



City of Commerce Board of Education-

Jackson County, GA

Annual Financial Report

For the Fiscal Year Ended

June 30, 2021

(Including Independent Auditor's Reports)

City of Commerce Board of Education

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City of Commerce Board of Education

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Section I

Financial

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INDEPENDENT AUDITOR'S REPORT

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Dr. Joy Tolbert, Superintendent and Members of the
City of Commerce Board of Education

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and fiduciary activities of the City of Commerce Board of Education (School District), as of and for the year ended June 30, 2021, 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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District'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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and fiduciary activities of the School District as of June 30, 2021, 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 2021, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The School District restated beginning balances for the effect of GASB Statement No. 84. Our opinions are not modified with respect to this matter.

As discussed in Note 13 to the financial statements, in 2021, the School District restated the prior period financial statements to correct a misstatement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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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, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2022 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

July 28, 2022

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City of Commerce Board of Education

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CITY OF COMMERCE BOARD OF EDUCATION

Exhibit "A"

STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 10,972,448
Receivables:	
Taxes	365,468
Intergovernmental:	
State	1,518,434
Federal	202,558
Local	7,770
Other	112
Inventory	41,791
Capital assets (nondepreciable)	563,704
Capital assets (depreciable, net of accumulated depreciation)	26,958,793
Total assets	<u>40,631,078</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on debt refunding	578,471
OPEB related items	3,970,707
Pension related items	5,330,728
Total deferred outflows of resources	<u>9,879,906</u>
LIABILITIES	
Accounts payable	542,212
Salaries and benefits payable	2,143,666
Accrued interest payable	162,918
Bonds payable due within one year	1,455,000
Bonds payable due in more than one year	11,705,000
Premium on bond	1,412,872
Financed purchases due within one year	16,959
Compensated absences due within one year	82,475
Compensated absences due in more than one year	156,457
Net OPEB liability	13,739,435
Net pension liability	17,325,186
Total liabilities	<u>48,742,180</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB related items	2,722,434
Pension related items	5,179
Total deferred inflows of resources	<u>2,727,613</u>
NET POSITION	
Net investment in capital assets	13,528,096
Restricted for:	
Capital projects	2,721,069
Debt service	1,214,186
Continuation of federal programs	41,791
Unrestricted (deficit)	(18,463,951)
Total net position (deficit)	<u>\$ (958,809)</u>

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 14,486,286	\$ 35,943	\$ 10,266,265	\$ -	\$ (4,184,078)
Support services:					
Pupil services	858,686	-	130,859	-	(727,827)
Improvement of instructional services	611,935	-	579,024	-	(32,911)
Educational media services	408,802	-	244,188	-	(164,614)
General administration	596,577	-	43,491	-	(553,086)
School administration	1,278,008	-	646,255	-	(631,753)
Business administration	198,015	-	1,522	-	(196,493)
Maintenance and operation of facilities	1,492,666	-	728,861	-	(763,805)
Student transportation services	683,967	-	110,018	77,220	(496,729)
Central support services	4,469	-	-	-	(4,469)
Other support services	27,153	-	7,106	-	(20,047)
Enterprise operations	175,141	-	-	-	(175,141)
Food services operation	1,297,043	64,735	1,128,349	-	(103,959)
Interest on long-term debt and issuance costs	524,125	-	-	-	(524,125)
Total governmental activities	\$ <u>22,642,873</u>	\$ <u>100,678</u>	\$ <u>13,885,938</u>	\$ <u>77,220</u>	<u>(8,579,037)</u>
General revenues:					
Taxes:					
Property taxes					
For Maintenance and Operations					4,963,282
For Debt Services					653,599
Title advalorem taxes					564,084
Sales taxes:					
Special Purpose Local Option Sales Tax					
For Capital Projects					2,112,328
Other Sales Tax					77,046
Grants and contributions not restricted to specific programs					1,855,900
Investment earnings					4,247
Miscellaneous					494,494
Total general revenues					<u>10,724,980</u>
Change in net position					2,145,943
Net position, beginning of year, as restated					<u>(3,104,752)</u>
Net position, end of year					<u>\$ (958,809)</u>

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

ASSETS	General	Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 7,090,832	\$ 3,377,164	\$ 504,452	\$ 10,972,448
Receivables:				
Taxes	149,023	197,114	19,331	365,468
Intergovernmental:				
State	1,518,434	-	-	1,518,434
Federal	202,558	-	-	202,558
Local	7,770	-	-	7,770
Other	-	112	-	112
Inventory	41,791	-	-	41,791
	<u>9,010,408</u>	<u>3,574,390</u>	<u>523,783</u>	<u>13,108,581</u>
Total assets	\$ 9,010,408	\$ 3,574,390	\$ 523,783	\$ 13,108,581
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 542,212	\$ -	\$ -	\$ 542,212
Salaries and benefits payable	2,143,666	-	-	2,143,666
Total liabilities	<u>2,685,878</u>	<u>-</u>	<u>-</u>	<u>2,685,878</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	134,326	-	16,919	151,245
FUND BALANCES				
Nonspendable:				
Inventory	41,791	-	-	41,791
Restricted:				
Capital projects	-	2,721,069	-	2,721,069
Debt service	-	853,321	506,864	1,360,185
Assigned for student activities	240,475	-	-	240,475
Unassigned	5,907,938	-	-	5,907,938
Total fund balances	<u>6,190,204</u>	<u>3,574,390</u>	<u>506,864</u>	<u>10,271,458</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,010,408</u>	<u>\$ 3,574,390</u>	<u>\$ 523,783</u>	<u>\$ 13,108,581</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2021**

