate of return due to a longer-term investment strategy.

In the June 30, 2015 actuarial valuation, decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.

In the June 30, 2012 actuarial valuation, a data audit was performed and data collection procedures and assumptions were changed.

**SEAD-OPEB Employer**

**Changes of assumptions:** On December 17, 2015, the Board of Trustees adopted recommended changes to the economic and demographic assumptions utilized by the Plan. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

PAULDING COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

SCHEDULE "11"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL	FINAL		
<u>REVENUES</u>				
Property Taxes	\$ 73,587,000.00	\$ 74,872,162.00	\$ 75,437,013.48	\$ 564,851.48
Sales Taxes	2,952,000.00	2,952,000.00	2,469,830.64	(482,169.36)
State Funds	179,095,577.39	183,439,070.58	183,412,428.95	(26,641.63)
Federal Funds	18,131,650.54	18,352,381.19	17,942,917.69	(409,463.50)
Charges for Services	6,233,531.17	6,233,531.17	5,724,294.74	(509,236.43)
Investment Earnings	273,032.06	273,032.06	258,672.61	(14,359.45)
Miscellaneous	5,341,538.25	5,281,642.25	4,838,505.01	(443,137.24)
	<u>285,614,329.41</u>	<u>291,403,819.25</u>	<u>290,083,663.12</u>	<u>(1,320,156.13)</u>
<u>EXPENDITURES</u>				
Current				
Instruction	185,482,573.15	187,161,695.55	185,636,106.32	1,525,589.23
Support Services				
Pupil Services	10,516,171.55	10,869,323.86	10,720,154.70	149,169.16
Improvement of Instructional Services	12,878,818.83	12,992,494.37	12,601,995.16	390,499.21
Educational Media Services	4,531,157.95	4,609,260.54	4,633,765.95	(24,505.41)
General Administration	1,466,604.63	1,456,641.12	1,175,560.96	281,080.16
School Administration	17,183,232.12	17,248,204.30	17,155,640.93	92,563.37
Business Administration	1,395,979.54	1,405,848.63	1,349,124.10	56,724.53
Maintenance and Operation of Plant	18,311,407.03	18,509,245.84	18,109,594.17	399,651.67
Student Transportation Services	16,027,787.18	16,995,920.72	16,625,513.34	370,407.38
Central Support Services	2,291,026.32	2,340,026.52	2,272,006.04	68,020.48
Other Support Services	260,548.76	260,900.27	258,502.62	2,397.65
Enterprise Operations	1,364,763.96	1,364,763.96	1,168,357.65	196,406.31
Community Services	-	-	299.43	(299.43)
Food Services Operation	14,772,846.66	14,991,741.28	13,706,630.05	1,285,111.23
Debt Service	-	-	155,802.00	(155,802.00)
	<u>286,482,917.68</u>	<u>290,206,066.96</u>	<u>285,569,053.42</u>	<u>4,637,013.54</u>
Excess of Revenues over (under) Expenditures	<u>(868,588.27)</u>	<u>1,197,752.29</u>	<u>4,514,609.70</u>	<u>3,316,857.41</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Sources	787,406.00	807,406.00	2,864,869.03	2,057,463.03
Other Uses	(3,721,471.00)	(6,150,609.00)	(5,347,423.50)	803,185.50
	<u>(2,934,065.00)</u>	<u>(5,343,203.00)</u>	<u>(2,482,554.47)</u>	<u>2,860,648.53</u>
Net Change in Fund Balances	(3,802,653.27)	(4,145,450.71)	2,032,055.23	6,177,505.94
Fund Balances - Beginning	52,364,427.86	52,364,427.86	49,764,904.45	(2,599,523.41)
Adjustments	-	40,321.50	-	(40,321.50)
Fund Balances - Ending	<u>\$ 48,561,774.59</u>	<u>\$ 48,259,298.65</u>	<u>\$ 51,796,959.68</u>	<u>\$ 3,537,661.03</u>

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.

