



CARROLL COUNTY BOARD OF EDUCATION CARROLLTON, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

(Including Independent Auditor's Reports)



CARROLL COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

November 28, 2017

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll County Board of Education (School District), as of and for the year ended June 30, 2016, 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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2016, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and 68*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through ix and pages 43 through 51 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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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, consisting of Schedules 10 through 12, 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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 fluid and cursive, with a long horizontal stroke at the end.

Greg S. Griffin
State Auditor

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CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

INTRODUCTION

Our discussion and analysis of the Carroll County School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Comparative data is provided for fiscal year 2016 and fiscal year 2015.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 are as follows:

- In total, net position increased \$11.3 million which represents a 12 percent increase from 2015. This increase was due to governmental activities since the School District has no business-type activities. This is mainly due to an increase in QBE earnings of \$4.0 million and an increased investment in capital assets.
- The School District had \$139.0 million in expenses relating to governmental activities compared to \$134.8 million last year. The increase in overall expenses from last year was impacted by most functions of expense. For this year \$93.3 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$57.0 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$57.0 million or 38 percent of all revenues totaling \$150.3 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the remainder.
- The School District issued general obligation sales tax bonds of \$17.9 million, which is restricted to capital projects. The School District subsequently issued general obligation sales tax bonds of \$2.1 million in fiscal year 2017.

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 Carroll County School District as a financial whole, or as an entire operating entity. Each statement type is explained below:

Government-wide Financials

The government-wide financial statements include the *Statement of Net Position* and *Statement of Activities*. These statements provide information about the activities of the School District presenting both *short-term* and *long-term* information about the School District's overall financial status. The government-wide financial statements are basically a consolidation of all of the School District's operating funds into one total called *governmental activities*. In reviewing the government-wide financial statements, a reader might ask the question, "How did we do financially in 2016?" The Statement of Net Position and the Statement of Activities provides the

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

basis for answering this question. These financial statements include all the School District's *assets*, *deferred outflows*, *deferred inflows* and *liabilities* and uses the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting considers 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 any changes in net position. This change in net position is important because it tells the reader that, 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 results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

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, principal's accounts and various others.

Fund Financial Statements

The fund financial reports focus on individual parts of the School District, reporting the School District's operation in more detail. The governmental fund financial statements reflect the School District's most significant funds. In the case of the Carroll County School District, the general fund, capital projects fund, and debt service fund are the most significant funds.

Governmental Funds: Most of the School District's activities are reported in governmental funds, which focus on how money flows in to 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: These statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for assets that belong to others, such as school clubs and organizations within the principals' 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.

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

The largest portion of the School District's net position is its investment in capital assets (e.g., land and improvements, building and building improvements, vehicles, furniture, equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Assets		
Current and Other Assets	\$ 60,048,408	\$ 46,382,742
Capital Assets, Net	<u>244,363,950</u>	<u>238,870,227</u>
Total Assets	<u>304,412,358</u>	<u>285,252,969</u>
Deferred Outflows of Resources	<u>9,947,672</u>	<u>9,171,932</u>
Liabilities		
Current and Other Liabilities	17,109,780	15,914,948
Long-Term Liabilities	<u>175,814,386</u>	<u>149,318,237</u>
Total Liabilities	<u>192,924,166</u>	<u>165,233,185</u>
Deferred Inflows of Resources	<u>12,263,270</u>	<u>31,313,538</u>
Net Position		
Net Investment in Capital Assets	186,666,245	183,243,981
Restricted	8,183,583	6,708,563
Unrestricted (Deficit)	<u>(85,677,234)</u>	<u>(92,074,366)</u>
Total Net Position	<u>\$ 109,172,594</u>	<u>\$ 97,878,178</u>

**CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Total net position increased \$11.3 million in fiscal year 2016. This increase is primarily due to increased QBE earnings and an increased investment in capital assets.

Table 2 shows the changes in net position for fiscal year 2016 compared to the changes in net position for fiscal year 2015.

**Table 2
Change in Net Position**

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Revenues		
Program Revenues:		
Charges for Services	\$ 5,133,525	\$ 2,640,512
Operating Grants and Contributions	87,597,714	84,019,905
Capital Grants and Contributions	540,540	1,458,647
Total Program Revenues	93,271,779	88,119,064
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	33,835,196	33,199,183
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	12,049,080	12,040,924
Intangible Recording Tax	935,278	870,756
Grants and Contributions not		
Restricted to Specific Programs	8,479,080	8,620,215
Investment Earnings	24,517	19,635
Miscellaneous	1,713,840	3,427,016
Total General Revenues	57,036,991	58,177,729
Total Revenues	150,308,770	146,296,793
Program Expenses		
Instruction	88,415,484	85,782,200
Support Services		
Pupil Services	3,909,784	3,682,740
Improvement of Instructional Services	2,665,240	3,203,455
Educational Media Services	2,180,522	2,163,362
Federal Grant Administration	460,047	-
General Administration	1,677,032	1,531,232
School Administration	8,999,034	8,575,205
Business Administration	805,808	778,483
Maintenance and Operation of Plant	9,184,398	8,989,655
Student Transportation Services	8,421,347	7,983,097
Central Support Services	673,330	635,731
Other Support Services	920,991	317,000
Operations of Non-Instructional Services		
Community Services	463,492	436,009
Food Services	8,330,515	8,507,554
Interest on Short-Term and Long-Term Debt	1,907,331	2,229,604
Total Expenses	139,014,355	134,815,327
Change in Net Position	\$ 11,294,415	\$ 11,481,466

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Governmental Activities

Governmental program expenses are comprised of the following: Instruction 63.6 percent, Support Services 28.7 percent and Operations of Non-Instructional Services and Interest 7.7 percent. Table 3 shows a year to year comparison, for governmental activities, the total cost of services and the net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs) of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2016	2015	2016	2015
Instruction	\$ 88,415,484	\$ 85,782,200	\$ 20,935,951	\$ 24,179,582
Support Services				
Pupil Services	3,909,784	3,682,740	3,104,673	2,732,950
Improvement of Instructional Services	2,665,240	3,203,455	580,168	1,007,154
Educational Media Services	2,180,522	2,163,362	388,892	387,725
Federal Grant Administration	460,047	-	460,047	-
General Administration	1,677,032	1,531,232	(333,447)	(460,636)
School Administration	8,999,034	8,575,205	5,106,994	4,732,105
Business Administration	805,808	778,483	795,726	768,332
Maintenance and Operation of Plant	9,184,398	8,989,655	4,867,882	4,703,815
Student Transportation Services	8,421,347	7,983,097	6,285,828	5,182,821
Central Support Services	673,330	635,731	671,491	632,641
Other Support Services	920,991	317,000	803,229	203,868
Operations of Non-Instructional Services				
Community Services	463,492	436,009	463,492	(1,797)
Food Services	8,330,515	8,507,554	(295,681)	398,099
Interest on Short-Term and Long-Term Debt	1,907,331	2,229,604	1,907,331	2,229,604
Total Expenses	<u>\$ 139,014,355</u>	<u>\$ 134,815,327</u>	<u>\$ 45,742,576</u>	<u>\$ 46,696,263</u>

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Taxes and other general revenues support 24 percent of instructional activities; for all governmental activities general revenue support is 33 percent.

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year. The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of \$173.1 million and total expenditures and other financing uses of \$160.0 million. General fund balance increased by \$2.8 million during the year. The increase to general fund was primarily from a midterm QBE funding increase due to enrollment growth. The capital projects fund balance increased by \$8.8 million, resulting in fund balance at June 30, 2016 of \$18.6 million, which will be used in the continuing construction/renovation of school facilities. The increase to the capital projects fund was due to the issuance of general obligation sales tax bonds.

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 2016, the School District amended its general fund budget as needed in particular due to student growth and facility safety needs.

For the general fund, the actual revenues of \$138.9 million were over the final budgeted amounts of \$132.8 million by \$6.1 million. This difference (actual vs. final budget) was due to a state midterm QBE adjustment due to enrollment growth and on behalf payments not budgeted; delay in federal funding of \$1.6 million caused from a difference in federal fiscal year start dates differing from our fiscal year; and not budgeting other revenue from principals' accounts.

The actual expenditures of \$136.1 million were over the final budgeted amount of \$132.3 million by \$3.8 million. Most of this variance is due to not budgeting expenditures from principals' accounts, increased expenses from food services, and increased expenses due to facility needs.

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2016, the School District had \$244.4 million invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation from fiscal year 2015 to fiscal year 2016.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2016	2015
Land	\$ 9,501,292	\$ 9,438,347
Construction In Progress	11,042,023	158,614
Land Improvements	9,240,379	9,949,857
Building and Improvements	209,982,764	214,314,221
Equipment	4,545,485	4,853,163
Software	52,007	156,025
Total	<u>\$ 244,363,950</u>	<u>\$ 238,870,227</u>

Due to the ongoing needs in the county, the School District has numerous construction projects including new buildings, additions and renovations, resulting in an increase of our capital assets. We added \$11.3 million in construction in progress during fiscal year 2016, which was funded from our Special Purpose Local Option Sales Tax (SPLOST) bond. This change is reflected above.

The most significant construction projects are the construction of a Performing Arts Center and construction of a College and Career Academy.

Long-Term Liabilities

At fiscal year ended June 30, 2016, the School District had \$74.9 million in bonds payable and premium, and \$1.9 million in other long-term liabilities. Table 5 summarizes the School District's long-term liabilities which includes general obligation bonds and compensated absences outstanding. The increase in bonds payable was due to a bond issuance during the fiscal year ended June 30, 2016.

