



Engage. Inspire. Prepare.

PAULDING COUNTY BOARD OF EDUCATION DALLAS, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019
(Including Independent Auditor's Reports)



PAULDING COUNTY BOARD OF EDUCATION

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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Greg S. Griffin
STATE AUDITOR
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INDEPENDENT AUDITOR'S REPORT

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

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, 2019, 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 governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2019, 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.

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 30, 2020 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 style with a horizontal line extending from the end.

Greg S. Griffin
State Auditor

March 30, 2020

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PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, 2019. 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 2019 are as follows:

- ✓ The School District's financial status remained stable during fiscal year 2019. The general fund's net change in fund balance was an increase of \$3.2 million, which represents a 6.1 percent increase from the fiscal year 2018 balance.
- ✓ General revenues accounted for \$138.7 million in revenue or 41.5 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$195.3 million or 58.5 percent of total revenues. Total revenues were \$334.0 million.
- ✓ The School District had \$311.9 million in expenses related to governmental activities; only \$195.3 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues, primarily taxes, of \$138.7 million were adequate to provide for these programs.
- ✓ Among major funds, the general fund had \$309.9 million in revenues, (\$2.4) million in net other financing uses and \$304.5 million in expenditures. The general fund's balance increased from \$51.8 million to \$55.0 million.

Using the Basic Financial Statements

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

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

PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 2019?" 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 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.

PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 2019.

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

	Governmental Activities	
	Fiscal Year 2019	Fiscal Year 2018
Assets		
Current and Other Assets	\$ 109,102	\$ 107,886
Capital Assets, Net	<u>408,011</u>	<u>404,357</u>
Total Assets	<u>517,113</u>	<u>512,243</u>
Deferred Outflows of Resources		
Deferred Charge on Debt Refunding	3,938	4,220
Related to Defined Benefit Pension Plans	57,474	46,712
Related to OPEB Plan	<u>8,707</u>	<u>7,571</u>
Total Deferred Outflows of Resources	<u>70,119</u>	<u>58,503</u>
Total Assets and Deferred Outflows of Resources	<u>587,232</u>	<u>570,746</u>
Liabilities		
Current and Other Liabilities	45,068	51,049
Long-Term Liabilities	<u>519,642</u>	<u>543,389</u>
Total Liabilities	<u>564,710</u>	<u>594,438</u>
Deferred Inflows of Resources		
Unearned Grant Revenue	-	125
Related to Defined Benefit Pension Plans	7,085	2,553
Related to OPEB Plan	<u>36,465</u>	<u>16,767</u>
Total Deferred Inflows of Resources	<u>43,550</u>	<u>19,445</u>
Total Liabilities and Deferred Inflows of Resources	<u>608,260</u>	<u>613,883</u>
Net Position		
Net Investment in Capital Assets	311,182	302,927
Restricted	17,920	9,041
Unrestricted (Deficit)	<u>(350,130)</u>	<u>(355,105)</u>
Total Net Position	<u>\$ (21,028)</u>	<u>\$ (43,137)</u>

Total net position increased \$22.1 million primarily due to the changes in the actuarial calculation of the Pension (GASB No. 68) and OPEB (GASB No. 75) liabilities resulting in a net increase in total deferred outflows of \$11.9 million and a net decrease in total liabilities and deferred inflows of \$5.5 million.

PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Table 2 shows the changes in net position for fiscal year 2019 compared to the changes in net position in fiscal year 2018.

Table 2
Change in Net Position
(In Thousands)

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2019	2018
Revenues		
Program Revenues:		
Charges for Services	\$ 6,724	\$ 5,724
Operating Grants and Contributions	183,450	173,762
Capital Grants and Contributions	5,139	1,612
Total Program Revenues	<u>195,313</u>	<u>181,098</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	82,144	75,178
For Debt Services	17	(8)
Railroad Cars	31	28
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	18,424	16,814
Intangible Recording Tax	2,654	2,470
Grants and Contributions not		
Restricted to Specific Programs	29,049	27,368
Investment Earnings	409	263
Miscellaneous	4,893	5,228
Special Items		
Gain from Sale of Land Easement	73	-
Loss on Capital Assets from Policy Change	(3,524)	-
Extraordinary Item:		
Donation of Asset	84	-
Impairment of Asset	(50)	-
Insurance Recoveries	4,513	-
Total General Revenues, Special Items, and Extraordinary Item	<u>138,717</u>	<u>127,341</u>
Total Revenues	<u>334,030</u>	<u>308,439</u>
Program Expenses:		
Instruction	201,297	199,532
Support Services		
Pupil Services	11,238	10,957
Improvement of Instructional Services	13,502	12,889
Educational Media Services	5,254	5,097
General Administration	1,327	1,166
School Administration	18,359	17,268
Business Administration	1,413	2,056
Maintenance and Operation of Plant	19,537	18,566
Student Transportation Services	17,181	14,782
Central Support Services	2,855	3,384
Other Support Services	244	331
Operations of Non-Instructional Services		
Enterprise Operations	1,164	1,175
Community Services	1	1
Food Services	14,786	14,496
Interest on Short-Term and Long-Term Debt	3,763	4,214
Total Expenses	<u>311,921</u>	<u>305,914</u>
Increase in Net Position	<u>\$ 22,109</u>	<u>\$ 2,525</u>

PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Governmental Activities

Instruction comprises 64.5 percent of governmental program expenses. Interest expense comprises 1.2 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 Year 2019	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018
Instruction	\$ 201,297	\$ 199,532	\$ 53,306	\$ 62,420
Support Services:				
Pupil Services	11,238	10,957	9,479	9,049
Improvement of Instructional Services	13,502	12,889	9,929	9,656
Educational Media Services	5,254	5,097	1,572	1,637
General Administration	1,327	1,166	(2,263)	(2,602)
School Administration	18,359	17,268	11,334	10,617
Business Administration	1,413	2,056	1,403	2,046
Maintenance and Operation of Plant	19,537	18,566	11,366	10,611
Student Transportation Services	17,181	14,782	14,070	12,266
Central Support Services	2,855	3,384	2,745	3,330
Other Support Services	244	331	193	281
Operations of Non-Instructional Services:				
Enterprise Operations	1,164	1,175	48	(6)
Community Services	1	1	1	1
Food Services	14,786	14,496	(338)	1,296
Interest on Short-Term and Long-Term Debt	3,763	4,214	3,763	4,214
Total Expenses	\$ 311,921	\$ 305,914	\$ 116,608	\$ 124,816

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. There are 26.5 percent of instruction activities that are supported through taxes and other general revenues; for all governmental activities, general revenue support is over 37.4 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 \$344.9 million and expenditures and other financing uses of \$337.6 million. There was a net increase of \$4.2 million in the capital projects. The general fund had an increase of \$3.2 million and the debt service fund had an increase of \$0.02 million.

PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

General Fund Budgeting Highlights

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

During the course of fiscal year 2019, 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 \$310.8 million reflect an increase to the original budgeted amount of \$309.5 million by \$1.3 million. This difference was primarily due to a decrease in budgeted local revenues of \$0.4 million and increase in budgeted federal revenue of \$1.9 million. Actual revenues of \$309.9 million were less than the final budgeted amount by \$0.8 million.