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018

SCHEDULE "12"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	18185GA324N1099	\$ 1,599,667.22
National School Lunch Program	10.555	18185GA324N1100	<u>12,242,671.63</u>
Total U. S. Department of Agriculture			<u>13,842,338.85</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	167,460.19
Grants to States	84.027	H027A170073	4,303,551.59
Preschool Grants	84.173	H173A160081	21,603.26
Preschool Grants	84.173	H173A170081	<u>60,308.49</u>
Total Special Education Cluster			<u>4,552,923.53</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A170010	189,043.13
Education for Homeless Children and Youth	84.196	S196A160011	16,284.64
Education for Homeless Children and Youth	84.196	S196A170011	14,457.87
English Language Acquisition State Grants	84.365	S365A160010	5,126.00
English Language Acquisition State Grants	84.365	S365A170010	52,503.35
Mathematics and Science Partnerships	84.366	S366B160011	24,336.61
Mathematics and Science Partnerships	84.366	S366B170011	380,793.05
Striving Readers	84.371	S371C170002	10,158.44
Student Support and Academic Enrichment Program	84.424A	S424A170011	113,616.24
Supporting Effective Instruction State Grants	84.367	S367A160001	44,734.00
Supporting Effective Instruction State Grants	84.367	S367A170001	427,656.23
Title I Grants to Local Educational Agencies	84.010	S010A160010	404,482.34
Title I Grants to Local Educational Agencies	84.010	S010A170010	<u>3,193,445.12</u>
Total Other Programs			<u>4,876,637.02</u>
Total U. S. Department of Education			<u>9,429,560.55</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.UNKNOWN		78,241.11
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		<u>350,580.04</u>
Total U. S. Department of Defense			<u>428,821.15</u>
Total Expenditures of Federal Awards			<u>\$ 23,700,720.55</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Paulding County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2018

SCHEDULE "13"

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	\$ 8,732,097.00	\$ -	\$ 8,732,097.00
Kindergarten Program - Early Intervention Program	966,226.00	-	966,226.00
Primary Grades (1-3) Program	20,693,825.00	-	20,693,825.00
Primary Grades - Early Intervention (1-3) Program	3,531,679.00	-	3,531,679.00
Upper Elementary Grades (4-5) Program	10,322,316.00	-	10,322,316.00
Upper Elementary Grades - Early Intervention (4-5) Program	2,663,581.00	-	2,663,581.00
Middle School (6-8) Program	19,786,541.00	-	19,786,541.00
High School General Education (9-12) Program	18,548,394.00	-	18,548,394.00
Vocational Laboratory (9-12) Program	6,343,069.00	-	6,343,069.00
Students with Disabilities	27,176,421.00	-	27,176,421.00
Gifted Student - Category VI	8,906,721.00	-	8,906,721.00
Remedial Education Program	816,797.00	-	816,797.00
Alternative Education Program	1,489,557.00	-	1,489,557.00
English Speakers of Other Languages (ESOL)	804,001.00	-	804,001.00
Media Center Program	3,422,849.00	-	3,422,849.00
20 Days Additional Instruction	1,038,346.00	-	1,038,346.00
Staff and Professional Development	598,423.00	-	598,423.00
Principal Staff and Professional Development	9,031.00	-	9,031.00
Indirect Cost			
Central Administration	3,633,937.00	-	3,633,937.00
School Administration	6,393,755.00	-	6,393,755.00
Facility Maintenance and Operations	7,864,697.00	-	7,864,697.00
Amended Formula Adjustment	(2,529,636.00)	-	(2,529,636.00)
Categorical Grants			
Pupil Transportation			
Regular	1,397,189.00	-	1,397,189.00
Nursing Services	582,010.00	-	582,010.00
Education Equalization Funding Grant	27,368,078.00	-	27,368,078.00
Other State Programs			
Food Services	330,088.00	-	330,088.00
Math and Science Supplements	257,784.47	-	257,784.47
Preschool Disability Services	577,640.79	-	577,640.79
Pupil Transportation - State Bonds	77,319.58	-	77,319.58
Teacher of the Year	507.25	-	507.25
Teachers Retirement	52,105.84	-	52,105.84
Vocational Education	337,841.88	-	337,841.88
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects	-	1,534,926.99	1,534,926.99
Governor's Office of Student Achievement			
Connections for Classrooms Grant	634,575.63	-	634,575.63
Natural Resources, Georgia Department of			
Georgia Retrofit Program (Owens-Brockaway SEP Grant)	51,986.00	-	51,986.00
Office of the State Treasurer			
Public School Employees Retirement	484,176.00	-	484,176.00
<b>CONTRACT</b>			
Human Resources, Georgia Department of			
Family Connection	48,499.51	-	48,499.51
	<u>\$ 183,412,428.95</u>	<u>\$ 1,534,926.99</u>	<u>\$ 184,947,355.94</u>