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Table 5
Long-Term Liabilities at June 30

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Bonds Payable	\$ 64,110,000	\$ 54,865,000
Unamortized Bond Premium	10,790,342	8,868,811
License Agreement	-	93,644
Capital Leases	1,348,028	1,509,738
Compensated Absences	534,865	528,828
Total	<u>\$ 76,783,235</u>	<u>\$ 65,866,021</u>

At June 30, 2016, the School Districts assigned bond rating was "Aa1" Enhanced as determined by Moody's Rating services.

CURRENT ISSUES

Carroll County's economic outlook is showing signs of improvement through the summer of 2016. The overall rate of net population growth has remained relatively flat over the past few years, however, some new investment, economic growth and employment, and an improving tax base are significant factors for the county and the Carroll County School System's overall outlook. School System enrollment increased again slightly in 2016, but remained relatively steady as it has for the previous five-year period.

Community economic indicators continued to show significant uptrends in 2015 and into 2016. Residential digest values increased \$20.0 million from 2015 to 2016.

U.S. Census estimates placed Carroll County's population at 116,261 residents in 2016, up from 114,307 in 2015. Carroll's growth has remained consistent in recent years. Carroll County School System student enrollment increased once again during this period, with 14,801 students enrolled during the Spring of 2016, compared with 14,635 enrolled during Spring, 2015 and 14,523 students during the same time the year before. This remains consistent with School System projections – made in collaboration with local officials and consultants – of relatively flat student enrollment as a result of lower local birth rates, lower rates of net county in-migration, and new home growth at higher price-points (less likely to be purchased by young families).

Economic Slowdown – State funding for education has been stagnant and as a result more pressure is being placed on the School Districts to prioritize its educational programs and provide additional local funding. The current millage rate is 19.5 mills with a maximum of 20 mills. Currently, a mill of tax in Carroll County generates \$1.41 million. Despite these challenges, the Carroll County School District is strong financially and we remain optimistic about the ability of the School District to maximize all of the financial resources to provide a quality education to our students.

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Capital Improvements – The School District plans capital improvements as future capital needs arise due to increased student population and facility repair and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. The School District regularly monitors anticipated capital outlay needs.

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 financial information, contact Ms. Delene Strickland, Assistant Superintendent of Finance for the Carroll County School System, 164 Independence Drive, Carrollton, Georgia 30117. You may also email your questions to Ms. Strickland at delene.strickland@carrollcountyschools.com.

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CARROLL COUNTY BOARD OF EDUCATION

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CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "A"

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 27,814,407
Receivables:	
Taxes	2,341,328
Intergovernmental:	
State	10,493,673
Federal	1,639,536
Other	73,201
Restricted:	
Cash and cash equivalents	5,064,434
Investments	12,199,366
Prepaid items	130,705
Inventory	291,758
Capital assets (nondepreciable)	20,543,315
Capital assets (depreciable, net of accumulated depreciation)	223,820,635
Total assets	<hr/> 304,412,358 <hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	<hr/> 9,947,672 <hr/>
LIABILITIES	
Accounts payable	744,339
Salaries and benefits payable	14,490,280
Accrued interest payable	810,342
Contracts and retainage payable	1,064,819
Bonds payable due within one year	10,601,955
Bonds payable due in more than one year	64,298,387
Capital lease due within one year	166,197
Capital lease due in more than one year	1,181,831
Compensated absences due in less than one year	449,472
Compensated absences due in more than one year	85,393
Net pension liability	99,031,151
Total liabilities	<hr/> 192,924,166 <hr/>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	<hr/> 12,263,270 <hr/>
NET POSITION	
Net investment in capital assets	186,666,245
Restricted for:	
Debt service	7,389,911
Capital outlay	19,268
Continuation of federal programs	774,404
Unrestricted (Deficit)	<hr/> (85,677,234) <hr/>
Total net position	\$ <hr/> 109,172,594 <hr/>

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "B"

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 88,415,484	\$ 3,558,976	\$ 63,920,557	\$ -	\$ (20,935,951)
Support services:					
Pupil services	3,909,784	-	805,111	-	(3,104,673)
Improvement of instructional services	2,665,240	-	2,085,072	-	(580,168)
Educational media services	2,180,522	-	1,791,630	-	(388,892)
Federal grant administration	460,047	-	-	-	(460,047)
General administration	1,677,032	-	2,010,479	-	333,447
School administration	8,999,034	-	3,892,040	-	(5,106,994)
Business administration	805,808	-	10,082	-	(795,726)
Maintenance and operation of facilities	9,184,398	50	4,316,466	-	(4,867,882)
Student transportation services	8,421,347	-	1,594,979	540,540	(6,285,828)
Central support services	673,330	-	1,839	-	(671,491)
Other support services	920,991	-	117,762	-	(803,229)
Operations of Non-Instructional Services					
Food services operation	8,330,515	1,574,499	7,051,697	-	295,681
Community service operation	463,492	-	-	-	(463,492)
Interest on long-term debt	1,907,331	-	-	-	(1,907,331)
Total governmental activities	\$ <u>139,014,355</u>	\$ <u>5,133,525</u>	\$ <u>87,597,714</u>	\$ <u>540,540</u>	<u>(45,742,576)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					33,835,196
Sales taxes:					
For debt service					12,049,080
Intangible taxes					935,278
Grants and contributions not restricted to specific programs					8,479,080
Unrestricted investment earnings					24,517
Other					<u>1,713,840</u>
Total general revenues					<u>57,036,991</u>
Change in net position					11,294,415
Net position, beginning of year					97,878,179
Net position, end of year					\$ <u>109,172,594</u>

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "C"

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2016

ASSETS	General	Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 18,213,393	\$ 2,419,467	\$ 7,181,547	\$ 27,814,407
Receivables:				
Taxes	1,322,660	-	1,018,668	2,341,328
Intergovernmental:				
State	10,493,673	-	-	10,493,673
Federal	1,639,536	-	-	1,639,536
Other	72,716	447	38	73,201
Restricted:				
Cash and cash equivalents	-	5,064,434	-	5,064,434
Investments	-	12,199,366	-	12,199,366
Prepaid items	130,705	-	-	130,705
Inventory	291,758	-	-	291,758
	<u>\$ 32,164,441</u>	<u>\$ 19,683,714</u>	<u>\$ 8,200,253</u>	<u>\$ 60,048,408</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 718,627	\$ 25,712	\$ -	\$ 744,339
Salaries and benefits payable	14,490,280	-	-	14,490,280
Contracts and retainage payable	-	1,064,819	-	1,064,819
	<u>15,208,907</u>	<u>1,090,531</u>	<u>-</u>	<u>16,299,438</u>
Total liabilities				
	<u>15,208,907</u>	<u>1,090,531</u>	<u>-</u>	<u>16,299,438</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	659,004	-	-	659,004
	<u>659,004</u>	<u>-</u>	<u>-</u>	<u>659,004</u>
Total deferred inflows of resources				
	<u>659,004</u>	<u>-</u>	<u>-</u>	<u>659,004</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	130,705	-	-	130,705
Inventory	291,758	-	-	291,758
Restricted:				
Capital outlay	-	18,593,183	-	18,593,183
Debt service	-	-	8,200,253	8,200,253
Continuation of federal programs	482,647	-	-	482,647
Unassigned	15,391,420	-	-	15,391,420
	<u>16,296,530</u>	<u>18,593,183</u>	<u>8,200,253</u>	<u>43,089,966</u>
Total fund balances				
	<u>16,296,530</u>	<u>18,593,183</u>	<u>8,200,253</u>	<u>43,089,966</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 32,164,441</u>	<u>\$ 19,683,714</u>	<u>\$ 8,200,253</u>	<u>\$ 60,048,408</u>
Amounts reported for governmental activities in the statement of net position is different because:				
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.				
	Cost		\$ 309,437,224	
	Less accumulated depreciation		<u>(65,073,274)</u>	244,363,950
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.				
	Property taxes			659,004
The net pension liability, and related balances, are not expected to be paid with current financial resources and are therefore, not reported in governmental funds.				
	Net pension liability		\$ (99,031,151)	
	Deferred inflows of resources - pensions		(12,263,270)	
	Deferred outflows of resources - pensions		<u>9,947,672</u>	(101,346,749)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
	Bonds		\$ (64,110,000)	
	Bond premium, net of amortization		(10,790,342)	
	Capital leases		(1,348,028)	
	Accrued interest		(810,342)	
	Compensated absences		<u>(534,865)</u>	(77,593,577)
Net position of governmental activities				<u>\$ 109,172,594</u>

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "D"