The final budgeted expenditures of \$311.1 million reflect an increase to the original budgeted amount of \$311.0 million by \$0.1 million. This difference was primarily due to a decrease in instruction of \$1.1 million, and an increase in improvement of instructional services of \$0.3 million and maintenance and operation of plant of \$1.0 million, respectively. The final budgeted amount of \$311.1 exceeded the actual expenditures by \$6.7 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 2019, the School District had \$408.0 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2019 balances compared with fiscal year 2018 balances.

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

	Governmental Activities	
	Fiscal	Fiscal
	Year 2019	Year 2018
Land	\$ 13,232	\$ 13,305
Construction In Progress	13,078	11,798
Building and Improvements	359,869	353,707
Equipment	14,262	17,331
Land Improvements	7,570	8,216
Total	\$ 408,011	\$ 404,357

The construction in progress balance includes renovations at the Paulding County College and Career Academy, Herschel Jones Middle School, Panter Elementary and Nebo Elementary.

PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Long-Term Liabilities

At June 30, 2019, the School District had \$86.2 million in bonds outstanding with \$4.5 million due within one year. The School District's legal debt limit is 10 percent of the assessed valuation of \$4,139.2 million, or a maximum debt of \$413.9 million. The total current bonded restricted debt of \$86.2 million is \$327.8 million below the legal limit. Other long-term liabilities amounted to \$11.0 million, which consists of unamortized bond premiums, capital leases and compensated absences.

Factors Bearing on the School District's Future

Enrollment. With an enrollment of 30,159 students as of March 2019, Paulding County Board of Education is the 13th 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 (0.7)% or (188) students, compared to increases statewide. However, by fiscal year 2019, enrollment growth has returned to the School District, with an October 2017 to 2018 increase of 1.7% or 537 compared to a statewide average decrease of 0.1%.

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. Based on the most current data available, with approximately 61.8% of revenue coming from State sources (compared to a statewide average of 52.4%), 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 \$29.0 million in funding during fiscal year 2019.

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 \$1.4 billion in value. However, as of fiscal year 2019 the digest still remains 0.4% or \$14.6 million lower than 2009. Meanwhile, the School District added 2,023 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 primarily 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 available, the School District ranks 121st (out of 180) in local revenue per full-time equivalent student.

Rising Cost of Human Capital. With around 80.2% of the School District's general fund budget focused on salaries and benefits, the cost of human capital is a major factor bearing on the School District's future. These 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.

PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

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, 2019

EXHIBIT "A"

		GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	77,663,709.81
Receivables, Net		
Interest		47,465.93
Taxes		4,412,612.74
State Government		24,047,066.59
Federal Government		1,954,487.27
Other		135,389.51
Inventories		442,501.43
Prepaid Items		398,543.72
Net Other Postemployment Benefits Asset		633.00
Capital Assets, Non-Depreciable		26,309,816.88
Capital Assets, Depreciable (Net of Accumulated Depreciation)		381,701,600.01
Total Assets		517,113,826.89
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Debt Refunding		3,938,269.20
Related to Defined Benefit Pension Plans		57,473,837.00
Related to OPEB Plan		8,707,111.00
Total Deferred Outflows of Resources		70,119,217.20
<u>LIABILITIES</u>		
Accounts Payable		4,384,264.23
Salaries and Benefits Payable		35,184,103.20
Payroll Withholdings Payable		2,462.54
Interest Payable		1,565,687.50
Contracts Payable		3,111,815.06
Retainages Payable		673,497.90
Deposits and Unearned Revenues		146,759.58
Net Pension Liability		238,309,712.00
Net OPEB Liability		184,202,091.00
Long-Term Liabilities		
Due Within One Year		5,025,743.38
Due in More Than One Year		92,104,512.03
Total Liabilities		564,710,648.42
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Related to Defined Benefit Pension Plans		7,085,577.00
Related to OPEB Plan		36,465,065.00
Total Deferred Inflows of Resources		43,550,642.00
<u>NET POSITION</u>		
Net Investment in Capital Assets		311,182,018.09
Restricted for		
Continuation of Federal Programs		5,936,908.15
Debt Service		486,918.46
Capital Projects		11,495,497.88
Net OPEB Asset		633.00
Unrestricted (Deficit)		(350,130,221.91)
Total Net Position	\$	(21,028,246.33)

PAULDING COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 201,297,446.49	\$ -
Support Services		
Pupil Services	11,238,139.93	-
Improvement of Instructional Services	13,501,590.62	-
Educational Media Services	5,253,830.11	-
General Administration	1,327,157.36	-
School Administration	18,358,849.41	-
Business Administration	1,413,422.93	-
Maintenance and Operation of Plant	19,537,118.59	-
Student Transportation Services	17,180,583.51	-
Central Support Services	2,855,419.85	-
Other Support Services	244,029.67	-
Operations of Non-Instructional Services		
Enterprise Operations	1,163,795.27	1,111,848.99
Community Services	958.28	-
Food Services	14,785,823.27	5,611,814.06
Interest on Short-Term and Long-Term Debt	3,762,710.71	-
	\$ 311,920,876.00	\$ 6,723,663.05
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Special Items		
Gain from Sale of Land Easement		
Loss on Capital Assets from Policy Changes		
Extraordinary Items		
Donation of Asset		
Impairment of Asset		
Insurance Recoveries		
Total General Revenues, Special Items and Extraordinary Items		
Change in Net Position		
Net Position - Beginning of Year		
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
\$ 144,339,283.98	\$ 3,651,664.96	\$ (53,306,497.55)
1,757,910.89	1,293.28	(9,478,935.76)
3,571,613.30	984.06	(9,928,993.26)
3,531,257.31	150,902.00	(1,571,670.80)
3,589,744.80	748.32	2,263,335.76
6,896,815.38	127,882.07	(11,334,151.96)
4,938.56	4,991.56	(1,403,492.81)
8,013,962.48	156,779.28	(11,366,376.83)
2,584,773.61	525,417.75	(14,070,392.15)
27,118.09	83,724.01	(2,744,577.75)
50,701.97	334.01	(192,993.69)
-	3,580.01	(48,366.27)
-	234.50	(723.78)
9,081,705.27	430,602.71	338,298.77
-	-	(3,762,710.71)
<u>\$ 183,449,825.64</u>	<u>\$ 5,139,138.52</u>	<u>(116,608,248.79)</u>
		82,144,167.96
		16,585.28
		31,336.69
		18,423,677.90
		2,654,490.16
		29,049,453.00
		408,890.10
		4,892,661.57
		72,850.00
		(3,523,688.82)
		83,800.00
		(49,800.00)
		<u>4,512,639.80</u>
		<u>138,717,063.64</u>
		22,108,814.85
		<u>(43,137,061.18)</u>
		<u>\$ (21,028,246.33)</u>