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

Total fund balance-governmental funds		\$	10,271,458
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.			
Cost	\$	40,018,943	
Less accumulated depreciation		<u>(12,496,446)</u>	27,522,497
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Property taxes			151,245
The net pension liability and related balances are not expected to be paid with current financial resources and are therefore not reported in the governmental funds.			
Net pension liability	\$	(17,325,186)	
Deferred inflows of resources - pensions		(5,179)	
Deferred outflows of resources - pensions		<u>5,330,728</u>	(11,999,637)
The net OPEB liability and related balances are not expected to be paid with current financial resources and are therefore not reported in the governmental funds.			
Net OPEB liability	\$	(13,739,435)	
Deferred inflows of resources - OPEB		(2,722,434)	
Deferred outflows of resources - OPEB		<u>3,970,707</u>	(12,491,162)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	\$	(13,160,000)	
Premium, net of amortization		(1,412,872)	
Deferred loss on refunding		578,471	
Compensated absences		(238,932)	
Financed purchases		(16,959)	
Accrued interest payable		<u>(162,918)</u>	<u>(14,413,210)</u>
Total net position -governmental activities	\$		<u><u>(958,809)</u></u>

CITY OF COMMERCE BOARD OF EDUCATION

Exhibit "E"

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 4,985,457	\$ -	\$ 653,599	\$ 5,639,056
Other taxes	564,084	-	-	564,084
Sales taxes	61,515	2,112,328	15,531	2,189,374
State funds	13,144,660	-	-	13,144,660
Federal funds	2,631,552	-	-	2,631,552
Charges for services	100,678	-	-	100,678
Investment earnings	2,381	1,564	302	4,247
Miscellaneous	494,494	-	-	494,494
Total revenues	<u>21,984,821</u>	<u>2,113,892</u>	<u>669,432</u>	<u>24,768,145</u>
EXPENDITURES				
Current:				
Instruction	12,170,954	12,338	-	12,183,292
Support services:				
Pupil services	765,080	-	-	765,080
Improvement of instructional services	547,575	-	-	547,575
Educational media services	366,105	-	-	366,105
General administration	549,512	-	-	549,512
School administration	1,126,316	-	-	1,126,316
Business services	177,501	-	-	177,501
Maintenance and operation of facilities	1,447,215	-	-	1,447,215
Student transportation services	516,878	22,137	-	539,015
Central support services	4,056	-	-	4,056
Other support services	27,153	-	-	27,153
Enterprise operations	175,141	-	-	175,141
School nutrition	1,226,974	-	-	1,226,974
Capital outlay	-	49,500	-	49,500
Debt service:				
Principal retirement	12,951	1,272,031	245,190	1,530,172
Interest and fiscal charges	892	182,696	304,653	488,241
Bond issuance costs	-	-	154,900	154,900
Total expenditures	<u>19,114,303</u>	<u>1,538,702</u>	<u>704,743</u>	<u>21,357,748</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,870,518</u>	<u>575,190</u>	<u>(35,311)</u>	<u>3,410,397</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	99,000	-	99,000
Transfers out	(49,500)	-	(49,500)	(99,000)
Premium on bonds	-	-	650,890	650,890
Payment of refunded debt	-	-	(5,135,991)	(5,135,991)
Issuance of bonds	-	-	4,640,000	4,640,000
Total other financing sources (uses)	<u>(49,500)</u>	<u>99,000</u>	<u>105,399</u>	<u>154,899</u>
Net change in fund balances	2,821,018	674,190	70,088	3,565,296
FUND BALANCES, beginning of year, as restated	<u>3,369,186</u>	<u>2,900,200</u>	<u>436,776</u>	<u>6,706,162</u>
FUND BALANCES, end of year	<u>\$ 6,190,204</u>	<u>\$ 3,574,390</u>	<u>\$ 506,864</u>	<u>\$ 10,271,458</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, 2021**

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

Net change in fund balances - total governmental funds	\$	3,565,296
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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 depreciation expense exceeded capital outlays in the current year.

Capital outlay	\$ 98,985	
Depreciation expense	<u>(922,813)</u>	(823,828)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues

Property taxes		(22,175)
----------------	--	----------

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

Bond issuance	\$ (4,640,000)	
Principal payments	1,530,172	
Payment of refunded debt	5,135,991	
Premium on bond issuance	<u>(650,890)</u>	1,375,273

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 net OPEB liabilities and related deferred outflows and inflows of resources	\$ (604,273)	
Change in net pension liabilities and related deferred outflows and inflows of resources	(1,438,695)	
Amortization of bond premium and deferred loss	50,488	
Change in compensated absences	(24,671)	
Change in accrued interest	<u>68,528</u>	<u>(1,948,623)</u>

Change in net position - governmental activities	\$	<u><u>2,145,943</u></u>
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**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021**

		Private Purpose Trust Fund
ASSETS		
Cash		\$ <u>15,905</u>
NET POSITION		
Restricted for scholarships		\$ <u>15,905</u>

CITY OF COMMERCE BOARD OF EDUCATION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

ADDITIONS	Private Purpose Trust Fund
	<u> </u>
Investment earnings	
Interest and dividends	\$ <u> 7 </u>
DEDUCTIONS	
Scholarships awarded	<u> 1,006 </u>
Change in net position	(999)
Net position, beginning of year	<u> 16,904 </u>
Net position, end of year	\$ <u><u> 15,905 </u></u>

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Statements:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School District. 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.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT "I"

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Net Position presents the School District's non-fiduciary assets, deferred outflows of resources, deferred inflows of resources and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

1. **Net investment in capital assets** consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
2. **Restricted net position** consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate 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.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), and bond proceeds that are restricted, committed or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned including sales taxes legally restricted for the payment of general long-term principal and interest.

The School District also reports the following fiduciary fund:

- *Private-Purpose Trust Fund* accounts for endowments, under which principal and income benefit graduating seniors of the City of Commerce Board of Education.

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

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

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Property taxes, sales taxes and interest are considered to be susceptible to accrual. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. 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.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In fiscal year 2021, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

As noted in Note 13, the School District restated beginning net position of governmental activities and beginning fund balance for the general fund for the cumulative effect of this accounting change.