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 34,234,028	\$ -	\$ -	\$ 34,234,028
Sales taxes	-	-	12,049,080	12,049,080
Other taxes	935,278	-	-	935,278
State funds	81,649,631	98,528	-	81,748,159
Federal funds	15,249,312	-	-	15,249,312
Charges for services	5,133,525	-	-	5,133,525
Investment earnings	437	24,080	2,354	26,871
Miscellaneous	1,713,840	-	-	1,713,840
Total revenues	<u>138,916,051</u>	<u>122,608</u>	<u>12,051,434</u>	<u>151,090,093</u>
EXPENDITURES				
Current:				
Instruction	87,095,648	-	-	87,095,648
Support services:				
Pupil services	4,063,759	-	-	4,063,759
Improvement of instructional services	2,761,148	-	-	2,761,148
Educational media services	2,005,574	-	-	2,005,574
Federal grant administration	475,235	-	-	475,235
General administration	1,677,214	-	-	1,677,214
School administration	9,422,386	-	-	9,422,386
Business administration	728,527	-	-	728,527
Maintenance and operation of facilities	9,210,815	-	-	9,210,815
Student transportation services	8,043,757	-	-	8,043,757
Central support services	706,187	-	-	706,187
Other support services	336,327	11,664	-	347,991
Food services operation	8,465,387	-	-	8,465,387
Community services operation	463,492	-	-	463,492
Capital outlay	411,497	11,305,174	-	11,716,671
Debt service:				
Principal retirement	255,354	-	8,700,000	8,955,354
Interest and fiscal charges	58,365	-	2,720,225	2,778,590
Bond issuance costs	-	322,361	-	322,361
Total expenditures	<u>136,180,672</u>	<u>11,639,199</u>	<u>11,420,225</u>	<u>159,240,096</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,735,379</u>	<u>(11,516,591)</u>	<u>631,209</u>	<u>(8,150,003)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	800,000	-	800,000
Transfers out	-	-	(800,000)	(800,000)
Proceeds from sale of capital assets	58,045	-	-	58,045
Issuance of general obligation sales tax bonds	-	16,280,021	1,664,979	17,945,000
Premium on bond issuance	-	3,245,755	-	3,245,755
Total other financing sources (uses)	<u>58,045</u>	<u>20,325,776</u>	<u>864,979</u>	<u>21,248,800</u>
Net change in fund balances	2,793,424	8,809,185	1,496,188	13,098,797
FUND BALANCES, beginning of year	<u>13,503,106</u>	<u>9,783,998</u>	<u>6,704,065</u>	<u>29,991,169</u>
FUND BALANCES, end of year	<u>\$ 16,296,530</u>	<u>\$ 18,593,183</u>	<u>\$ 8,200,253</u>	<u>\$ 43,089,966</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Net change in fund balances - total governmental funds	\$	13,098,797
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year.

Capital outlay	\$ 11,816,491	
Depreciation expense	<u>(5,966,556)</u>	5,849,935

In the statement of activities, only the gain or loss on the sale of capital assets is recorded. However, in the governmental funds, proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.	(356,212)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ (398,832)	
Georgia State Financing Investment Commission	<u>(98,528)</u>	(497,360)

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

Principal payments - bonds	\$ 8,700,000	
Principal payments - capital leases	161,710	
Principal payments - license agreement	93,644	
Issuance of general obligation sales tax bonds	(17,945,000)	
Premium on bond issuance	<u>(3,245,755)</u>	(12,235,401)

Some expenses 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.

Change in compensated absences	\$ (6,037)	
Amortization of bond premium	1,324,224	
Change in net pension liabilities and related deferred outflows and inflows of resources	4,247,073	
Change in accrued interest	<u>(130,604)</u>	5,434,656

Change in net position - governmental activities	\$	<u>11,294,415</u>
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CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "F"

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

		Private Purpose Trust	Agency Fund
ASSETS			
Cash		\$ 2,285	\$ 469,191
Investments		<u>38,656</u>	<u>11,000</u>
Total assets		<u>\$ 40,941</u>	<u>\$ 480,191</u>
LIABILITIES			
Funds held for others		\$ -	<u>\$ 480,191</u>
NET POSITION			
Held in trust for private purposes		<u>\$ 40,941</u>	

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "G"

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

		Private Purpose Trust
ADDITIONS		
Investment earnings:		
Interest		\$ 39
Change in net position		39
Net position, beginning of year		40,902
Net position, end of year		\$ 40,941

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CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT “H”

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Carroll County Board of Education (the “School District”) was established under the laws of the State of Georgia and operates under the guidance of a School Board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to 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 of the Carroll County Board of Education. 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 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.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements:

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

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- *Capital Projects Fund* accounts for financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), bond proceeds and grants from the Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- *Debt Service Fund* accounts for Education Special Purpose Local Option Sales Taxes (ESPLOST), that are legally restricted for the repayment of general long-term principal, interest and paying agent's fees on the General Obligation Sales Tax Bonds that the School District has issued.

The School District reports the following fiduciary fund types:

- The *Private Purpose Trust Fund* reports a trust arrangement under which principal is to be invested and preserved intact with the resultant income to be used to assist University of West Georgia juniors and seniors who have committed to a career in education or to veteran teachers who are returning to school to upgrade their teaching credentials.
- *Agency Funds* account for assets held by the School District as an agent for various individual school clubs and activities.

Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The government-wide governmental and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenue to be available if they are collected within 120 days after fiscal 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 State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School District over the same twelve month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

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 position 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.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District did not have any items that required a reassessment of value for reporting purposes as a result of adoption of this statement.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of this statement does not have a significant impact on the School District’s financial statements.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool’s participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The School District does not participate in an external investment pool.

Cash and Cash Equivalents

COMPOSITION OF DEPOSITS

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

COMPOSITION OF INVESTMENTS

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

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

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

Receivables

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

The Carroll County Board of Commissioners fixed the property tax levy for the 2015 tax digest year (calendar year) on August 11, 2015 (levy date). Taxes were due on December 1, 2015 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The Carroll County Tax Commissioner bills and collects the property taxes for the School District, withholds 1% 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, 2016, for maintenance and operations amounted to \$31,900,818.

The tax millage rate levied for the 2015 tax year (calendar year) for the Carroll County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>19.50</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$2,333,210 during the fiscal year ended June 30, 2016.

Sales Taxes

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$12,049,080 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.

Inventories

FOOD INVENTORIES

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

Prepaid Items

Payments made to vendors for services that will benefit period subsequent to June 30, 2016, are recorded as prepaid items.

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 10,000	15 to 80 years
Buildings and Improvements	\$ 10,000	20 to 80 years
Intangible Assets	\$ 100,000	15 to 20 years
All Equipment	\$ 10,000	3 to 50 years

Depreciation is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives.

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using straight-line method over the estimated useful lives of the assets, generally 15 to 20 years.

Compensated Absences

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation leave is awarded on a fiscal year basis to all full time personnel employed on twelve month basis, according to the following guidelines:

Classified Employees	10 days per year
Certified Employees with 0-5 years experience in Carroll County	12 days per year
Certified Employees with 6-10 years experience in Carroll County	15 days per year
Certified Employees with 11 plus years experience in Carroll County	18 days per year

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 for Classified Employees and 25 days for Certified Employees.

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recognized in the financial statements during the fiscal year the bonds are issued.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The governmental activities report one type of deferred outflows of resources related to the reporting of the net pension liability. The deferred outflow of resources being recognized is the School District's actual contributions to the pension plans during the fiscal year ended June 30, 2016 which is subsequent to the measurement date and will be applied to the net pension liability in fiscal year 2017.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one type of deferred inflow under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The School District has three items that qualify for reporting in this category which occur only in the governmental activities. Governmental activities report a deferred inflow of resources for the net difference between projected and actual investment earnings on the pension assets. This difference will be amortized over a five year period. Governmental Activities also report a deferred inflow of resources for the difference between the School District's actual contributions towards the pension plan and the School District's proportionate share of contributions as well as experience gains and losses. These differences will be amortized over the remaining service period.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. 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.

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Employees' Retirement System of Georgia (ERS) and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. 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.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The School District's net position in the government-wide statements are classified as follows:

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

Restricted net position – This represents resources for which the School District is legally or contractually obligated to spend resources for continuation of Federal programs, debt service and capital outlay in accordance with restrictions imposed by external third parties.

Unrestricted net position – Unrestricted net position represent resources derived from property taxes, sales taxes, grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School District, and may be used at the discretion of the Board to meet current expenses for those purposes.

Fund Balances

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

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

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

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

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned – The residual classification for the general fund. This classification represents fund balances that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The School District reports positive unassigned fund balances only in the general fund. Negative unassigned fund balances may be reported in the other funds.

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of not less than 12 - 14% of annual operating expenditures for the subsequent fiscal year budget, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

Use of Estimates

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

Note 3: BUDGETARY DATA

The budget is a complete financial plan for the School District’s fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function level.

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT “H”

Note 3: BUDGETARY DATA (Continued)

The Superintendent is authorized by the Board to approve adjustments of no more than 5 percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 5 percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See Schedule 9 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

Note 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. At June 30, 2016, all deposits were secured by surety bond, insurance or collateral as specified above.

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

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

EXHIBIT "H"

Note 4: DEPOSITS AND INVESTMENTS (Continued)

- (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 the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2016, the School District had deposits with a carrying amount of \$45,599,339, and a bank balance of \$53,834,077. The bank balances insured by Federal depository insurance were \$16,763,060 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 \$5,001,818.

At June 30, 2016, \$32,069,199 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ -
Uninsured with collateral held by the pledging financial institution	-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name	<u>32,069,199</u>
Total	<u>\$ 32,069,199</u>

CATEGORIZATION OF INVESTMENTS

At June 30, 2016, the School District's investments consisted of certificates of deposit totaling \$12,249,022. As these certificates of deposit are considered nonparticipating interest-earning investment contracts, they are recorded at cost.