PAULDING COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 59,977,934.72	\$ 17,553,936.87	\$ 131,838.22	\$ 77,663,709.81
Receivables, Net				
Interest	44,050.60	3,415.33	-	47,465.93
Taxes	2,675,356.31	1,562,793.79	174,462.64	4,412,612.74
State Government	24,045,664.67	1,401.92	-	24,047,066.59
Federal Government	1,954,487.27	-	-	1,954,487.27
Other	133,580.36	1,809.15	-	135,389.51
Due from Other Funds	5,712,618.30	-	-	5,712,618.30
Inventories	442,501.43	-	-	442,501.43
Prepaid Items	398,543.72	-	-	398,543.72
	<u>95,384,737.38</u>	<u>19,123,357.06</u>	<u>306,300.86</u>	<u>114,814,395.30</u>
Total Assets	\$ 95,384,737.38	\$ 19,123,357.06	\$ 306,300.86	\$ 114,814,395.30
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,926,284.62	\$ 457,979.61	\$ -	\$ 4,384,264.23
Due to Other Funds	-	5,712,618.30	-	5,712,618.30
Salaries and Benefits Payable	35,184,103.20	-	-	35,184,103.20
Payroll Withholdings Payable	2,462.54	-	-	2,462.54
Contracts Payable	-	3,111,815.06	-	3,111,815.06
Retainages Payable	-	673,497.90	-	673,497.90
Deposits and Unearned Revenue	146,759.58	-	-	146,759.58
	<u>39,259,609.94</u>	<u>9,955,910.87</u>	<u>-</u>	<u>49,215,520.81</u>
Total Liabilities	39,259,609.94	9,955,910.87	-	49,215,520.81
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	1,157,084.76	-	173,780.96	1,330,865.72
	<u>1,157,084.76</u>	<u>-</u>	<u>173,780.96</u>	<u>1,330,865.72</u>
<u>FUND BALANCES</u>				
Nonspendable	6,553,663.45	-	-	6,553,663.45
Restricted	5,494,406.72	9,167,446.19	132,519.90	14,794,372.81
Assigned	1,698,679.73	-	-	1,698,679.73
Unassigned	41,221,292.78	-	-	41,221,292.78
	<u>54,968,042.68</u>	<u>9,167,446.19</u>	<u>132,519.90</u>	<u>64,268,008.77</u>
Total Fund Balances	54,968,042.68	9,167,446.19	132,519.90	64,268,008.77
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 95,384,737.38	\$ 19,123,357.06	\$ 306,300.86	\$ 114,814,395.30

PAULDING COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 64,268,008.77

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	\$	13,231,884.59	
Construction in progress		13,077,932.29	
Buildings and improvements		488,557,023.38	
Equipment		40,562,228.78	
Land improvements		11,771,670.68	
Accumulated depreciation		<u>(159,189,322.83)</u>	408,011,416.89

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

Net pension liability	\$	(238,309,712.00)	
Net OPEB liability		<u>(184,201,458.00)</u>	(422,511,170.00)

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. 3,938,269.20

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	\$	50,388,260.00	
Related to OPEB		<u>(27,757,954.00)</u>	22,630,306.00

Taxes that are not available to pay for current period expenditures are deferred in the funds. 1,330,865.72

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	\$	(86,155,000.00)	
Accrued interest payable		(1,565,687.50)	
Capital leases payable		(17,984.00)	
Compensated absences payable		(428,529.08)	
Unamortized bond premiums		<u>(10,528,742.33)</u>	<u>(98,695,942.91)</u>

Net position of governmental activities (Exhibit "A") \$ (21,028,246.33)

PAULDING COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 82,276,525.74	\$ -	\$ 17,521.73	\$ 82,294,047.47
Sales Taxes	2,654,490.16	18,423,677.90	-	21,078,168.06
State Funds	191,565,870.33	4,649,038.52	-	196,214,908.85
Federal Funds	21,578,613.94	-	-	21,578,613.94
Charges for Services	6,723,663.05	-	-	6,723,663.05
Investment Earnings	399,516.70	9,325.31	48.09	408,890.10
Miscellaneous	4,750,785.94	24,850.00	-	4,775,635.94
Total Revenues	<u>309,949,465.86</u>	<u>23,106,891.73</u>	<u>17,569.82</u>	<u>333,073,927.41</u>
<u>EXPENDITURES</u>				
Current				
Instruction	198,528,463.04	-	-	198,528,463.04
Support Services				
Pupil Services	11,486,357.48	-	-	11,486,357.48
Improvement of Instructional Services	13,788,374.53	-	-	13,788,374.53
Educational Media Services	4,842,216.66	-	-	4,842,216.66
General Administration	1,358,073.22	-	-	1,358,073.22
School Administration	18,385,532.66	-	-	18,385,532.66
Business Administration	1,420,791.89	-	-	1,420,791.89
Maintenance and Operation of Plant	20,104,061.13	-	-	20,104,061.13
Student Transportation Services	16,716,272.03	-	-	16,716,272.03
Central Support Services	2,620,207.32	-	-	2,620,207.32
Other Support Services	247,521.75	-	-	247,521.75
Enterprise Operations	1,150,896.41	-	-	1,150,896.41
Community Services	113.36	-	-	113.36
Food Services Operation	13,662,959.14	-	-	13,662,959.14
Capital Outlay	-	13,039,123.85	-	13,039,123.85
Debt Services				
Principal	143,782.02	-	4,335,000.00	4,478,782.02
Dues and Fees	-	-	8,156.25	8,156.25
Interest	8,563.82	169,096.66	3,887,700.00	4,065,360.48
Total Expenditures	<u>304,464,186.46</u>	<u>13,208,220.51</u>	<u>8,230,856.25</u>	<u>325,903,263.22</u>
Revenues over (under) Expenditures	<u>5,485,279.40</u>	<u>9,898,671.22</u>	<u>(8,213,286.43)</u>	<u>7,170,664.19</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Insurance Proceeds	117,025.63	-	-	117,025.63
Transfers In	467,199.22	2,963,115.00	8,230,856.25	11,661,170.47
Transfers Out	(2,971,271.25)	(8,689,899.22)	-	(11,661,170.47)
Total Other Financing Sources (Uses)	<u>(2,387,046.40)</u>	<u>(5,726,784.22)</u>	<u>8,230,856.25</u>	<u>117,025.63</u>
<u>SPECIAL ITEMS</u>				
Proceeds from Sale of Land Easement	72,850.00	-	-	72,850.00
Net Change in Fund Balances	3,171,083.00	4,171,887.00	17,569.82	7,360,539.82
Fund Balances - Beginning	<u>51,796,959.68</u>	<u>4,995,559.19</u>	<u>114,950.08</u>	<u>56,907,468.95</u>
Fund Balances - Ending	<u>\$ 54,968,042.68</u>	<u>\$ 9,167,446.19</u>	<u>\$ 132,519.90</u>	<u>\$ 64,268,008.77</u>

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, 2019

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ 7,360,539.82

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	\$ 16,419,635.65	
Depreciation expense	<u>(13,264,300.64)</u>	3,155,335.01

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. 499,250.74

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (101,957.54)

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	4,335,000.00	
Capital lease payments	143,782.02	
Bond premium retirements	<u>529,766.77</u>	4,727,243.83

Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid. 54,187.50

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	\$ 6,174,899.15	
OPEB expense	<u>244,748.00</u>	6,419,647.15

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	\$ (28,254.16)	
Claims and judgments	<u>22,822.50</u>	<u>(5,431.66)</u>

Change in net position of governmental activities (Exhibit "B") \$ 22,108,814.85

PAULDING COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>513,803.41</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>513,803.41</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 levy 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) 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) legally restricted for the payment of general long-term principal and interest.