In fiscal year 2021, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests*. It defines a majority equity interest and specifies that majority equity interest in a legal separate organization should be reported as an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The adoption of this statement did not have an impact on the School District's financial statements.

Cash and Cash Equivalents

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

Investments

The School District can invest its funds as permitted by O.C.G.A. Section 36-83-4. 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.

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. All other investments are reported at fair value.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Capital Assets

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at the acquisition value on the date donated. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. The School District does not capitalize book collections or works of art.

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

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

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

		<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land		All	N/A
Land Improvements	\$	10,000	20 to 80 years
Buildings and Improvements	\$	10,000	25 to 80 years
Equipment	\$	10,000	10 to 50 years
Intangible Assets	\$	100,000	Individually determined

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Members of the Teachers Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be born 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.

The School District shall provide a sick leave program for professional personnel computed at the following rates:

- Full-time employees (50% or more of an 8-hour day) earn 1.25 days per month worked.
- Half-time employees (25% - 49% of an 8-hour day) earn 0.5 days per month worked.
- One-quarter time employees (0-24% of an 8-hour day) earn 0.25 per month worked.

Regular program teachers are considered under a ten-month contract. The unused portion of sick leave shall be carried forward to the following year and may accumulate in this manner, not to exceed a total of 120 days.

Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year. Vacation leave vests with the employee and a liability is reported in the School District's financial statements.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Liabilities and Bond Discounts/Premiums

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

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

Pensions

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

Post-Employment Benefits other than Pensions

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

CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT “I”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

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

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

Nonspendable – 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.

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.

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.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

The Jackson County Board of Commissioners adopted the property tax levy for the 2020 tax digest year (calendar year) on October 13, 2020 (levy date) based on property values as of January 1, 2020. Taxes were due on December 20, 2020 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2020 tax digest are reported as revenue in the governmental funds for fiscal year 2021. The Jackson County Tax Commissioner bills and collects the property taxes for the School District, withholds 2% 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, 2021, for maintenance and operations amounted to \$4,985,457 and for school bonds amounted to \$653,599.

Tax millage rates levied for the 2020 tax year (calendar year) for the School District were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	18.925 mills
School Bonds	<u>3.000</u> mills
	<u>21.925</u> mills

Sales Taxes

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$2,112,328 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

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

The budgetary process begins with the School District’s administration presenting an initial budget for the Board’s review. The administration makes revisions as necessary based on the Board’s 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.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 3: BUDGETARY DATA (CONTINUED)

Under no circumstances is the Superintendent or other staff person authorized to spend funds that exceed the total budget as approved by the Board of Education.

The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2021.

General Fund:	
General administration	\$ 50,672
Enterprise operations	175,141
School nutrition	152,873
Principal retirement	12,951
Interest and fiscal charges	892

These over expended departments were funded with existing fund balance reserves and greater than anticipated revenues.

NOTE 4: DEPOSITS AND CASH EQUIVALENTS

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, 2021, 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,

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 4: DEPOSITS AND CASH EQUIVALENTS (CONTINUED)

- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by 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, 2021, the School District had deposits with a carrying amount of \$4,654,697 and a bank balance of \$4,736,529. The bank balances insured by Federal depository insurance were \$420,972 and the bank balances collateralized with securities held by the pledging financial institution’s trust department or agent in the School District’s name were \$4,315,557.

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

Cash and cash equivalents	
Statement of Net Position	\$ 10,972,448
Statement of Fiduciary Net Position	<u>15,905</u>
 Total cash and cash equivalents	 10,988,353
 Less:	
Investment pools reported as cash and cash equivalents	
Georgia Fund 1	<u>6,333,656</u>
 Total carrying value of deposits - June 30, 2021	 \$ <u><u>4,654,697</u></u>

Categorization of Cash Equivalents

The School District reported cash equivalents of \$6,333,656 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool’s share price, \$1.00 per share, which approximates fair value. The pool is an AAAs rated investment pool by Standard and Poor’s. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2021 was 36 days.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT "I"

NOTE 4: DEPOSITS AND CASH EQUIVALENTS (CONTINUED)

Categorization of Cash Equivalents (continued)

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Annual Comprehensive Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <https://sao.georgia.gov/statewide-reporting/acfr>.

NOTE 5: CAPITAL ASSETS

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

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 563,704	\$ -	\$ -	\$ 563,704
Total capital assets not being depreciated	563,704	-	-	563,704
Capital assets, being depreciated:				
Buildings and improvements	34,076,780	-	-	34,076,780
Equipment	3,153,495	98,985	(46,328)	3,206,152
Land improvements	2,172,307	-	-	2,172,307
Total capital assets being depreciated	39,402,582	98,985	(46,328)	39,455,239
Less accumulated depreciation for:				
Buildings and improvements	(8,646,989)	(666,463)	-	(9,313,452)
Equipment	(1,711,925)	(163,947)	46,328	(1,829,544)
Land improvements	(1,261,047)	(92,403)	-	(1,353,450)
Total accumulated depreciation	(11,619,961)	(922,813)	46,328	(12,496,446)
Total capital assets, being depreciated, net	27,782,621	(823,828)	-	26,958,793
Governmental activities capital assets, net	<u>\$ 28,346,325</u>	<u>\$ (823,828)</u>	<u>\$ -</u>	<u>\$ 27,522,497</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 811,823
Support Services	
General Administration	\$ 11,933
Maintenance and Operation of Plant	6,172
Student Transportation Services	75,961
Food Services	16,924
	<u>\$ 922,813</u>

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT "I"

NOTE 6: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Transfers In	Transfers Out	Amount
Capital Projects Fund	General Fund	\$ 49,500
Capital Projects Fund	Debt Service Fund	49,500
		<u>\$ 99,000</u>

Transfers were from the General Fund and Debt Service Fund to the Capital Projects Fund to pay for debt service payments.