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. For the year ended June 30, 2016, the commodities usage is recorded at their federally assigned value of \$416,820. For additional information, see Note 2 – Inventories.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Note 6: CAPITAL ASSETS

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

	<u>Balances</u> <u>July 1, 2015</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balances</u> <u>June 30, 2016</u>
Governmental activities:							
Capital assets, not being depreciated:							
Land	\$ 9,438,347	\$	62,945	\$	-	\$	9,501,292
Construction in progress	158,614		11,286,764		(403,355)		11,042,023
	<u>9,596,961</u>		<u>11,349,709</u>		<u>(403,355)</u>		<u>20,543,315</u>
Total capital assets not being depreciated							
Capital assets being depreciated							
Buildings and improvements	255,191,975		36,095		-		255,228,070
Equipment	17,614,090		808,702		(1,265,064)		17,157,728
Land improvements	16,200,100		25,340		(133,399)		16,092,041
Intangible assets	416,070		-		-		416,070
Total capital assets being depreciated	<u>289,422,235</u>		<u>870,137</u>		<u>(1,398,463)</u>		<u>288,893,909</u>
Less accumulated depreciation for:							
Buildings and improvements	(40,877,754)		(4,367,552)		-		(45,245,306)
Equipment	(12,760,927)		(863,552)		1,012,236		(12,612,243)
Land improvements	(6,250,243)		(631,434)		30,015		(6,851,662)
Intangible assets	(260,045)		(104,018)		-		(364,063)
Total accumulated depreciation	<u>(60,148,969)</u>		<u>(5,966,556)</u>		<u>1,042,251</u>		<u>(65,073,274)</u>
Total capital assets, being depreciated, net	<u>229,273,266</u>		<u>(5,096,419)</u>		<u>(356,212)</u>		<u>223,820,635</u>
Governmental activities capital assets, net	<u>\$ 238,870,227</u>	\$	<u>6,253,290</u>	\$	<u>(759,567)</u>	\$	<u>244,363,950</u>

Capital assets being acquired under capital leases as of June 30, 2016, are as follows:

	<u>Governmental</u> <u>Funds</u>
Building improvements	\$ 1,684,589
Less: Accumulated Depreciation	<u>268,034</u>
	<u>\$ 1,416,555</u>

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

EXHIBIT "H"

Note 6: CAPITAL ASSETS (Continued)

Current year depreciation expense by function is as follows:

Instruction		\$ 4,432,086
Support Services		
Educational Media Services	\$ 260,314	
General Administration	24,735	
Business Administration	104,018	
Maintenance and Operation of Plant	25,359	
Student Transportation Services	547,044	961,470
Food Services Operation		573,000
		<u>\$ 5,966,556</u>

Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Transfers to</u>	<u>Transfers From</u> <u>Debt Service</u> <u>Fund</u>
Capital Projects Fund	\$ 800,000

Transfers are used to move sales tax revenues collected by the debt service fund to the capital projects fund to pay for Special Purpose Local Option Sales Tax (SPLOST) projects on the voter approved referendum.

Note 8: RISK MANAGEMENT

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

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Note 8: RISK MANAGEMENT (Continued)

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the general fund. Unemployment compensation expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2016	\$ -	\$ 6,636	\$ 6,636	\$ -
2015	\$ -	\$ 7,802	\$ 7,802	\$ -

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations.

The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to \$2.0 million. In addition to the \$550,000 per occurrence retention, the Fund also retains an additional \$200,000 per year corridor retention.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 100,000

Note 9: LONG-TERM DEBT

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.

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

EXHIBIT "H"

Note 9: LONG-TERM DEBT (Continued)

CAPITAL LEASES

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Governmental Activities</u>
2017	\$ 201,056
2018	201,056
2019	201,056
2020	201,056
2021	201,056
2022 - 2024	485,886
Total minimum lease payments	1,491,166
Less: amount representing interest	(143,138)
Present value of minimum lease payments	1,348,028
Less: current liabilities	(166,197)
Amount due greater than one year	<u>\$ 1,181,831</u>

GENERAL OBLIGATION DEBT OUTSTANDING

The School District has issued general obligation bonds to provide funds to finance the cost of acquiring, constructing, and equipping certain capital outlay projects and the costs of issuing the bonds. The bonds are general obligations of the School District and will constitute a pledge of the full faith and credit of the School District. Principal of and interest on the bonds are payable first from the receipts of a special one percent sales and use tax for educational purposes ("Educational Sales Tax") collected within the territorial limits of the School District. The receipts from this Educational Sales Tax are anticipated to be sufficient to pay all debt service on the bonds; however, to the extent any liability on such debt is not satisfied from the proceeds of the Educational Sales Tax, it shall be paid from a direct annual ad valorem tax which may be levied, without limitation as to rate or amount, upon all taxable property within the territorial limits of the School District subject to taxation for school bond purposes.

Voters have authorized \$2,055,000 in general obligation sales tax bonds, which was not issued as of June 30, 2016.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Note 9: LONG-TERM DEBT (Continued)

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2011	3% - 5%	\$ 46,165,000
General Government - Series 2016	2% - 5%	<u>17,945,000</u>
		<u>\$ 64,110,000</u>

Debt service requirements to maturity on the general obligations bonds are as follows:

<u>Fiscal Year Ended June 30:</u>	<u>General Obligation Debt</u>		<u>Unamortized Bond Premium</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 9,100,000	\$ 3,139,429	\$ 1,501,955
2018	9,565,000	2,650,450	1,505,037
2019	6,135,000	2,190,500	916,051
2020	9,155,000	1,911,200	1,350,521
2021	9,575,000	1,491,550	1,617,149
2022 - 2023	<u>20,580,000</u>	<u>1,556,000</u>	<u>3,899,629</u>
Total Principal and Interest	<u>\$ 64,110,000</u>	<u>\$ 12,939,129</u>	<u>\$ 10,790,342</u>

The changes in long-term debt during the fiscal year ended June 30, 2016, were as follows:

<u>Governmental Activities</u>					
	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
G. O. Bonds	\$ 54,865,000	\$ 17,945,000	\$ (8,700,000)	\$ 64,110,000	\$ 9,100,000
Unamortized Bond Premiums	<u>8,868,811</u>	<u>3,245,755</u>	<u>(1,324,224)</u>	<u>10,790,342</u>	<u>1,501,955</u>
Total bonds payable	63,733,811	21,190,755	(10,024,224)	74,900,342	10,601,955
Capital Leases	1,509,738	-	(161,710)	1,348,028	166,197
License Agreement	93,644	-	(93,644)	-	-
Compensated Absences	<u>528,828</u>	<u>349,817</u>	<u>(343,780)</u>	<u>534,865</u>	<u>449,472</u>
Total long-term liabilities	<u>\$ 65,866,021</u>	<u>\$ 21,540,572</u>	<u>\$ (10,623,358)</u>	<u>\$ 76,783,235</u>	<u>\$ 11,217,624</u>

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

EXHIBIT "H"

Note 10: RELATED PARTY TRANSACTIONS

In 2011, the Carroll County Board of Education entered into a related party transaction with Mr. Aaron McWhorter, owner of Sports Turf Company regarding a construction contract to build multiple sports facilities throughout the School District. Mr. Scott Cowart is the Superintendent of the School District and the owner of Sports Turf is his cousin. The Board was aware of his relationship prior to the vote to approve the work. The Board voted to award Sports Turf the contract to build these facilities. During fiscal year 2016, the School District incurred expenses of \$48,331 to Sports Turf Company for construction services.

Note 11: SUBSEQUENT EVENTS

On March 14, 2017, the School District issued \$2,055,000 of Series 2017 general obligation bonds. The net proceeds of \$2,013,668 (after payment of underwriting fees, insurance and other issuance cost) will be used for the purpose of acquiring, constructing and equipping school buildings and facilities, renovating existing facilities, and acquiring, installing, equipping system-wide technology and equipment and to cover interest expense associated with the carrying cost of issuance until the SPLOST tax collection begins in 2018. The School District has pledged its full faith and credit and taxing power to service the debt.

Note 12: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2016.

<u>Project</u>	<u>Unearned Contracts</u>
Performing Arts Center	\$ 10,037,745
N. CCA	561,359
CHS Field, Stadium, and Field house Renovations	879,440
THS Field and Stadium Renovations	485,018
VRHS Lobby, Dining, and Fieldhouse Renovations	1,193,326
CES New Gym	35,438
RES New Gym	32,813
MZHS Multipurpose Additions	524,791
BHS Multipurpose Additions	3,281
TES Renovations	393,029
	<u>\$ 14,146,240</u>

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT “H”

Note 13: SIGNIFICANT CONTINGENT LIABILITIES

The School District participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any amounts received may be required and the collectability of any related receivable at year-end may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The School District is a defendant in various legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions in the course of School District operations. While the ultimate results of these legal actions cannot be determined, the School District does not expect that these matters will have a material adverse effect on the financial condition of the School District.

Note 14: RETIREMENT PLANS

GENERAL INFORMATION ABOUT THE TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description: All teachers of the School District as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available 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.

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

EXHIBIT "H"

Note 14: RETIREMENT PLANS (Continued)

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 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual School District payroll, of which 14.22% of payroll was required from the School District and 0.05% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$9,935,661 and \$30,945 from the School District and the State, respectively.

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

At June 30, 2016, the School District reported a liability for its proportionate share of the net pension liability that 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 are summarized in the table at the top of the following page.