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PAULDING COUNTY BOARD OF EDUCATION  
 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
 YEAR ENDED JUNE 30, 2018

SCHEDULE "14"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	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 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							
	54,537,249.50	51,838,362.51	-	51,838,362.51	51,838,362.51	-	Completed
(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.							
	35,462,750.50	31,899,321.29	144,910.70	31,753,894.06	-		7/31/2018
Total SPLOST IV	90,000,000.00	83,737,683.80	144,910.70	83,592,256.57	51,838,362.51	-	
<b>PROJECT (SPLOST V) (4)</b>							
<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	8,192,800.00	6,084,649.85	-	-	2/28/2021
(b) funding the following capital outlay projects in a maximum amount of \$56,603,425: 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.							
	26,982,476.00	4,595,071.00	-	-	-	-	6/30/2023
Maintenance, renovation, addition and improvement projects:							
East Paulding Middle renovation	4,025,994.00	4,025,994.00	3,109,682.98	2,500.00	-	-	10/31/2018
Herschel Jones Middle renovation	4,167,490.00	4,167,490.00	2,253,064.24	4,300.00	-	-	6/30/2020
East Paulding High renovation	5,716,826.00	5,716,826.00	1,620,009.64	3,811,098.61	-	-	10/31/2018
Shelton Elementary addition and renovation	4,447,639.00	4,437,550.13	-	4,437,550.13	4,437,550.13	-	Completed
North Paulding High addition	3,331,000.00	3,447,287.14	266,827.90	3,180,459.24	3,447,287.14	-	Completed
Track and field improvements	5,982,000.00	5,638,131.91	216,119.81	5,172,011.38	-	-	6/30/2020
Band equipment	1,450,000.00	1,450,000.00	3,592.75	967,961.41	-	-	6/30/2021
Technology	500,000.00	500,000.00	-	141,009.39	-	-	6/30/2023
Audit Fees	-	27,500.00	5,500.00	-	-	-	
Total SPLOST V	100,000,000.00	72,918,550.18	15,667,597.32	23,801,540.01	7,884,837.27	-	
Total All Projects	\$ 190,000,000.00	\$ 156,656,233.98	\$ 15,812,508.02	\$ 107,393,796.58	\$ 59,723,199.78	\$ -	

- The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- The voters of Paulding County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ 91,990.66
Current Year	126,271.98
Total	\$ 218,262.64

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



## 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 26, 2019

The Honorable Brian P. Kemp, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
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**

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 the Paulding County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 26, 2019.

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

In planning and performing our audit of the financial statements, we considered the School District'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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District'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.

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 the School District'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*.

## 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, and not to provide an opinion on the effectiveness of the School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with a horizontal line extending from the end.

Greg S. Griffin  
State Auditor



## 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 26, 2019

The Honorable Brian P. Kemp, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
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 FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

We have audited the Paulding County Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The School District'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of the School District'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 the School District's compliance.

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

In our opinion, the School District 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, 2018.

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

Management of the School District 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 the School District'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 the Uniform Guidance, 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 School District'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin  
State Auditor

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

PAULDING COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

**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 2 CFR 200.516(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:	\$750,000.00
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.