NOTE 7: LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance July 1, 2020, Restated	Additions	Deductions	Balance June 30, 2021	Due Within One Year
General Obligation Bonds	\$ 9,665,000	\$ -	\$ (1,145,000)	\$ 8,520,000	\$ 1,205,000
Direct Placement Bonds	-	4,640,000	-	4,640,000	250,000
Unamortized Bond Premiums	896,621	650,890	(134,639)	1,412,872	185,052
Revenue Bonds	15,837	-	(15,837)	-	-
Financed purchases	143,989	-	(127,030)	16,959	16,959
Energy Efficiency Financed Purchases	5,340,177	-	(5,340,177)	-	-
Net Pension Liability	15,238,106	5,263,089	(3,176,009)	17,325,186	-
Net OPEB Liability	11,370,756	3,325,004	(956,325)	13,739,435	-
Compensated absences	214,261	98,630	(73,959)	238,932	82,475
	<u>\$ 42,884,747</u>	<u>\$ 13,977,613</u>	<u>\$ (10,968,976)</u>	<u>\$ 45,893,384</u>	<u>\$ 1,739,486</u>

General Obligation Bonds

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

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT "I"

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

The School District had no unused line of credit or outstanding notes from direct borrowings and direct placements related to governmental activities as of June 30, 2021. In the event the entity is unable to make the principal and interest payments using proceeds from the Education Special Purpose Local Option Sales Tax (ESPLOST), the debt will be satisfied from a direct annual ad valorem tax levied upon all taxable property within the School District. Additional security is provided by the State of Georgia Intercept Program which allows for state appropriations entitled to the School District to be transferred to the Debt Service Account Custodian for the payment of debt.

The School District's outstanding bonds related to governmental activities of \$13,160,000 contain provisions that in the event of nonpayment, the State Board is authorized to and must withhold from any state appropriations to which the School District may be entitled amounts necessary to satisfy the principal and interest payments then due (Intercept Program).

General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2007	3.606%	11/28/2007	8/1/2021	\$ 10,000,000	\$ 160,000
General Government - Series 2016	2.00 - 4.00%	5/25/2016	8/1/2027	8,460,000	8,360,000
				<u>\$ 18,460,000</u>	<u>\$ 8,520,000</u>

Direct Placement Bonds

In April 2021, the School District issued \$4,640,000 of Series 2021 direct placement bonds which mature February 1, 2033 and bear interest at rates from 2 to 4%. The proceeds of the bond were used to pay off the School District's energy efficiency lease (financed purchases).

Direct placement bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2021	2.00 - 4.00%	4/27/2021	2/1/2033	\$ 4,640,000	\$ 4,640,000

The schedule on the following page details debt service requirements to maturity for the School District's total general obligation bonds and direct placement bonds payable.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Obligations Under Energy Efficiency Leases

An energy efficiency lease agreement dated June 13, 2016 was executed by and between the School District, the lessee, and Pinnacle Bank, the lessor. The agreement authorized the borrowing of \$5,708,335 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease were made from the School District’s capital projects fund. In April 2021, the School District issued the Series 2021 General Obligation bonds to pay off the energy efficiency lease in full. This transaction undertaken by the School District resulted in a deferred loss in the amount of \$38,119 that will be amortized over the life of the bonds.

Financed Purchases

The School District has entered into a purchase agreement as lessee to finance the acquisition of Apple computer equipment. The purchase arrangement was for a period of five years and bear interest at a rate of 5.49%. The future lease payments are as follows:

<u>Year ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>16,959</u>	<u>1,080</u>	<u>18,039</u>

NOTE 8: RISK MANAGEMENT

Insurance

Commercial Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters. Except as described below, the School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District has elected to self-insure for losses related to natural disasters. The School District has not experienced any losses related to this risk in the past three years.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 8: RISK MANAGEMENT (CONTINUED)

Workers’ Compensation

The School District participates in the Georgia School Boards Association Workers’ Compensation Fund (the Fund), a public entity risk pool organized on December 1, 1991, 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 Trust for its general workers’ compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1 million loss per occurrence, up to the statutory limit. Employers’ Liability insurance coverage is also provided with limits of \$2 million. The Trust covers the first \$1 million of each Employers Liability claim with Safety National providing additional Employers Liability limits up to a \$2 million per occurrence maximum. Safety National Casualty Company also provides \$2 million in aggregate coverage to the Trust, attaching at 107% of the loss fund and based on the Fund’s annual normal premium.

Unemployment Compensation

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

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

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims Accrual</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2020	\$ -	\$ 431	\$ 431	\$ -
2021	\$ -	\$ 8,395	\$ 8,395	\$ -

Surety Bond

The School District has purchased a Superintendent’s (surety) bond to provide additional insurance coverage in the amount of \$100,000.

NOTE 9 – SIGNIFICANT CONTINGENT LIABILITIES

Federal Grants

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

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Georgia School Personnel Post-Employment Health Benefit Fund

Plan Description: The School District participates in the State of Georgia School Employees Post-Employment Benefit Fund (the School OPEB Fund) which is another post-employment benefit (OPEB) plan administered by the State of Georgia Department of Community Health (DCH). Certified teachers and non-certified employees of the Board as defined in §20-2-875 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit post-employment healthcare plan, reported as an employee trust fund of the State of Georgia and administered by a Board of Community Health (DCH Board). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the DCH Board. The School OPEB Fund is included in the State of Georgia Annual Comprehensive Financial Report which is publicly available and can be obtained at <https://sao.georgia.gov/statewide-reporting/acfr>.

Benefits Provided: The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies, and non-certified public school employees.

Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

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**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Contributions: As established by the Board of Community Health, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions required and made to the School OPEB Fund from the School District were \$352,052 for the year ended June 30, 2021. Active employees are not required to contribute to the School OPEB Fund.