School District's proportionate share of the net pension liability	\$ 98,952,392
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>313,767</u>
Total	<u>\$ 99,266,159</u>

The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2015. At June 30, 2015, the School District's proportion was 0.649976%, which was a decrease of 0.009680% from its proportion measured as of June 30, 2014.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Note 14: RETIREMENT PLANS (Continued)

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

For the year ended June 30, 2016, the School District recognized pension expense of \$5,618,638 and revenue of (\$32,203) for support provided by the State of Georgia for certain support personnel. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 8,346,738
Differences between expected and actual	-	870,337
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	2,965,072
School District contributions subsequent to the measurement date	<u>9,935,661</u>	<u>-</u>
Total	<u>\$ 9,935,661</u>	<u>\$ 12,182,147</u>

School District contributions subsequent to the measurement date of \$9,935,661 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (4,880,568)
2018	(4,880,568)
2019	(4,880,574)
2020	2,564,432
2021	<u>(104,869)</u>
Total	<u>\$ (12,182,147)</u>

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

EXHIBIT "H"

Note 14: RETIREMENT PLANS (Continued)

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

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on pension 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 pension 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table at the top of the following page.

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	100.00%	

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

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

EXHIBIT "H"

Note 14: RETIREMENT PLANS (Continued)

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer and 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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	\$ 170,042,204	\$ 98,952,392	\$ 40,357,471

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at www.trsga.com/publications.

**GENERAL INFORMATION ABOUT THE 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.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Note 14: RETIREMENT PLANS (Continued)

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

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

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$277,684.

At June 30, 2016, the School District did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the School District is as follows:

State of Georgia's proportionate share of the net pension liability associated with the School District	\$ <u>953,607</u>
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Pension Liabilities and Pension Expense

The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 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, 2015.

For the year ended June 30, 2016, the School District recognized pension expense of \$56,868 and revenue of \$56,868 for support provided by the State of Georgia.

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

EXHIBIT "H"

Note 14: RETIREMENT PLANS (Continued)

Pension Liabilities and Pension Expense (Continued)

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

Inflation	3.0%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	100.00%	

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT “H”

Note 14: RETIREMENT PLANS (Continued)

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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.

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSERS financial report which is publicly available at <http://www.ers.ga.gov/formspubs/formspubs.html>.

GENERAL INFORMATION ABOUT THE EMPLOYEES’ RETIREMENT SYSTEM OF GEORGIA (ERS)

Plan description: ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1949 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 memberships to GSEPS.

General Information About the Employees’ Retirement System of Georgia (ERS)

Under the old plan, 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.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Note 14: RETIREMENT PLANS (Continued)

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

Contributions: Member contributions under the old plan are 4% of annual compensation up to \$4,200 plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for the old and new plan members and 21.69% for GSEPS members. The School District's contributions to ERS totaled \$12,011 for the year ended June 30, 2016. 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.

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

At June 30, 2016, the School District reported a liability for its proportionate share of the net pension liability in the amount of \$78,759. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2015. At June 30, 2015, the School District's proportion was 0.001944%, which was a decrease of 0.001079% from its proportion measured as of June 30, 2014.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Note 14: RETIREMENT PLANS (Continued)

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

For the year ended June 30, 2016, the School District recognized pension expense of (\$90,355). At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 5,683
Differences between expected and actual	-	629
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	74,811
School District contributions subsequent to the measurement date	<u>12,011</u>	<u>-</u>
Total	<u>\$ 12,011</u>	<u>\$ 81,123</u>

School District contributions subsequent to the measurement date of \$12,011 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, 2017. 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:	
2017	\$ (67,693)
2018	(12,813)
2019	(2,533)
2020	<u>1,916</u>
Total	<u>\$ (81,123)</u>

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

EXHIBIT "H"

Note 14: RETIREMENT PLANS (Continued)

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

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on pension 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 pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	100.00%	

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

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

EXHIBIT "H"

Note 14: RETIREMENT PLANS (Continued)

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

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and 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 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 represents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) of 1-percentage-point higher (8.50%) than the current rate:

Employees' Retirement System:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 111,644	\$ 78,759	\$ 50,724

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report which is publically available at www.ers.ga.gov/formspubs/formspubs.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Note 15: POSTEMPLOYMENT BENEFITS

GEORGIA RETIREE HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Post-Employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). Additional information about the School OPEB Fund is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This report can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

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

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

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

EXHIBIT "H"

Note 15: POSTEMPLOYMENT BENEFITS (Continued)

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2016:

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

July 2015 – June 2016 \$945.00 per member per month

For non-certificated school personnel:

July 2015 – November 2015 \$596.20 per member per month

December 2015 – June 2016 \$746.20 per member per month

No additional contribution was required by the Board for fiscal year 2016 nor contributed to the School OPEB Fund to prefund retire benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School District plan for other post-employment benefits and are subject to appropriation.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>		<u>Required Contribution</u>
2016	100%	\$	13,548,682
2015	100%	\$	12,942,126
2014	100%	\$	11,674,386

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.649976%	0.659656%
School District's proportionate share of the net pension liability	\$ 98,952,392	\$ 83,338,835
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>313,767</u>	<u>341,109</u>
Total	<u>\$ 99,266,159</u>	<u>\$ 83,679,944</u>
School District's covered-employee payroll	\$ 69,666,236	\$ 68,777,850
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.04%	121.17%
Plan fiduciary net position as a percentage of the total pension liability	81.44%	84.03%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	<u>2016</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>	<u>2012 (1)</u>
Contractually required contributions	\$ 9,935,661	\$ 9,161,110	\$ 8,445,920	\$ 7,862,272	\$ 7,209,297
Contributions in relation to the contractually required contributions	<u>9,935,661</u>	<u>9,161,110</u>	<u>8,445,920</u>	<u>7,862,272</u>	<u>7,209,297</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered-employee payroll	69,847,647	69,666,236	68,777,850	68,906,854	70,129,348
Contributions as a percentage of covered-employee payroll	14.22%	13.15%	12.28%	11.41%	10.28%
	<u>2011 (1)</u>	<u>2010 (1)</u>	<u>2009 (1)</u>	<u>2008 (1)</u>	<u>2007 (1)</u>
Contractually required contributions	7,431,613	7,232,354	7,232,746	7,094,149	6,621,494
Contributions in relation to the contractually required contributions	<u>7,431,613</u>	<u>7,232,354</u>	<u>7,232,746</u>	<u>7,094,149</u>	<u>6,621,494</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered-employee payroll	72,291,955	74,254,148	77,939,073	76,445,571	71,352,306
Contributions as a percentage of covered-employee payroll	10.28%	9.74%	9.28%	9.28%	9.28%

(1) The contractually required contribution amount includes amounts paid by the State of Georgia on behalf of Carroll County Board of Education.

**Notes to the Required Supplementary Information
Teachers Retirement System of Georgia
For the Fiscal Year Ended June 30, 2016**

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

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three (3) years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the fiscal year June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3%
Salary increases	3.75 - 7.00%, including inflation.
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	2016	2015
School District's proportion of the net pension liability	0.001944%	0.003023%
School District's proportionate share of the net pension liability	\$ 78,759	\$ 113,381
School District's covered-employee payroll	\$ 44,442	\$ 64,837
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	177.22%	174.87%
Plan fiduciary net position as a percentage of the total pension liability	76.20%	77.99%

CARROLL COUNTY BOARD OF EDUCATION

SCHEDULE "5"

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contributions	\$ 12,011	\$ 9,759	\$ 11,969	\$ 24,769	\$ 23,574
Contributions in relation to the contractually required contributions	<u>12,011</u>	<u>9,759</u>	<u>11,969</u>	<u>24,769</u>	<u>23,574</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered-employee payroll	48,589	44,442	64,837	166,236	202,706
Contributions as a percentage of covered-employee payroll	24.72%	21.96%	18.46%	14.90%	11.63%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contributions	\$ 21,315	\$ 22,459	\$ 23,669	\$ 22,760	\$ 20,406
Contributions in relation to the contractually required contributions	<u>21,315</u>	<u>22,459</u>	<u>23,669</u>	<u>22,760</u>	<u>20,406</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered-employee payroll	204,753	215,740	227,372	218,640	196,025
Contributions as a percentage of covered-employee payroll	10.41%	10.41%	10.41%	10.41%	10.41%

**Notes to the Required Supplementary Information
Employees' Retirement System of Georgia
For the Fiscal Year Ended June 30, 2016**

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

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three (3) years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the fiscal year June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3%
Salary increases	5.45 - 9.25%, including inflation.
Investment Rate of Return	7.5%, net of pension plan investment expense including inflation.