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 within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt 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 2019, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The adoption of this statement did not have an impact on the School District's financial statement.

In fiscal year 2019, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The School District included additional information in the Long-term Liabilities note disclosure.

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 foods 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 is 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.

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	\$ 10,000.00	20 years
Buildings and Improvements	\$ 10,000.00	50 years
Equipment	\$ 10,000.00	5 to 25 years
Intangible Assets	\$ 100,000.00	20 years

During the current fiscal year, management increased the capital asset threshold from \$5,000.00 to \$10,000.00 for land improvements, building and building improvements and equipment. The change in threshold does not have a material or significant impact on the financial statements.

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. Using the prorated method is a departure from GAAP. 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 2018 tax digest year (calendar year) on August 14, 2018 (levy date) based on property values as of January 1, 2018. Taxes were due on November 15, 2018 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2018 tax digest are reported as revenue in the governmental funds for fiscal year 2019. 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, 2019, for maintenance and operations amounted to \$75,152,752.15 and for school bonds amounted to \$1,012.10.

The tax millage rate levied for the 2018 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 \$7,140,283.22 during fiscal year ended June 30, 2019.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$18,423,677.90 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 provided 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.

The School District participates in the State’s Secure Deposit Program (SD), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization level specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased in amount of up to 125% if economic or financial conditions warrant. The program lists the types of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demand of payment under any letters of credit or sale of the covered depository’s collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

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, 2019, the School District had deposits with a carrying amount of \$77,013,036.93, and a bank balance of \$77,398,655.81. The bank balances insured by Federal depository insurance were \$1,256,135.69 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 \$523,560.13. The bank balances included in the State’s Secure Deposit Program (SDP) were \$75,618,959.99.

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

Cash and cash equivalents		
Statement of Net Position	\$	77,663,709.81
Statement of Fiduciary Net Position		513,803.41
 Total cash and cash equivalents		 78,177,513.22
 Less:		
Cash on hand		350.00
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		1,164,126.29
 Total carrying value of deposits - June 30, 2019	 \$	 <u>77,013,036.93</u>

PAULDING COUNTY BOARD OF EDUCATION
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CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of \$1,164,126.29 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, 2019, was 39 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.

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, 2018	Increases	Decreases	Balances June 30, 2019
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 13,304,734.59	\$ -	\$ 72,850.00	\$ 13,231,884.59
Construction in Progress	11,797,703.78	12,232,470.08	10,952,241.57	13,077,932.29
Total Capital Assets Not Being Depreciated	<u>25,102,438.37</u>	<u>12,232,470.08</u>	<u>11,025,091.57</u>	<u>26,309,816.88</u>
Capital Assets Being Depreciated				
Buildings and Improvements	472,656,824.86	16,051,297.37	151,098.85	488,557,023.38
Equipment	47,321,066.27	3,553,252.56	10,312,090.05	40,562,228.78
Land Improvements	12,169,353.23	81,497.01	479,179.56	11,771,670.68
Less Accumulated Depreciation for:				
Buildings and Improvements	118,949,310.47	9,773,588.95	34,811.34	128,688,088.08
Equipment	29,990,259.20	2,944,442.52	6,634,439.92	26,300,261.80
Land Improvements	3,953,281.92	546,269.17	298,578.14	4,200,972.95
Total Capital Assets, Being Depreciated, Net	<u>379,254,392.77</u>	<u>6,421,746.30</u>	<u>3,974,539.06</u>	<u>381,701,600.01</u>
Governmental Activities Capital Assets - Net	<u>\$ 404,356,831.14</u>	<u>\$ 18,654,216.38</u>	<u>\$ 14,999,630.63</u>	<u>\$ 408,011,416.89</u>

PAULDING COUNTY BOARD OF EDUCATION
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Current year depreciation expense by function is as follows:

Instruction		\$	8,994,426.79
Support Services			
Pupil Services	\$		2,895.40
Improvements of Instructional Services			2,203.12
Educational Media Services			337,840.30
General Administration			1,675.35
School Administration			286,303.15
Business Administration			11,175.13
Maintenance and Operation of Plant			351,657.42
Student Transportation Services			2,059,241.07
Central Support Services			187,441.83
Other Support Services			747.78
Athletic Programs			8,014.94
Community Services			525.00
Food Services			3,249,720.49
			<u>1,020,153.36</u>
		\$	<u>13,264,300.64</u>

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, 2019, consisted of the following:

	Due From Other Funds		Due To Other Funds
	<u> </u>		<u> </u>
General Fund	\$ 5,712,618.30	\$ -	
Capital Projects Fund	<u>-</u>		<u>5,712,618.30</u>
	<u>\$ 5,712,618.30</u>	<u>\$ 5,712,618.30</u>	

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, 2019, consisted of the following:

	Transfers From	
<u>Transfers to</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>
General Fund	\$ -	\$ 467,199.22
Capital Projects Fund	2,963,115.00	-
Debt Service Fund	<u>8,156.25</u>	<u>8,222,700.00</u>
Total	<u>\$ 2,971,271.25</u>	<u>\$ 8,689,899.22</u>

PAULDING COUNTY BOARD OF EDUCATION
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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 EPLOST 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, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
General Obligation (G.O.) Bonds	\$ 90,490,000.00	\$ -	\$ 4,335,000.00	\$ 86,155,000.00	\$ 4,455,000.00
Unamortized Bond Premiums	11,058,509.10	-	529,766.77	10,528,742.33	544,432.07
Capital Leases	161,766.02	-	143,782.02	17,984.00	17,984.00
Compensated Absences	400,274.92	1,236,408.18	1,208,154.02	428,529.08	8,327.31
	<u>\$ 102,110,550.04</u>	<u>\$ 1,236,408.18</u>	<u>\$ 6,216,702.81</u>	<u>\$ 97,130,255.41</u>	<u>\$ 5,025,743.38</u>

The School District's outstanding bonds from direct placement related to governmental activities of \$86,155,000 contain a provision that in an event of default, the bonds are payable from any state appropriations to which the School District may be entitled, which the State of Georgia Board of Education is required to withhold from the School District and transfer to the paying agent for the Bonds. The Series 2014 Bonds are subject to prepayment at the option of the School District on or after February 1, 2026.