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

At June 30, 2021, the School District reported a liability of \$13,739,435 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2019. An expected total OPEB liability as of June 30, 2020 was determined using standard roll-forward techniques. The School District’s proportion of the net OPEB liability was actuarially determined based on employer contributions to the School OPEB Fund during the fiscal year ended June 30, 2020. At June 30 2020, the School District’s proportion was 0.093544%, which was an increase of 0.000889% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$956,325. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,499,920
Net difference between projected and actual earnings on OPEB plan investments	35,810	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,310,648	-
Changes in plan assumptions	2,272,197	1,222,514
School District contributions subsequent to the measurement date	352,052	-
Total	<u>\$ 3,970,707</u>	<u>\$ 2,722,434</u>

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

School District contributions subsequent to the measurement date of \$352,052 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2022	\$ 137,484
2023	136,523
2024	111,675
2025	155,168
2026	266,492
2027	88,879
Thereafter	-
Total	<u><u>\$ 896,221</u></u>

Actuarial assumptions:

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50%
Salary Increases	TRS – 3.00-8.75%, including inflation PSERS – N/A
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate:	
Pre-Medicare eligible	7.00%
Medicare eligible	5.25%
Ultimate trend rate:	
Pre-Medicare eligible	4.50%
Medicare eligible	4.50%
Year of ultimate trend rate:	
Pre-Medicare eligible	2029
Medicare eligible	2023

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Mortality rates were based as follows:

- For TRS Members: The Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree Mortality Table projected generationally with the MP-2019 projection scale (set forward one year and adjusted 106%) is used for death prior to retirement and for service retirements and beneficiaries. The Pub-2010 Teachers Mortality Table for Disabled Retirees projected generationally with the MP-2019 Projection scale (set forward one year and adjusted 106%) is used for disability retirements. For both, rates of improvement were reduced by 20% for all years prior to the ultimate rate.
- For PSERS Members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward three years for males and two years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward five years for both males and females) is used for the period after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB. There is a margin for future mortality improvement in the tables used by the plan.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the pension systems, which covered the period ending July 1, 2013 – June 30, 2018, with the exception of the assumed annual rate of inflation which was changed from 2.75% to 2.50%, effective with the June 30, 2018 valuation.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Beginning in fiscal year 2018, the School OPEB fund update their investment strategy to a more long-term approach. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Fixed income	30.00%	0.50%
Equities	70.00%	9.20%
Total	<u>100.00%</u>	

*Net of Inflation

Discount Rate:

In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 2.22% was used as the discount rate. This is comprised mainly of the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (2.21% per the Municipal Bond Index Rate). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the discount rate:

The following presents the collective net OPEB liability of the participating employers calculated using the discount rate of 2.22%, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.22%) or 1-percentage-point higher (3.22%) than the current rate:

	1% Decrease (1.22%)	Current discount rate (2.22%)	1% Increase (3.22%)
Board's proportionate share of the net OPEB liability	\$ 16,141,569	\$ 13,739,435	\$ 11,818,398

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rate:

The following presents the collective net OPEB liability of the participating employers calculated using the healthcare cost trend rates of 5.25% to 7.00%, as well as what the School District’s collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.25% to 6.00%) or 1-percentage-point higher (6.25% to 8.00%) than the current rates:

	1% Decrease (4.25% to 6.00%)	Current discount rate (5.25% to 7.00%)	1% Increase (6.25% to 8.00%)
Board's proportionate share of the net OPEB liability	\$ 11,439,461	\$ 13,739,435	\$ 16,717,234

OPEB plan fiduciary net position:

Detailed information about the OPEB plan’s fiduciary net position is available in the Annual Comprehensive Report (ACFR) which is publicly available at <https://sao.georgia.gov/statewide-reporting.acfr>.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 11 – 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 O.C.G.A. §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. 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.

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 2021. The School District’s contractually required contribution rate for the year ended June 30, 2021 was 19.06% of annual School District’s payroll. District contributions to TRS were \$1,737,314 for the year ended June 30, 2021.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 11 – RETIREMENT PLANS (CONTINUED)

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2021, 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 were as follows:

School District's proportionate share of the net pension	\$ 17,325,186
State of Georgia's proportionate share of the net pension liability associated with the Board	<u>210,264</u>
Total	<u><u>\$ 17,535,450</u></u>

The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 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, 2020. At June 30, 2020, the Board's proportion was 0.071521%, which was an increase of 0.000655% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$3,181,566 and revenue of \$5,557 for support provided by the State of Georgia for certain support personnel. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 417,280	\$ -
Changes in proportion and differences between Board contributions and proportionate share of contributions	637,103	5,179
Assumption changes	1,784,514	-
Experience differences between expected and actual	754,517	-
Board contributions subsequent to the measurement date	<u>1,737,314</u>	<u>-</u>
Total	<u><u>\$ 5,330,728</u></u>	<u><u>\$ 5,179</u></u>

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 11 – RETIREMENT PLANS (CONTINUED)

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

The School District contributions subsequent to the measurement date of \$1,737,314 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. 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 ending June 30:	
2022	\$ 926,959
2023	1,179,969
2024	1,064,756
2025	416,551
Total	<u>\$ 3,588,235</u>

Actuarial assumptions: The total pension liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00 – 8.75%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Postretirement benefit increases	1.50% semi-annually

Post-retirement mortality rates for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106% was used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 11 – RETIREMENT PLANS (CONTINUED)

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

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 following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.10)%
Domestic large equities	51.00	8.90
Domestic small equities	1.50	13.20
International developed market equities	12.40	8.90
International emerging market equities	5.10	10.90
Total	100.00%	

* Rates shown are net of the 2.50% assumed rate of inflation

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. 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 TRS 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.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 11 – RETIREMENT PLANS (CONTINUED)

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

Sensitivity of the Board’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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current discount rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability	\$ 27,473,608	\$ 17,325,186	\$ 9,006,388

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 publicly available at www.trsga.com/publications.

**GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS 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/financials.

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

Upon retirement, the member will receive a monthly benefit of \$15.50, 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.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 11 – RETIREMENT PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM (PSERS) (Continued)

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 contributions was \$20,780.

Pension Liabilities and Pension Expense

At June 30, 2021, 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 Board	\$ <u>121,933</u>
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The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 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, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$24,537 and revenue of \$24,537 for support provided by the State of Georgia.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	N/A
Investment rate of return	7.30%, net of pension plan investment expense, including inflation
Postretirement benefit increase	1.50% semi-annually

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 11 – RETIREMENT PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM (PSERS) (Continued)

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, with the exception of the assumed investment rate of return.

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 following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.10)%
Domestic large stocks	46.20	8.90
Domestic small stocks	1.30	13.20
International developed market stocks	12.40	8.90
International emerging market stocks	5.10	10.90
Alternatives	5.00	12.00
Total	100.00%	

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

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 11 – RETIREMENT PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM (PSERS) (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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.

NOTE 12 – TAX ABATEMENTS

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

For the fiscal year ended June 30, 2021, Jackson County Industrial Development Authority abated taxes due to the School District totaling \$3,240,431 resulting in a payment in lieu of taxes of \$1,154,775.

**CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

EXHIBIT “I”

NOTE 13 – RESTATEMENT OF PRIOR YEAR NET POSITION AND FUND BALANCE

Implementation of New Accounting Standard

For fiscal year 2021, the School District implemented Governmental Accounting Standards Board (GASB) Statement No, 84, *Fiduciary Activities*, which requires a restatement of the June 30, 2020 net position in Governmental Activities and fund balance in the general fund.

Compensated Absences Restatement

For fiscal year 2021, the School District identified a prior period adjustment to net position of Governmental Activities to properly report a liability for compensated absences in accordance with Generally Accepted Accounting Principles.

The effect of the above restatement and change in accounting principle is reflected in the following table:

Net Position, June 30, 2020 as previously reported	\$ (2,909,018)
School Activity Account Reclassification	18,527
Compensated absences	<u>(214,261)</u>
Net Position, June 30, 2020, as restated	\$ <u><u>(3,104,752)</u></u>
Fund Balance (General Fund), June 30, 2020, as previously reported	\$ 3,350,659
School Activity Account Reclassification	<u>18,527</u>
Fund Balance (General Fund), June 30, 2020, as restated	\$ <u><u>3,369,186</u></u>

Funds Held for Others of \$18,527, previously presented in Fiduciary Funds, was reclassified to Net Position and Fund Balance (General Fund).

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CITY OF COMMERCE BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

TEACHERS RETIREMENT SYSTEM OF GEORGIA

FOR THE FISCAL YEAR ENDED JUNE 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net pension liability	0.071521%	0.070866%	0.069609%	0.065685%	0.062411%
School District's proportionate share of the net pension liability	\$ 17,325,186	\$ 15,238,106	\$ 12,920,921	\$ 12,207,760	\$ 12,876,085
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>210,264</u>	<u>193,739</u>	<u>177,454</u>	<u>221,723</u>	<u>337,319</u>
Total	<u>\$ 17,535,450</u>	<u>\$ 15,431,845</u>	<u>\$ 13,098,375</u>	<u>\$ 12,429,483</u>	<u>\$ 13,213,404</u>
School District's covered payroll	\$ 9,332,966	\$ 8,758,505	\$ 8,404,803	7,690,399	\$ 7,025,167
School District's proportionate share of the net pension liability as a percentage of its covered payroll	185.63%	173.98%	153.73%	158.74%	183.29%
Plan fiduciary net position as a percentage of the total pension liability	77.01%	78.56%	80.27%	79.33%	76.06%
	<u>2016</u>	<u>2015</u>			
School District's proportion of the net pension liability	0.063220%	0.067276%			
School District's proportionate share of the net pension liability	\$ 9,624,617	\$ 8,499,435			
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>262,310</u>	<u>227,406</u>			
Total	<u>\$ 9,886,927</u>	<u>\$ 8,726,841</u>			
School District's covered payroll	\$ 6,830,219	\$ 7,047,079			
School District's proportionate share of the net pension liability as a percentage of its covered payroll	140.91%	120.61%			
Plan fiduciary net position as a percentage of the total pension liability	81.44%	84.03%			

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 1,737,314	\$ 1,949,341	\$ 1,807,549	\$ 1,393,708	\$ 1,076,550
Contributions in relation to the contractually required contributions	<u>1,737,314</u>	<u>1,949,341</u>	<u>1,807,549</u>	<u>1,393,708</u>	<u>1,076,550</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered payroll	9,114,974	9,332,966	8,758,505	8,404,803	7,690,399
Contributions as a percentage of covered payroll	19.06%	20.89%	20.64%	16.58%	14.00%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contributions	\$ 977,302	\$ 898,174	\$ 865,381	\$ 833,547	\$ 744,072
Contributions in relation to the contractually required contributions	<u>977,302</u>	<u>898,174</u>	<u>865,381</u>	<u>833,547</u>	<u>744,072</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered payroll	7,025,167	6,830,219	7,047,079	7,305,404	7,238,050
Contributions as a percentage of covered payroll	13.91%	13.15%	12.28%	11.41%	10.28%

Note: For years ended 2012- 2015 and 2021, the contractually required contribution amount includes amounts paid by the State of Georgia on behalf of the City of Commerce Board of Education.