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

	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.000000%	0.000000%
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	<u>953,607</u>	<u>850,673</u>
Total	<u>\$ 953,607</u>	<u>\$ 850,673</u>
School District's covered-employee payroll	\$ 5,045,950	\$ 4,969,766
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	87.00%	88.29%

**Notes to the Required Supplementary Information
Public School Employees Retirement System of Georgia
For the Fiscal Year Ended June 30, 2016**

Changes of assumptions: The last experience investigation was prepared for the five (5) year period ending June 30, 2009, and based on the results of the investigation, various assumptions and methods were revised and adopted by the Board on December 16, 2010. The next experience investigation will be prepared for the period July 1, 2009 through June 30, 2014.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three (3) years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the fiscal year June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3%
Salary increases	N/A
Investment Rate of Return	7.5%, net of pension plan investment expense including inflation.
Cost-of-living adjustments	1.5% semi-annually

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budget			Variance With
	Original (1)	Final (1)	Actual	Final Budget
REVENUES				
Property taxes	\$ 32,255,000	\$ 32,255,000	\$ 34,234,028	\$ 1,979,028
Other taxes	816,000	816,000	935,278	119,278
State funds	79,168,854	80,791,271	81,649,631	858,360
Federal funds	6,607,312	16,810,813	15,249,312	(1,561,501)
Charges for services	1,655,850	1,655,850	5,133,525	3,477,675
Investment earnings	-	-	437	437
Miscellaneous	270,295	455,849	1,713,840	1,257,991
Total revenues	120,773,311	132,784,783	138,916,051	6,131,268
EXPENDITURES				
Current:				
Instruction	76,518,410	85,033,122	87,095,648	(2,062,526)
Support services:				
Pupil services	3,314,396	4,054,415	4,063,759	(9,344)
Improvement of instructional services	1,309,453	3,128,002	2,761,148	366,854
Educational media services	2,069,061	2,069,061	2,005,574	63,487
Federal grant administration	10,710	540,536	475,235	65,301
General administration	852,310	864,308	1,677,214	(812,906)
School administration	9,499,878	9,499,878	9,422,386	77,492
Business administration	790,683	815,683	728,527	87,156
Maintenance and operation of facilities	9,074,134	9,054,134	9,210,815	(156,681)
Student transportation services	8,044,076	7,910,264	8,043,757	(133,493)
Central support services	719,564	719,563	706,187	13,376
Other support services	231,000	363,593	336,327	27,266
Food services operation	7,803,760	7,803,760	8,465,387	(661,627)
Community services operation	-	-	463,492	(463,492)
Capital outlay	55,000	477,588	411,497	66,091
Debt service:				
Principal retirement	-	-	255,354	(255,354)
Interest and fiscal charges	-	-	58,365	(58,365)
Total expenditures	120,292,435	132,333,907	136,180,672	(3,846,765)
Excess of revenues over expenditures	480,876	450,876	2,735,379	2,284,503
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(880,000)	(850,000)	-	850,000
Proceeds from the sale of capital assets	-	-	58,045	58,045
Total other financing sources (uses)	(880,000)	(850,000)	58,045	908,045
Net change in fund balances	(399,124)	(399,124)	2,793,424	3,192,548
FUND BALANCE, beginning of year	13,503,106	13,503,106	13,503,106	-
FUND BALANCE, end of year	\$ 13,103,982	\$ 13,103,982	\$ 16,296,530	\$ 3,192,548

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

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts.

The accompanying schedule of revenues, expenditures and changes in fund balance budget and actual includes the Original and Final Budget that is presented on a basis other than accounting principles generally accepted in the United States of America (GAAP) as allowed by the State of Georgia. The primary differences between the budget basis and GAAP for fund financial statements include salary and benefit expenditures that are recorded on the budget when paid rather than when the liability is incurred and state revenues recorded on the budget when received rather than when earned.

CARROLL COUNTY BOARD OF EDUCATION

SCHEDULE "10"

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Funding Agency <u>Program/Grant</u>	CFDA Number	Pass- Through Entity ID Number	Total Expenditures
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	16165GA324N1099	\$ 1,669,153
National School Lunch Program - Cash	10.555	16165GA324N1099	4,549,815
After School Snacks	10.555	16165GA324N1099	152,625
National School Lunch Program - Commodities (1)	10.555	16165GA324N1099	<u>416,820</u>
Total Child Nutrition Cluster			6,788,413
Child Nutrition Discretionary Grants Limited Availability	10.579	15155GA350N8103	<u>25,000</u>
Total U. S. Department of Agriculture			<u>6,813,413</u>
Education, U. S. Department of			
Direct			
Investing in Innovation (i3) Fund	84.411	N/A	<u>799,971</u>
Education for Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
Education for Homeless Children and Youth	84.196	S196A150011	<u>37,682</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Title VI-B Flow through	84.027	H027A150073	2,940,078
High Cost Fund Pool	84.027	H027A150073	32,129
Preschool Grants	84.173	H173A150081	<u>111,384</u>
Total Special Education Cluster			<u>3,083,591</u>
Title I, Part A			
Pass-Through From Georgia Department of Education			
Title I - Improving the Academic Achievement of the Disadvantaged	84.010	S010A150010	3,560,330
Title I - School Improvement	84.010	S010A150010	<u>68,524</u>
Total Title I, Part A			<u>3,628,854</u>

continued

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Funding Agency Program/Grant	CFDA Number	Pass- Through Entity ID Number	Total Expenditures
Education, U. S. Department of			
Title II			
Pass-Through From Georgia Department of Education			
Title II-A, Improving Teacher Quality	84.367	S367A150001	\$ 622,283
Title II-A, Advanced Placement Grants	84.367	S367A150001	1,430
Total Title II			623,713
Title III			
Pass-Through From Georgia Department of Education			
Title III-A, Limited English Proficient	84.365	S365A150010	39,303
Title III-A, Immigrant	84.365	S365A150010	1,744
Total Title III			41,047
Vocational Education - Basic Grants to States			
Pass-Through From Georgia Department of Education			
CTAE - Perkins Plus Reserve	84.048	V048A150010	19,885
CTE - Perkins IV Grants	84.048	V048A150010	114,792
CTAE - Perkins IV Carryover	84.048	V048A150010	7,476
Total Vocational Education - Basic Grants to States			142,153
Total U. S. Department of Education			8,357,011
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.Unknown	N/A	53,024
Total Expenditures of Federal Awards			\$ 15,223,448

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) The amounts shown for the Food Donation Program represent the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year.
- (2) The School District did not provide Federal Assistance to any Subrecipient.
- (3) The School District did not utilize the 10% de minimis indirect cost rate.

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 of Federal Awards*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CARROLL COUNTY BOARD OF EDUCATION

SCHEDULE "11"

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Grants			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 4,490,101	\$ -	\$ 4,490,101
Kindergarten Program - Early Intervention Program	601,381	-	601,381
Primary Grades (1-3) Program	11,035,022	-	11,035,022
Primary Grades - Early Intervention (1-3) Program	1,397,714	-	1,397,714
Upper Elementary Grades (4-5) Program	4,679,677	-	4,679,677
Primary Grades - Early Intervention (4-5) Program	864,003	-	864,003
Middle School (6-8) Program	7,691,723	-	7,691,723
High School General Education (9-12) Program	7,593,069	-	7,593,069
Vocational Laboratory (9-12) Program	2,762,306	-	2,762,306
Program for Intellectually Gifted Students - Category VI	3,946,161	-	3,946,161
Remedial Education Program	596,236	-	596,236
Alternative Education Program	603,173	-	603,173
English Speakers of Other Languages (ESOL)	461,764	-	461,764
Media Center Program	1,571,366	-	1,571,366
Twenty Days Additional Instruction	462,568	-	462,568
Staff and Professional Development	286,583	-	286,583
Indirect Cost			
Central Administration	1,717,834	-	1,717,834
School Administration	3,396,547	-	3,396,547
Facility Maintenance and Operations	3,766,106	-	3,766,106
Categorical Grants			
Pupil Transportation	1,536,945	-	1,536,945
Nursing Services	270,777	-	270,777
Vocational Supervisors	27,167	-	27,167
Education Equalization Funding Grant	8,479,080	-	8,479,080
Food Services	204,270	-	204,270
Vocational Education	241,907	-	241,907
Amended Formula Adjustment	(4,071,708)	-	(4,071,708)
Preschool Handicapped State Grant	195,163	-	195,163
Teachers Retirement	30,945	-	30,945

(continued)

CARROLL COUNTY BOARD OF EDUCATION

SCHEDULE "11"

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Office of Treasury and Fiscal Services			
Public School Employees Retirement	\$ 277,684	\$ -	\$ 277,684
Total Quality Basic Education Formula Earnings (State and Local Funds)			
Principal Staff & Professional Development	7,224	-	7,224
Special Education Programs	14,390,447	-	14,390,447
QBE Allotment (Operating Costs)			
Special Education Programs	332,222	-	332,222
QBE Contra Account (Debit)			
Principal Staff & Professional Development	(890)	-	(890)
Special Education Programs	(1,812,323)	-	(1,812,323)
Grants from Pre-K Lottery			
Georgia Pre-Kindergarten Program	2,028,437	-	2,028,437
Other Grants From Georgia Department of Education			
Pupil Transportation - State Bonds	540,540	-	540,540
Residential Treatment Center Grants	556,842	-	556,842
Math and Science Supplement	127,555	-	127,555
Student Achievement Grant	137,766	-	137,766
Technology To Support Digital Learning Bonds	180,247	-	180,247
Funds From Other State Agencies			
Family Connection - DHR Grants	46,000	-	46,000
Other			
Capital Outlay Grants	-	98,528	98,528
	<u>\$ 81,649,631</u>	<u>\$ 98,528</u>	<u>\$ 81,748,159</u>