GENERAL OBLIGATION DEBT OUTSTANDING

The School District's bonded debt consists of general obligation bonds that are generally callable with interest payable semiannually. Bonds have been issued to advance-refund previously issued bonds. The School District repays general obligation bonds from voter-approved property taxes 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	<u>\$ 90,640,000.00</u>	<u>\$ 86,155,000.00</u>

PAULDING COUNTY BOARD OF EDUCATION
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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 Bond Premium
	Principal	Interest	
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	5,370,000.00	2,801,150.00	656,251.45
2025 - 2029	31,450,000.00	9,766,250.00	3,843,409.80
2030 - 2033	30,205,000.00	2,886,575.00	3,691,261.66
Total Principal and Interest	\$ 86,155,000.00	\$ 29,105,575.00	\$ 10,528,742.33

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	\$ 55,580.66
Less: Accumulated Depreciation	<u>14,455.92</u>
	<u>\$ 41,124.74</u>

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	\$ <u>541,987.41</u>	\$ <u>17,984.00</u>

The following is a schedule of total capital lease payments:

Fiscal Year Ended June 30:	Principal	Interest
2020	\$ <u>17,984.00</u>	\$ <u>946.53</u>

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. 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.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2018	\$ 195,502.19	\$ (172,544.32)	\$ 135.37	\$ 22,822.50
2019	\$ 22,822.50	\$ (22,801.50)	\$ 21.00	\$ -

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.

PAULDING COUNTY BOARD OF EDUCATION
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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>
2018	\$	-	\$ 6,920.00	\$ 6,920.00	\$ -
2019	\$	-	\$ 1,872.00	\$ 1,872.00	\$ -

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, 2019:

Nonspendable		
Interfund Advances Receivable	\$	5,712,618.30
Inventories		442,501.43
Prepaid Assets		398,543.72
	\$	<u>6,553,663.45</u>
Restricted		
Continuation of Federal Programs	\$	5,494,406.72
Capital Projects		7,421,141.09
Debt Service		1,878,825.00
		<u>14,794,372.81</u>
Assigned		
School Activity Accounts		1,698,679.73
Unassigned		<u>41,221,292.78</u>
Fund Balance, June 30, 2019	\$	<u>64,268,008.77</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, 2019, together with funding available:

Project	Unearned Executed Contracts (1)	Payments through June 30, 2019 (2)	Funding Available From State (1)
Herschel Jones Middle School	\$ 431,198.38	\$ 3,493,767.61	\$ 143,608.40
Paulding College and Career Academy	817.80	3,106,211.84	1,266,670.65
Panter Elementary School	705,730.68	3,293,561.13	1,895,860.00
Nebo Elementary School	684,097.56	2,489,798.86	1,214,455.00
	<u>\$ 1,821,844.42</u>	<u>\$ 12,383,339.44</u>	<u>\$ 4,520,594.05</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 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

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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 \$7,900,126.00 for the year ended June 30, 2019. 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, 2019, the School District reported a liability of \$184,202,091.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 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, 2018. At June 30, 2018, the School District's proportion was 1.449304%, which was an increase of 0.004301% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized OPEB expense of \$7,651,174.00. At June 30, 2019, 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
Differences between expected and actual experience	\$ -	\$ 4,189,872.00
Changes of assumptions	-	31,204,720.00
Net difference between projected and actual earnings on OPEB plan investments	249,224.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	550,566.00	1,070,368.00
School District contributions subsequent to the measurement date	7,900,126.00	-
Total	\$ 8,699,916.00	\$ 36,464,960.00

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School District contributions subsequent to the measurement date 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, 2020. 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
2020	\$ (6,958,782.00)
2021	\$ (6,958,782.00)
2022	\$ (6,958,782.00)
2023	\$ (6,973,672.00)
2024	\$ (5,694,463.00)
Thereafter	\$ (2,120,689.00)

Actuarial assumptions: The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 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, 2018:

OPEB:

Inflation	2.75%
Salary increases	3.25% – 9.00%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.50%
Medicare Eligible	5.50%
Ultimate trend rate	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2028
Medicare Eligible	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 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.

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The actuarial assumptions used in the June 30, 2017 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.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

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.

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. During fiscal year 2018, the School OPEB fund updated their investment strategy to a more long-term approach. 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>
Fixed income	30.00%	(0.50)%
Domestic Stocks -- Large Cap	37.20%	9.00%
Domestic Stocks -- Mid Cap	3.40%	12.00%
Domestic Stocks -- Small Cap	1.40%	13.50%
Int'l Stocks - Developed Mkt	17.80%	8.00%
Int'l Stocks - Emerging Mkt	5.20%	12.00%
Alternatives	5.00%	10.50%
Total	100.00%	

*Net of Inflation

Discount rate: The discount rate has changed since the prior measurement date from 3.58% to 3.87%. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.87% 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 (3.87% 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 2118. 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 2018. Therefore, the calculated discount rate of 3.87% 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 School District's proportionate share of the net OPEB liability calculated using the discount rate of 3.87%, as well as what the School 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 (2.87%) or 1 percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
School District's proportionate share of the Net OPEB Liability	\$ 215,090,285.00	\$ 184,202,091.00	\$ 159,293,993.00

Sensitivity of the School 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
School District's proportionate share of the Net OPEB Liability	\$ 154,860,181.00	\$ 184,202,091.00	\$ 221,699,971.00

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, 2019.

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

At June 30, 2019, the Employer reported a liability (asset) of (\$633.00) for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2018. The total OPEB liability (asset) used to calculate the net OPEB liability (asset) was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability (asset) as of June 30, 2018 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, 2018. At June 30, 2018, the Employer's proportion was 0.000234%, which was a decrease of 0.005075% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Employer recognized OPEB expense of \$4,204.00. At June 30, 2019, 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
Differences between expected and actual experience	\$ 7.00	\$ -
Changes of assumptions	33.00	-
Net difference between projected and actual earnings on OPEB plan investments	-	105.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	7,155.00	-
Total	\$ 7,195.00	\$ 105.00

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, 2020. 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
2020	\$ 4,249.00
2021	\$ 2,881.00
2022	\$ (32.00)
2023	\$ (8.00)

Actuarial assumptions: The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 Based on the funding policy adopted by the Board on March 15, 2018, the investment rate of return assumption will be changed to 7.30% in the June 30, 2018 actuarial valuation. Therefore, the investment rate of return used in the roll-forward of the total pension liability is 7.30% 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%
GJRS	4.50%

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LRS	N/A
Investment rate of return	7.30%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate	N/A

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.

The actuarial assumptions used in the June 30, 2017 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 7.30%. 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 7.30 %, 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 (6.30 %) or 1- percentage-point higher (8.30 %) than the current rate:

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Net OPEB Asset	\$ (341.00)	\$ (633.00)	\$ (873.00)

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.

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 O.C.G.A. §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.

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 6.00% of their annual pay during fiscal year 2019. The School District's contractually required contribution rate for the year ended June 30, 2019 was 20.90% of annual School District payroll, of which 20.86% of payroll was required from the School District and .04% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$33,179,223.00 and \$73,846.62 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.

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 contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2019 was 24.78% of annual covered payroll for old and new plan members and 21.78% for GSEPS members. The rates include the annual actuarially determined employer contribution rate of 24.66% of annual covered payroll of new and old plan members and 21.66% 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. There were no employer contributions required for the fiscal year ended June 30, 2019.