CITY OF COMMERCE BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA

FOR THE FISCAL YEAR ENDED JUNE 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%	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>121,933</u>	<u>104,983</u>	<u>108,508</u>	<u>93,938</u>	<u>113,546</u>
Total	<u>\$ 121,933</u>	<u>\$ 104,983</u>	<u>\$ 108,508</u>	<u>\$ 93,938</u>	<u>\$ 113,546</u>
School District's covered payroll	\$ 192,154	\$ 192,154	\$ 152,444	\$ 154,947	\$ 257,125
School District's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	84.45%	85.02%	85.26%	85.69%	81.00%

	<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>62,418</u>	<u>98,846</u>
Total	<u>\$ 62,418</u>	<u>\$ 98,846</u>
School District's covered payroll	\$ 253,162	\$ 249,942
School District's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	87.00%	88.29%

CITY OF COMMERCE BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY

OTHER POST-EMPLOYMENT BENEFITS

FOR THE FISCAL YEAR ENDED JUNE 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the net OPEB liability	0.093544%	0.092655%	0.090399%	0.085784%
School District's proportionate share of the net OPEB liability	\$ <u>13,739,435</u>	\$ <u>11,370,756</u>	\$ <u>11,489,436</u>	\$ <u>12,052,617</u>
Total	\$ <u><u>13,739,435</u></u>	\$ <u><u>11,370,756</u></u>	\$ <u><u>11,489,436</u></u>	\$ <u><u>12,052,617</u></u>
School District's covered-employee payroll	8,211,644	7,655,053	7,282,055	6,321,758
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	167.32%	148.54%	157.78%	190.65%
Plan fiduciary net position as a percentage of the total OPEB liability	3.99%	4.63%	2.93%	1.61%

CITY OF COMMERCE BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 OTHER POST-EMPLOYMENT BENEFITS
 FOR THE FISCAL YEAR ENDED JUNE 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 352,052	\$ 316,344	\$ 499,011	\$ 468,527	\$ 447,283
Contributions in relation to the contractually required contribution	<u>352,052</u>	<u>316,344</u>	<u>499,011</u>	<u>468,527</u>	<u>447,283</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered-employee payroll	\$ 8,382,661	\$ 8,211,644	\$ 7,655,053	\$ 7,282,055	\$ 6,321,758
Contributions as a percentage of covered-employee payroll	4.20%	3.85%	6.52%	6.43%	7.08%

CITY OF COMMERCE BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Teachers Retirement System of Georgia:

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

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

On May 15, 2019, the Board adopted recommended changes from the smoothed valuation interest rate methodology that has been in effect since June 30, 2009, to a constant interest rate method. In conjunction with the methodology, the long-term assumed rate of return in assets (discount rate) has been changed from 7.50% to 7.25%, and the assumed annual rate of inflation has been reduced from 2.75% to 2.50%.

In 2019 and later, the expectation of retired life mortality was changed to the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table from the RP-2000 Mortality Tables. In 2019, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

Public Schools Employees Retirement System of Georgia:

Changes of benefit terms: The member contribution rate was increased from \$4.00 to \$10.00 per month for members joining the System on or after July 1, 2021. The monthly benefit accrual rate was increased from \$14.75 to \$15.00 per year of credible service effective July 1, 2017. The monthly benefit accrual as increased from \$15.00 to \$15.25 per year of credible service effective July 1, 2018. The monthly benefit accrual was increased from \$15.25 to \$15.50 per year of credible service effective July 1, 2019. A 2% cost-of-living adjustment (COLA) was granted to certain retirees and beneficiaries effective July 2016, another July 2017 and another July 2018. Two 1.5% COLAs were granted to certain retirees and beneficiaries effective July 2019 and January 2020.

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

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

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date. The assumed investment rate of return remained at 7.30% for the June 30, 2019 valuation.

School OPEB Fund:

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

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

In the June 30, 2019 actuarial valuation, decremental assumptions were changed to reflect the Teachers Retirement Systems experience study.

The discount rate was updated from 3.07% as of June 30, 2016 to 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018, to 3.58% as of June 30, 2019, and to 2.22% as of June 30, 2020.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 4,804,775	\$ 4,043,714	\$ 4,985,457	\$ 941,743
Sales taxes	55,000	61,900	61,515	(385)
Other taxes	68,100	151,875	564,084	412,209
State funds	11,470,232	12,873,877	13,144,660	270,783
Federal funds	646,452	5,203,776	2,631,552	(2,572,224)
Charges for services	-	197,000	100,678	(96,322)
Investment earnings	25,000	25,000	2,381	(22,619)
Miscellaneous	-	-	494,494	494,494
Total revenues	<u>17,069,559</u>	<u>22,557,142</u>	<u>21,984,821</u>	<u>(572,321)</u>
EXPENDITURES				
Current:				
Instruction	11,312,818	14,041,311	12,170,954	1,870,357
Support services:				
Pupil services	632,199	1,024,085	765,080	259,005
Improvement of instructional services	488,225	608,256	547,575	60,681
Educational media services	386,450	393,223	366,105	27,118
General administration	501,075	498,840	549,512	(50,672)
School administration	1,177,680	1,199,919	1,126,316	73,603
Business administration	184,200	186,722	177,501	9,221
Maintenance and operation of facilities	1,624,300	1,736,084	1,447,215	288,869
Student transportation services	456,000	550,081	516,878	33,203
Central support services	5,000	5,000	4,056	944
Other support services	13,000	27,458	27,153	305
Enterprise operations	-	-	175,141	(175,141)
School nutrition	31,271	1,074,101	1,226,974	(152,873)
Capital outlay	-	400,000	-	400,000
Debt service:				
Principal retirement	-	-	12,951	(12,951)
Interest and fiscal charges	-	-	892	(892)
Total expenditures	<u>16,812,218</u>	<u>21,745,080</u>	<u>19,114,303</u>	<u>2,630,777</u>
Excess of revenues over expenditures	<u>257,341</u>	<u>812,062</u>	<u>2,870,518</u>	<u>2,058,456</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	(49,500)	(49,500)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(49,500)</u>	<u>(49,500)</u>
Net change in fund balances	257,341	812,062	2,821,018	2,008,956
FUND BALANCE, beginning of year, as restated	<u>3,369,186</u>	<u>3,369,186</u>	<u>3,369,186</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 3,626,527</u>	<u>\$ 4,181,248</u>	<u>\$ 6,190,204</u>	<u>\$ 2,008,956</u>

Note: Original and final budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are \$473,526 and \$504,919, respectively.