CARROLL COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2016

SCHEDULE *12*

Project	Original Estimated Cost(1)	Current Estimated Costs(2)	Amount Expended In Current Year (3)	Amount Expended In Prior Years (3) (4) (5)	Total Completion Cost	Excess Proceeds Not Expended	Estimated Completion Date
SPLOST 2011							
BOWDON							
BOWDON HIGH SCHOOL - Electrical and other renovations and improvements; renovations and improvements to Ava Sewell Gymnasium; baseball field and softball field improvements, including restrooms, concession area; new tennis courts with lights.	\$ 722,870	\$ 1,204,555	\$ -	\$ 1,204,555	\$ 1,204,555	\$ -	Completed
BOWDON MIDDLE SCHOOL - New track, including restrooms, concession areas, and access improvements.	900,000	1,185,098	-	1,185,098	1,185,098	-	Completed
BOWDON ELEMENTARY SCHOOL - New gymnasium; electrical and other renovations and improvements; rebuild six classroom wing.	2,333,000	2,649,542	-	2,649,542	2,649,542	-	Completed
CENTRAL							
CENTRAL HIGH SCHOOL - Gymnasium improvements, including HVAC system upgrade; stadium seating improvements; kitchen addition and renovations; 12 classroom additions.	4,760,839	4,729,029	-	4,729,029	4,729,029	-	Completed
CENTRAL MIDDLE SCHOOL - New band and chorus room addition; renovation and conversion of existing facilities for classrooms; HVAC system replacement; electrical and other renovations and improvements; renovations and improvements to the gymnasium, including HVAC system, concession area and locker rooms.	2,694,792	2,745,781	-	2,745,781	2,745,781	-	Completed
CENTRAL ELEMENTARY SCHOOL - Exterior improvements.	76,300	88,697	-	88,697	88,697	-	Completed
MOUNT ZION							
MOUNT ZION HIGH SCHOOL- New football stadium, track, concession area, restrooms and visiting locker room; baseball field lights, concession area and restrooms; construction of a softball field and tennis courts with lights.	1,996,200	3,034,207	-	3,034,207	3,034,207	-	Completed
TEMPLE							
TEMPLE HIGH SCHOOL- New gymnasium with a multi-purpose facility electrical and other renovations and improvements; renovate areas for band and chorus room; stadium enhancements, including lights, seating, fencing and other improvements; new baseball field and tennis courts with lights; band practice area and adjacent parking; parking lot on west side of school; new softball field with lights.	6,866,544	6,725,068	-	6,725,068	6,725,068	-	Completed
TEMPLE MIDDLE SCHOOL - 4 classroom addition; HVAC system for gymnasium	1,009,250	992,011	-	992,011	992,011	-	Completed
TEMPLE ELEMENTARY SCHOOL - New gymnasium and play area; electrical and other renovations and improvements; improvements to front drive and parking.	2,015,000	2,002,654	-	1,981,382			Fiscal Year 2017
SHARP CREEK ELEMENTARY SCHOOL - Exterior improvements.	35,000	16,235	-	16,235	16,235	-	Completed
VILLA RICA							
VILLA RICA HIGH SCHOOL - New gymnasium with band room & 4 classrooms; Convert existing band room into chorus room and existing chorus room area into 3 classrooms; electrical and other renovations and improvements; expand cafeteria; football stadium improvements including lights, resurface track, restroom improvements and other modifications; new tennis courts with lights; parking lot on east side of school, west side entrance improvements with parking, new baseball and softball field with lights, concession area and restrooms.	7,279,481	6,829,335	-	6,829,335	6,829,335	-	Completed
BAY SPRINGS MIDDLE SCHOOL - HVAC system for gymnasium; HVAC system replacement for school; gymnasium floor replacement.	1,084,417	1,375,324	-	1,375,324	1,375,324	-	Completed
VILLA RICA MIDDLE SCHOOL - HVAC system for gymnasium, athletic field access improvements.	306,250	143,242	-	143,242	143,242	-	Completed
GLANTON HINDESMAN ELEMENTARY SCHOOL - New gymnasium, 2 administrative area renovations with new front canopy & parking improvements; electrical, HVAC and other renovations and improvements.	3,361,629	3,005,863	-	3,005,863	3,005,863	-	Completed
gymnasium	1,009,250	769,357	-	769,357	769,357	-	Completed
SAND HILL ELEMENTARY SCHOOL - New gymnasium, 30 classroom and administrative area addition, electrical, HVAC and other renovations and improvements.	8,994,813	9,903,021	-	9,903,021	9,903,021	-	Completed
VILLA RICA ELEMENTARY SCHOOL - New administrative area, media center, aid room, music room, and computer lab addition, convert old administrative area to 2 classrooms, electrical, HVAC, and other renovations and improvements.	3,082,961	3,452,832	-	3,452,832	3,452,832	-	Completed
ALTERNATIVE							
COLLEGE AND CAREER ACADEMY (CCA) - Classroom addition, renovations and modifications to Southwest CCA Facility and new Northeast CCA Facility.	8,457,059	10,277,348	5,038,917	798,303			Fiscal Year 2017
PERFORMING ARTS CENTER - New performing arts center.	8,615,081	8,615,081	3,260,629	221,128			Fiscal Year 2018
SYSTEM-WIDE							
SYSTEM WIDE - Replacing, purchasing, upgrading, or supplementing capital equipment to include but not limited to: school buses, tractors, trucks, furnishings, laboratory, physical education, athletic, band, fine arts, safety, security or other equipment; books and other instructional equipment; renovation and improvement to facilities and the acquisition of land and construction of new schools or facilities as needed:							
ESCROW FUND	-	1,500	-	1,500	-	-	Fiscal Year 2018
2011 - DEBT SERVICE	-	4,550	1,275	3,275	-	-	Fiscal Year 2018
2011 - CONSTRUCTION FUND	-	-	-	-	-	-	Fiscal Year 2018
2011 - BOND CONSTRUCTION	-	208,998	8,250	200,748	-	-	Fiscal Year 2018
MOUNT ZION MIDDLE SCHOOL, ROOPVILLE ELEMENTARY SCHOOL, WHITESBURG ELEMENTARY SCHOOL KITCHENS	1,989,284	1,098,407	-	1,098,407	1,098,407	-	Completed
TECHNOLOGY	3,498,946	3,498,946	486,030	1,919,507	-	-	Fiscal Year 2018
BAND FUNDS	686,000	686,000	76,329	401,963	-	-	Fiscal Year 2018
PARKING LOTS	545,000	533,595	-	533,595	533,595	-	Completed
ATHLETIC FIELDS	4,907,514	6,211,271	4,800	6,206,471	6,211,271	-	Completed
VARIOUS PROJECTS	-	973,859	-	973,859	973,859	-	Completed
	\$ 77,227,480	\$ 82,961,406	\$ 8,876,230	\$ 63,189,335	\$ 57,666,329	\$ -	

Original Estimated	Current Estimated	Amount Expended In Current	Amount Expended In Prior	Total Completion	Excess Proceeds Not	Estimated Completion
-----------------------	----------------------	----------------------------------	--------------------------------	---------------------	------------------------	-------------------------