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.

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 \$15.00, 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.

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

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$370,644.00.

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

At June 30, 2019, the School District reported a liability of \$238,309,712.00 for its proportionate share of the net pension liability for TRS \$238,304,491.00 and ERS \$5,221.00.

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	\$ 238,304,491.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>509,902.00</u>
Total	<u>\$ 238,814,393.00</u>

The net pension liability for TRS and ERS was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 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, 2018.

At June 30, 2018, the School District's TRS proportion was 1.283820%, which was an increase of 0.002550% from its proportion measured as of June 30, 2017. At June 30, 2018, the School District's ERS proportion was 0.000127%, which was a decrease of 0.003025% from its proportion measured as of June 30, 2017.

At June 30, 2019, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$2,251,521.00.

The PSERS net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 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, 2018.

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For the year ended June 30, 2019, the School District recognized pension expense of \$27,080,987.00 for TRS, (\$57,340.00) for ERS and \$521,309.00 for PSERS and revenue of \$231,924.00 for TRS and \$521,309.00 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.

At June 30, 2019, 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	\$ 15,776,094.00	\$ 491,151.00	\$ 162.00	\$ -
Changes of assumptions	3,595,928.00	-	246.00	-
Net difference between projected and actual earnings on pension plan investments	-	6,515,707.00	-	120.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	4,922,184.00	-	-	78,599.00
School District contributions subsequent to the measurement date	<u>33,179,223.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 57,473,429.00</u>	<u>\$ 7,006,858.00</u>	<u>\$ 408.00</u>	<u>\$ 78,719.00</u>

The School District contributions subsequent to the measurement date for TRS 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, 2020. 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
2020	\$ 14,758,858.00	\$ (50,161.00)
2021	\$ 8,000,721.00	\$ (27,897.00)
2022	\$ (5,719,508.00)	\$ (200.00)
2023	\$ 13,243.00	\$ (53.00)
2024	\$ 234,034.00	\$ -

Actuarial assumptions: The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, 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'

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, 2017 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%, including inflation
Investment rate of return	7.30%, 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, 2017 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	7.30%, 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, 2017 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, 2019

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	<u>100.00%</u>	<u>100.00%</u>	

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

Discount rate: The discount rate used to measure the total TRS pension liability was 7.50%. The discount rate used to measure the total ERS and PSERS pension liability was 7.30%. 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% and 7.30%, 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% and 6.30%) or 1-percentage-point higher (8.50% and 8.30%) than the current rate:

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 397,798,431.00	\$ 238,304,491.00	\$ 106,873,368.00
Employees' Retirement System:	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
School District's proportionate share of the net pension liability	\$ 7,426.00	\$ 5,221.00	\$ 3,342.00

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 and www.ers.ga.gov/formspubs/formspubs.html.

DEFINED CONTRIBUTION PLAN

In September 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.

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 and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2019	100%	\$ 135,536.49
2018	100%	\$ 92,357.71

NOTE 14: 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.

For the fiscal year ended June 30, 2019, Paulding County abated property taxes due to the School District that were levied on August 14, 2018 and due on November 15, 2018 totaling \$143,921.08. 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 amounted to \$136,201.00.
- A 50 percent property tax abatement to an envelope manufacturer for the purpose of increasing employment in Paulding County. The abatement amounted to \$7,720.08.

NOTE 15: SPECIAL AND EXTRAORDINARY ITEMS

Special Items reflect significant transactions or other events within the control of management that are unusual in nature and/or infrequent in occurrence. This activity is reflected as Special Items on the Statement of Activities. For the fiscal year ended June 30, 2019, Special Items include:

- The School District received \$72,850.00 in proceeds from the sale of land easements at Russom Elementary School.
- The School District incurred \$3,523,688.82 in losses resulting from the Board of Education increasing the minimum significant value of certain capital asset classes, including land improvements, building/addition improvements, construction in progress, and machinery/equipment from \$5,000.00 to \$10,000.00.

PAULDING COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2019

EXHIBIT "H"

Extraordinary Items reflect significant transactions or other events outside the control of management that are unusual in nature and/or infrequent in occurrence. This activity is reflected as Extraordinary Items on the Statement of Activities. For the fiscal year ended June 30, 2019, Extraordinary Items include:

- The School District received \$83,800.00 in donated capital improvements to property by outside community organizations and/or individuals.
- The School District reported a loss of \$49,800.00 asset impairment to South Paulding High School's baseball/softball storage facility, which was damaged by fire on April 30, 2019.
- The School District had \$4,512,639.80 in construction/repairs to East Paulding High School's gymnasium, which was damaged by fire on June 9, 2017.

NOTE 16: IMPAIRMENT OF ASSETS

During the current year, the School District has recognized that the following assets qualified as impaired due to fire damage. The activity is reflected as an Extraordinary Item on the Statement of Activities.

Classification (Instruction, Support Services, etc.)	Asset Qualifying As Impaired	Historical Cost	Less Accumulated Depreciation	Carrying Value	Restoration Cost Approach Restoration Cost Ratio	(Gain)/Loss
Instruction	SPHS Fieldhouse	\$ 99,600.00	\$ (3,989.27)	\$ 95,610.73	52.0862%	\$ 49,800.00

This impairment loss is reported on the financial statements as an extraordinary item.

NOTE 17: SUBSEQUENT EVENT

In the subsequent fiscal year, on November 5, 2019, a majority of the qualified voters of Paulding County authorized the imposition of a Special Purpose Local Option Sales Tax (SPLOST) for the purposes of (a) paying the principal and interest on the Series 2014 Bonds (during the period the tax is to be imposed) in the maximum amount of \$40,982,000.00 and (b) finance, in the maximum total costs of \$79,018,000.00, certain capital outlay projects including acquisition, construction, and equipping facilities and equipment throughout the School District, including new school facility construction, strategic additions, improvements to existing schools, technology enhancements, fine arts initiatives, safety and security upgrades, track, tennis, gym and other athletic facility improvements. Collection of this tax will begin in April 2021. Authorization of this tax constituted approval of the issuance of general obligation debt of the School District in a principal amount not to exceed \$30,000,000.00 for all or a portion of the designated capital outlay projects. Such general obligation debt shall be payable first from the proceeds of the tax; however, such general obligation debt which is not satisfied from the proceeds of the tax shall be satisfied from the general funds of the School District or from a direct annual ad valorem tax to be levied for such purpose. The School District has not issued any of this general obligation debt as of the report date.

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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
2019	1.283820%	\$ 238,304,491.00	\$ 509,902.00	\$ 238,814,393.00	\$ 153,123,650.63	155.63%	80.27%
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"

<u>Year Ended</u>	<u>School District's proportion of the net pension liability</u>	<u>School District's proportionate share of the net pension liability</u>	<u>School District's covered payroll</u>	<u>School District's proportionate share of the net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total pension liability</u>
2019	0.000127%	\$ 5,221.00	\$ 3,237.76	161.25%	76.68%
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
2019	0.00%	\$ -	\$ 2,251,521.00	\$ 2,251,521.00	\$ 7,339,257.42	N/A	85.26%
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	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2019	1.449304%	\$ 184,202,091.00	\$ -	\$ 184,202,091.00	\$ 132,022,605.66	139.52%	2.93%
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"

Year Ended	School District's proportion of the net OPEB asset	School District's proportionate share of the net OPEB asset	School District's covered- employee payroll	School District's proportionate share of the net OPEB liability as a percentage of covered- employee payroll	Plan fiduciary net position as a percentage of total OPEB asset
2019	0.000234%	\$ (633.00)	\$ 3,237.76	-19.55%	129.46%
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
2019	\$ 33,179,223.00	\$ 33,179,223.00	\$ -	\$ 159,085,936.28	20.86%
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
2019	\$ -	\$ -	\$ -	\$ -	0%
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"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2019	\$ 7,900,126.00	\$ 7,900,126.00	\$ -	\$ 135,247,065.00	5.84%
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"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered- employee payroll
2019	\$ -	\$ -	\$ -	\$ -	0%
2018	\$ -	\$ -	\$ -	\$ 3,237.76	0%
2017	\$ -	\$ -	\$ -	\$ 77,310.20	0%

Teachers Retirement System

Changes of assumptions: 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).

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.

Employees' Retirement System

Changes of benefit terms:

- A new benefit tier was added for members joining the System on and after July 1, 2009.
- A one-time 3% payment was granted to certain retirees and beneficiaries effective July 2016.
- A one-time 3% payment was granted to certain retirees and beneficiaries effective July 2017.

Changes of assumptions: On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date.

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: On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date.

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).

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.

School OPEB Fund

Changes of benefit terms: There have been no changes in benefit terms.

Changes in assumptions: June 30, 2017 valuation: the June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are now assigned to the State OPEB fund based on their last employer payroll location: irrespective of retirement affiliation.

The discount rate was updated from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

SEAD-OPEB Employer

Changes of benefit terms: There have been no changes in benefit terms.

Changes in assumptions: June 30, 2017 valuation: the June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are now assigned to the State OPEB fund based on their last employer payroll location: irrespective of retirement affiliation.

The discount rate was updated from 3.60% as of June 30, 2017 to 5.22% as of June 30, 2018.

PAULDING COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

SCHEDULE "11"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 82,561,000.00	\$ 82,161,000.00	\$ 82,276,525.74	\$ 115,525.74
Sales Taxes	2,684,000.00	2,684,000.00	2,654,490.16	(29,509.84)
State Funds	191,491,617.81	191,253,210.79	191,565,870.33	312,659.54
Federal Funds	21,074,049.55	22,966,277.04	21,578,613.94	(1,387,663.10)
Charges for Services	6,107,286.87	6,101,131.87	6,723,663.05	622,531.18
Investment Earnings	250,000.00	250,000.00	399,516.70	149,516.70
Miscellaneous	5,344,901.60	5,356,739.35	4,750,785.94	(605,953.41)
Total Revenues	309,512,855.83	310,772,359.05	309,949,465.86	(822,893.19)
EXPENDITURES				
Current				
Instruction	201,997,082.69	200,872,845.41	198,528,463.04	2,344,382.37
Support Services				
Pupil Services	12,211,151.84	12,309,254.18	11,486,357.48	822,896.70
Improvement of Instructional Services	14,249,210.16	14,539,102.81	13,788,374.53	750,728.28
Educational Media Services	4,892,682.45	4,846,425.87	4,842,216.66	4,209.21
General Administration	1,420,212.11	1,542,701.39	1,358,073.22	184,628.17
School Administration	18,706,586.49	18,575,372.26	18,385,532.66	189,839.60
Business Administration	1,543,158.50	1,540,414.04	1,420,791.89	119,622.15
Maintenance and Operation of Plant	19,768,840.74	20,743,808.09	20,104,061.13	639,746.96
Student Transportation Services	17,670,216.76	17,335,315.92	16,716,272.03	619,043.89
Central Support Services	2,543,254.03	2,651,559.32	2,620,207.32	31,352.00
Other Support Services	263,831.26	264,950.79	247,521.75	17,429.04
Enterprise Operations	1,138,631.29	1,138,631.29	1,150,896.41	(12,265.12)
Community Services	-	-	113.36	(113.36)
Food Services Operation	14,635,949.00	14,758,774.24	13,662,959.14	1,095,815.10
Debt Service	-	-	152,345.84	(152,345.84)
Total Expenditures	311,040,807.32	311,119,155.61	304,464,186.46	6,654,969.15
Excess of Revenues over (under) Expenditures	(1,527,951.49)	(346,796.56)	5,485,279.40	5,832,075.96
OTHER FINANCING SOURCES (USES)				
Other Sources	1,238,282.00	1,244,437.00	584,224.85	(660,212.15)
Other Uses	(3,736,374.00)	(3,742,529.00)	(2,971,271.25)	771,257.75
Total Other Financing Sources (Uses)	(2,498,092.00)	(2,498,092.00)	(2,387,046.40)	111,045.60
Special Items				
Proceeds from Sale of Land Easement	-	-	72,850.00	72,850.00
Net Change in Fund Balances	(4,026,043.49)	(2,844,888.56)	3,171,083.00	6,015,971.56
Fund Balances - Beginning	51,989,094.63	51,989,094.63	51,796,959.68	(192,134.95)
Adjustments	-	(36,766.27)	-	36,766.27
Fund Balances - Ending	\$ 47,963,051.14	\$ 49,107,439.80	\$ 54,968,042.68	\$ 5,860,602.88

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, 2019

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	195GA324N1099	\$ 1,824,220.79
National School Lunch Program	10.555	195GA324N1099	<u>11,946,521.72</u>
Total U. S. Department of Agriculture			<u>13,770,742.51</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A170073	192,489.20
Grants to States	84.027	H027A180073	4,232,730.80
Preschool Grants	84.173	H173A170081	26,113.80
Preschool Grants	84.173	H173A180081	<u>64,589.31</u>
Total Special Education Cluster			<u>4,515,923.11</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A180010	212,179.43
Education for Homeless Children and Youth	84.196	S196A170011	19,573.37
English Language Acquisition State Grants	84.365	S365A170010	22,031.55
English Language Acquisition State Grants	84.365	S365A180010	63,397.05
Mathematics and Science Partnerships	84.366	S366B170011	42,178.72
Striving Readers	84.371	S371C170002	2,960,293.41
Student Support and Academic Enrichment Program	84.424A	S424A170011	10,478.37
Student Support and Academic Enrichment Program	84.424A	S424A180011	218,277.99
Supporting Effective Instruction State Grants	84.367	S367A170001	106,832.89
Supporting Effective Instruction State Grants	84.367	S367A180001	459,786.58
Title I Grants to Local Educational Agencies	84.010	S010A170010	445,903.87
Title I Grants to Local Educational Agencies	84.010	S010A180010	<u>3,384,583.00</u>
Total Other Programs			<u>7,945,516.23</u>
Total U. S. Department of Education			<u>12,461,439.34</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.UNKNOWN		84,605.70
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		<u>365,682.03</u>
Total U. S. Department of Defense			<u>450,287.73</u>
Total Expenditures of Federal Awards			<u>\$ 26,682,469.58</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, 2019. 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.