Project	Cost(1)	Costs(2)	Year (3)	Years (3)	Cost	Expended	Date
SPLOST 2016							
BOWDON CLUSTER PROJECTS							
BOWDON HIGH SCHOOL - Renovations and modifications of classrooms; multi-purpose addition; tennis court restrooms; turf for football field (Tier II).	\$ 1,435,870	\$ 553,750	\$ 9,844	\$ -	\$ -	\$ -	Fiscal Year 2018
BOWDON MIDDLE SCHOOL - Parking lot repairs and improvements: new tennis courts.	128,150	128,150	-	-	-	-	Fiscal Year 2023
BOWDON ELEMENTARY SCHOOL - Renovations and modifications of classrooms.	852,786	852,786	-	-	-	-	Fiscal Year 2020
OTHER - Technology equipment and upgrades; band, fine arts, and other equipment/improvements.	332,334	332,334	-	-	-	-	Fiscal Year 2023
CENTRAL CLUSTER PROJECTS							
CENTRAL HIGH SCHOOL - Gymnasium renovations and modifications; stadium renovations and modifications; fieldhouse expansion; turf for football field (Tier II).	2,821,518	3,095,735	701,967	-	-	-	Fiscal Year 2018
CENTRAL MIDDLE SCHOOL - Car rider canopy; parking lot renovations and improvements; new tennis courts; four-classroom addition (Tier II).	941,150	941,150	-	-	-	-	Fiscal Year 2019
CENTRAL ELEMENTARY SCHOOL - New gymnasium and music room.	1,811,615	2,238,886	16,113	-	-	-	Fiscal Year 2018
ROOPVILLE ELEMENTARY SCHOOL - New gymnasium and with connector hall.	1,700,650	2,142,268	38,958	-	-	-	Fiscal Year 2018
WHITESBURG ELEMENTARY SCHOOL - Parking lot repairs and improvements.	25,000	25,000	-	-	-	-	Fiscal Year 2023
OTHER - Technology equipment and upgrades; band, fine arts, and other equipment/improvements.	747,268	747,268	-	-	-	-	Fiscal Year 2023
MOUNT ZION CLUSTER PROJECTS							
MOUNT ZION HIGH SCHOOL - Multi-purpose addition; turf for football field (Tier II).	1,055,123	878,595	329,682	-	-	-	Fiscal Year 2018
MOUNT ZION MIDDLE SCHOOL - Front canopy; parking lot repairs and improvements; interior renovations; new tennis courts.	350,650	350,650	-	-	-	-	Fiscal Year 2019
MOUNT ZION ELEMENTARY SCHOOL - Parking lot repairs and improvements.	25,000	25,000	-	-	-	-	Fiscal Year 2023
OTHER - Technology equipment and upgrades; band, fine arts, and other equipment/improvements.	302,605	302,605	-	-	-	-	Fiscal Year 2023
TEMPLE CLUSTER PROJECTS							
TEMPLE HIGH SCHOOL - Stadium and field renovations and modifications (turf for football field); renovations and modifications of classrooms.	1,935,000	1,629,833	269,336	-	-	-	Fiscal Year 2019
TEMPLE MIDDLE SCHOOL - New concession stand; renovations of classrooms; new tennis courts; four-classroom addition (Tier II).	866,150	866,150	-	-	-	-	Fiscal Year 2023
TEMPLE ELEMENTARY SCHOOL - Renovations and modifications of classrooms	1,780,880	1,468,060	836,833	-	-	-	Fiscal Year 2017
PROVIDENCE ELEMENTARY SCHOOL - Parking lot repair and improvements; four-classroom addition (Tier II).	713,000	713,000	-	-	-	-	Fiscal Year 2023
SHARP CREEK ELEMENTARY SCHOOL - Gymnasium modifications and renovations.	175,000	73,228	-	-	-	-	Fiscal Year 2018
OTHER - Technology equipment and upgrades; band, fine arts, and other equipment/improvements.	536,370	536,370	-	-	-	-	Fiscal Year 2023
VILLA RICA CLUSTER PROJECTS							
VILLA RICA HIGH SCHOOL - Dining room modifications and renovations; front office modifications and renovations; fieldhouse expansion; classroom modifications and renovations; three-classroom addition (Tier II); turf for football field (Tier II).	3,456,414	1,542,409	227,934	-	-	-	Fiscal Year 2017
BAY SPRINGS MIDDLE SCHOOL - Band room expansion; renovations of classrooms; new tennis courts.	302,525	302,525	-	-	-	-	Fiscal Year 2019
VILLA RICA MIDDLE SCHOOL - New concession stand; renovations of classrooms; new tennis courts.	178,150	178,150	-	-	-	-	Fiscal Year 2023
GLANTON HINDSMAN ELEMENTARY SCHOOL - Two new connector halls; four-classroom addition (Tier II).	837,292	837,292	-	-	-	-	Fiscal Year 2021
ITHICA ELEMENTARY SCHOOL - Parking lot repairs and improvements; four-classroom addition (Tier II).	713,000	713,000	-	-	-	-	Fiscal Year 2023
SAND HILL ELEMENTARY SCHOOL - Two-classroom addition; dining room addition; four-classroom addition (Tier II).	1,376,000	1,376,000	-	-	-	-	Fiscal Year 2021
VILLA RICA ELEMENTARY SCHOOL - Renovations and modifications of classrooms; new connector hall.	1,241,074	1,241,074	-	-	-	-	Fiscal Year 2020
OTHER - Technology equipment and upgrades; band, fine arts, and other equipment/improvements.	999,854	999,854	-	-	-	-	Fiscal Year 2023
OTHER PROJECTS							
COLLEGE AND CAREER ACADEMY - CCA North-Phase II; CCA technology and equipment.	3,076,345	3,076,345	-	-	-	-	Fiscal Year 2017
PERFORMING ARTS CENTER - Performing Arts Center Phase II (meeting rooms and office space).	2,984,744	7,010,466	-	-	-	-	Fiscal Year 2018
SYSTEM-WIDE - Replacing, purchasing, upgrading, or supplementing capital equipment to include, but not limited to, school buses, tractors, trucks, furnishings, laboratory, physical education, athletic, band, fine arts, safety, security, or other equipment; books and other instructional equipment; energy efficiency upgrades and acquisition of energy savings project equipment currently being leased; renovations and improvements to facilities and acquisition of land and construction of new schools and facilities as needed:	6,403,733	6,403,733	-	-	-	-	Fiscal Year 2023
DEBT SERVICE	31,698,750	31,698,750	-	-	-	-	Fiscal Year 2023
BOND/ DEBT SERVICE FEES	1,990,000	1,990,000	335,609	-	-	-	Fiscal Year 2023
	<u>73,794,000</u>	<u>75,270,416</u>	<u>2,766,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total SPLOST Projects	\$ 151,021,480	\$ 158,231,822	\$ 11,642,506	\$ 63,189,335	\$ 57,666,329	\$ -	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Carroll 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.
- (4) The prior year SPLOST schedule included expenditures in the Bowdon project (\$248,174) that should have been and are now included in the Central Elementary School (\$88,697), Sharp Creek Elementary School (\$16,235) and the Villa Rica Middle School (\$143,242) projects.
- (5) The prior year SPLOST schedule included expenditures of \$1,375,324 in the System-wide project that should have been and are now included in the Bay Springs Middle School project.

See notes to the basic financial statements.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

November 28, 2017

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

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County Board of Education (School District) as of and for the year ended June 30, 2016, 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 November 28, 2017.

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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item FS 2016-001, that we consider to be a material weakness.

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*.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 the first and last names being more prominent.

Greg S. Griffin
State Auditor

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

November 28, 2017

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

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited Carroll County Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. 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.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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, 2016.

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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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CARROLL COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-001 Inadequate Controls over Financial Reporting

Control Category: Financial Reporting
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved – See Corrective Action/Responses

Internal controls over financial reporting were strengthened during fiscal year 2016 and 2017. A new independent accountant was engaged beginning with fiscal year 2016. The Assistant Superintendent of Finance and Accounting Manager will participate in ongoing continuing education and perform a comprehensive review of the financial statements.

Estimated corrective action date: December 31, 2017.

FS 2015-001 Inadequate Internal Controls over Financial Reporting

Control Category: Financial Reporting
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved – See Corrective Action/Responses

Internal controls over financial reporting were strengthened during fiscal year 2016 and 2017. A new independent accountant was engaged beginning with fiscal year 2016. The Assistant Superintendent of Finance and Accounting Manager will participate in ongoing continuing education and perform a comprehensive review of the financial statements.

Estimated corrective action date: December 31, 2017.

FS-2015-002 Inadequate Internal Controls over Employee Compensation

Control Category: Employee Compensation
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Previously Reported Corrective Action Implemented

CARROLL COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2014-002 Insufficient Time and Effort Support

Control Category:	Allowable Cost/Cost Principles
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Award Agency:	U.S. Department of Education
Pass-Through Entity:	Through Georgia Department of Education
CFDA Number and Title:	Special Education Cluster (CFDA 84.027)
 Finding Status:	 Previously Reported Corrective Action Implemented

FA 2015-001 Insufficient Time and Effort Support

Control Category:	Allowable Cost/Cost Principles
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Through Georgia Department of Education
CFDA Number and Title:	Special Education Cluster (CFDA 84.027, 84.173)
Questioned Cost:	\$140,046.61
 Finding Status:	 Previously Reported Corrective Action Implemented

SECTION IV

FINDINGS AND QUESTIONED COSTS

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CARROLL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

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? Yes
▪ Significant deficiency identified? None Reported

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:
▪ Material weakness identified? No
▪ Significant deficiency identified? None Reported

Type of auditor's report issued on compliance for major programs:
All major programs Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

CARROLL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-001 Controls over Financial Reporting
Control Category: Financial Reporting
Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: FS 2015-001, FS 2014-001

Description:

The School District did not have adequate internal controls in place over the financial statements reporting process.

Criteria:

Management is responsible for having adequate controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The School District's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, Basic Financial Statements - *Management's Discussion and Analysis - for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and non-major funds in the aggregate, to be provided in the fund financial statements.

Chapter 22A *Annual Financial Reporting* of the Financial Management for Georgia Local Units of Administration provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

Condition:

The following errors and omissions were noted in the School District's financial statements, note disclosures and supplementary information presented for audit:

- Special Purpose Local Option Sales Tax revenue of \$1,042,869 was incorrectly accrued. Audit adjustments were proposed by the auditor and accepted by the School District to correct the material misstatement to the debt service fund and the significant misstatement to the government-wide financial statements.
- Certificates of deposit with a maturity term of four weeks totaling \$3,500,000 were recorded as restricted investments rather than restricted cash and cash equivalents. Audit adjustments were proposed by the auditor and accepted by the School District to correct the significant misstatement to the general fund and government-wide statements.
- Revenue and expenses were each overstated by \$308,629 for on-behalf payments related to pensions. An audit adjustment was proposed by the auditor and accepted by the School District to correct these significant misstatements to the government-wide financial statements.
- Numerous other corrections and reclassifications were proposed by the auditor and accepted by the School District to properly present the financial statements.

CARROLL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:

In discussing these deficiencies with the School District, they indicated that the failure to properly record the items addressed were oversights by entity personnel.

Effect or Potential Effect:

Material and significant misstatements and misclassifications were included in the financial statements presented for audit. The lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations.

Recommendation:

As part of internal control over the preparation of financial statements, including note disclosures, the School District should continue to implement comprehensive preparation and review procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by properly trained personnel possessing a thorough understanding of the applicable GAAP statements, GASB pronouncements and the School District's operations.

Views of Responsible Officials:

We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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CARROLL COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2016

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2016-001	<u>Controls over Financial Reporting</u>
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2014-001, FS 2015-001

The School District did not have adequate internal controls over the financial statement reporting process.

Corrective Action Plans:

Internal controls over financial reporting were enhanced during fiscal years 2016 and 2017. The misstatements to SPLOST revenue resulted from one transaction, and training has been completed to ensure the transaction is classified in the proper period going forward.

Estimated Completion Date: June 30, 2017

Contact Person: Delene Strickland
Telephone: (770) 832-3568
E-mail: delene.strickland@carrollcountyschools.com

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

No matters were reported.