Note 3. Indirect Cost Rate

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, 2019

SCHEDULE "13"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 9,658,438.00	\$ -	\$ 9,658,438.00
Kindergarten Program - Early Intervention Program	610,345.00	-	610,345.00
Primary Grades (1-3) Program	21,004,678.00	-	21,004,678.00
Primary Grades - Early Intervention (1-3) Program	3,617,509.00	-	3,617,509.00
Upper Elementary Grades (4-5) Program	10,220,823.00	-	10,220,823.00
Upper Elementary Grades - Early Intervention (4-5) Program	2,876,398.00	-	2,876,398.00
Middle School (6-8) Program	20,592,503.00	-	20,592,503.00
High School General Education (9-12) Program	19,058,699.00	-	19,058,699.00
Vocational Laboratory (9-12) Program	6,622,093.00	-	6,622,093.00
Students with Disabilities	28,759,129.00	-	28,759,129.00
Gifted Student - Category VI	9,806,441.00	-	9,806,441.00
Remedial Education Program	836,615.00	-	836,615.00
Alternative Education Program	1,536,822.00	-	1,536,822.00
English Speakers of Other Languages (ESOL)	932,762.00	-	932,762.00
Media Center Program	3,531,740.00	-	3,531,740.00
20 Days Additional Instruction	1,068,300.00	-	1,068,300.00
Staff and Professional Development	612,456.00	-	612,456.00
Principal Staff and Professional Development	9,052.00	-	9,052.00
Indirect Cost			
Central Administration	3,402,171.00	-	3,402,171.00
School Administration	6,624,313.00	-	6,624,313.00
Facility Maintenance and Operations	7,980,085.00	-	7,980,085.00
Categorical Grants			
Pupil Transportation			
Regular	1,443,632.00	-	1,443,632.00
Nursing Services	605,746.00	-	605,746.00
State Health Employer Contribution Holiday	(1,588,545.00)	-	(1,588,545.00)
Education Equalization Funding Grant	29,049,453.00	-	29,049,453.00
Other State Programs			
Food Services	330,846.00	-	330,846.00
Math and Science Supplements	234,272.37	-	234,272.37
Preschool Disability Services	613,851.18	-	613,851.18
Pupil Transportation - State Bonds	490,100.00	-	490,100.00
School Safety Grant	-	222,477.00	222,477.00
Teachers Retirement	73,846.62	-	73,846.62
Vocational Education	285,006.53	-	285,006.53
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects	-	4,426,561.52	4,426,561.52
Governor's Office of Student Achievement			
Accelerator Grant	8,370.29	-	8,370.29
Tiny Grant	6,992.44	-	6,992.44
Natural Resources, Georgia Department of			
Georgia Retrofit Program (Owens-Brockaway SEP Grant)	230,309.80	-	230,309.80
Office of the State Treasurer			
Public School Employees Retirement	370,644.00	-	370,644.00
CONTRACT			
Human Resources, Georgia Department of			
Family Connection	49,973.10	-	49,973.10
	<u>\$ 191,565,870.33</u>	<u>\$ 4,649,038.52</u>	<u>\$ 196,214,908.85</u>

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PAULDING COUNTY BOARD OF EDUCATION
 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
 YEAR ENDED JUNE 30, 2019

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,	35,462,750.50	31,899,321.29	516.53	31,898,804.76	31,899,321.29	-	Completed
Total SPLOST IV	90,000,000.00	83,737,683.80	516.53	83,737,167.27	83,737,683.80	-	
PROJECT (SPLOST V) (4)							
<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	38,912,699.85	8,222,700.00	14,277,449.85	-	-	2/28/2021
(b) funding the following capital outlay projects in a maximum amount of \$56,603,425.00: acquisition, construction and equipping of facilities and equipment throughout the School District, including renovations, additions and improvements to Shelton Elementary School and North Paulding High School, track and field improvements, HVAC upgrades, roof and gutter replacement, flooring improvements, safety and security upgrades, public address and intercom replacement, plumbing improvements, new technology and band equipment.	26,982,476.00	-	-	-	-	-	6/30/2023
Maintenance, renovation, addition and improvement projects:							
East Paulding Middle renovation	4,025,994.00	4,363,415.81	1,251,232.83	3,112,182.98	4,363,415.81	-	Completed
Herschel Jones Middle renovation	4,167,490.00	4,037,912.07	1,446,974.53	2,257,364.24	-	-	6/30/2020
East Paulding High renovation	5,716,826.00	5,643,819.43	212,711.18	5,431,108.25	5,643,819.43	-	Completed
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	-	3,447,287.14	3,447,287.14	-	Completed
Track and field improvements	5,982,000.00	5,635,416.35	72,285.16	5,388,131.19	-	-	6/30/2022
Band equipment	1,450,000.00	1,450,000.00	467,199.22	971,554.16	-	-	6/30/2020
Technology	500,000.00	641,180.15	71,177.13	141,009.39	-	-	6/30/2023
Allgood Elementary carpet	-	175,928.71	175,928.71	-	175,928.71	-	Completed
Panther Elementary renovation	-	3,846,913.52	3,341,933.89	-	-	-	6/30/2020
Nebo Elementary renovation	-	3,144,169.57	2,654,923.44	-	-	-	6/30/2020
Burnt Hickory Elementary carpet	-	275,000.00	-	-	-	-	6/30/2020
New Georgia Elementary carpet	-	115,500.00	-	-	-	-	6/30/2020
Hiram High renovations	-	6,972,000.00	-	-	-	-	6/30/2021
Roberts Elementary renovation	-	2,909,000.00	-	-	-	-	6/30/2022
Dobbins Middle renovation	-	3,703,000.00	-	-	-	-	6/30/2023
Moses Middle renovation	-	3,739,000.00	-	-	-	-	6/30/2023
Maintenance projects	-	565,000.00	-	-	-	-	6/30/2023
Miscellaneous projects	-	200,000.00	-	-	-	-	6/30/2023
Russom Elementary renovation	-	2,191,000.00	-	-	-	-	6/30/2024
Audit Fees	-	30,500.00	5,000.00	5,500.00	-	-	6/30/2023
Total SPLOST V	100,000,000.00	96,436,292.73	17,922,066.09	39,469,137.33	18,068,001.22	-	
Total All Projects	\$ 190,000,000.00	\$ 180,173,976.53	\$ 17,922,582.62	\$ 123,206,304.60	\$ 101,805,685.02	\$ -	

- 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	\$ 218,262.64
Current Year	169,096.66
Total	\$ 387,359.30

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

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

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

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, 2019, 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 30, 2020.

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 to the right.

Greg S. Griffin
State Auditor

March 30, 2020



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Paulding County Board of Education (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, 2019. 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, 2019.

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

March 30, 2020

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, 2019

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, 2019

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>
84.027, 84.173	Special Education Cluster
84.371	Striving Readers
84.010	Title I Grants to Local Educational Agencies

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.