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

CITY OF COMMERCE BOARD OF EDUCATION

SCHEDULE "8"

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FUNDING AGENCY PROGRAM/GRANT	ASSISTANCE LISTING NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	215GA324N1199	\$ 281,006
National School Lunch Program	10.555	215GA324N1199	828,471
Child Nutrition Discretionary Grants Limited Availability	10.579	205GA324N8503	6,771
Total Child Nutrition Cluster			1,116,248
Pass-Through From Georgia Department of Education			
Food Services			
State Administrative Expenses for Child Nutrition	10.560	205GA904N2533	2,758
Total U. S. Department of Agriculture			1,119,006
Education, U. S. Department of			
Education Stabilization Fund			
Pass-Through From Georgia Department of Education			
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200012	295,112
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210012	185,085
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210012	202,362
Total Education Stabilization Fund			682,559
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027A	H027A190073	96,649
Grants to States	84.027A	H027A200073	194,359
Preschool Grants	84.173A	H173A200081	10,814
Total Special Education Cluster			301,822
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048A	V048A200010	18,557
English Language Acquisition State Grants	84.365A	S365A190010	4,270
English Language Acquisition State Grants	84.365A	S365A200010	8,974
Rural Education Achievement Program	84.358B	S358B200010	33,255
Student Support and Academic Enrichment Program	84.424A	S424A200011	27,341
Supporting Effective Instruction State Grants	84.367A	S367A190001	22,972
Supporting Effective Instruction State Grants	84.367A	S367A200001	32,123
Title I Grants to Local Educational Agencies	84.010A	S010A200010	96,454
Title I Grants to Local Educational Agencies	84.010A	S010A200010-20A	298,414
Total Other Programs			542,360
Total U. S. Department of Education			1,526,741
Health and Human Services, U. S. Department of			
Child Care and Development Fund Cluster			
Pass-Through From Bright From the Start			
Georgia Department of Early Care and Learning			
COVID-19 - Child Care and Development Block Grant	93.575	20110GACCC5	6,087
Total Expenditures of Federal Awards			\$ 2,651,834

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Commerce Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Board has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Donated Personal Protective Equipment

In response to the COVID-19 pandemic, the federal government donated personal protective equipment (PPE) to Georgia Emergency Management and Homeland Security Agency (GEMA/HS). GEMA/HS, then, donated PPE with an estimated fair market value of \$21,574 to the City of Commerce Board of Education. This amount is not included in the Schedule of Expenditures of Federal Awards and is not subject to audit. Therefore, this amount is unaudited.

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<u>Agency/Funding</u>	<u>Governmental Fund Type</u>
<u>Grants</u>	<u>General Fund</u>
Grants from Pre-K Lottery	
Georgia Pre-Kindergarten Program	\$ 283,577
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	570,771
Kindergarten Program - Early Intervention Program	216,786
Primary Grades (1-3) Program	998,329
Primary Grades - Early Intervention (1-3) Program	861,806
Upper Elementary Grades (4-5) Program	396,829
Upper Elementary Grades - Early Intervention (4-5) Program	514,871
Middle School (6-8) Program	1,103,000
High School General Education (9-12) Program	966,465
Career Technical and Agricultural Education Program (9-12)	383,721
Students with Disabilities	1,916,635
Gifted Students - Category VI	457,013
Remedial Education Program	305,568
Alternative Education Program	81,746
English Speakers of Other Languages (ESOL)	243,816
Media Center Program	217,010
Twenty Days Additional Instruction	64,683
Staff and Professional Development	41,292
Principal Staff & Professional Development	1,213
Indirect Cost	
Central Administration	447,787
School Administration	566,661
Facility Maintenance and Operations	457,755
Categorical Grants	
Pupil Transportation	85,229
Bus replacement	77,220
Nursing Services	45,000
Vocational Supervisors	6,824
Equalization grant	1,855,900
Food services	30,371
Hygiene Products in Georgia Schools	743
Math and Science Supplement	1,796
Career, Technical, and Agricultural Education	28,156
Amended formula adjustment	(357,956)
Preschool Disability Services	34,546
Teachers Retirement	22,066
Charter System Grant	177,626
CS4GA Computer Science Capacity Grant	2,100
Office of Treasury and Fiscal Services	
Public School Employees Retirement	20,780
Georgia Emergency Management Agency	
Donations to LEA for COVID	16,925
	<u>\$ 13,144,660</u>

CITY OF COMMERCE BOARD OF EDUCATION -JACKSON COUNTY
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2021

SCHEDULE "10"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	ESTIMATED COMPLETION DATE
SPLOST 2016						
Paying a portion of the debt on the outstanding Series 2007 and 2009 General Obligation Bonds previously issued by the City of Commerce Board of Education.	\$ 7,650,000	\$ 7,650,000	\$ 1,320,829	\$ 1,915,057	-	April 1, 2023
Adding to, renovating, repairing, improving and equipping existing school buildings or other buildings or facilities useful or desirable in connection therewith, but not limited to HVAC and elementary gymnasium;	10,092,000	9,000,000	49,500	134,877	-	April 1, 2023
Acquiring part of a psychoeducational facility (4);	100,000	100,000	-	311	311	Completed
Acquiring school buses, school vehicles and transportation equipment;	400,000	400,000	22,137	159,319	-	April 1, 2023
Acquiring textbooks and band instruments;	200,000	200,000	-	29,233	-	April 1, 2023
Acquiring new technology and safety and security equipment and other school equipment;	1,500,000	1,500,000	12,339	128,172	-	April 1, 2023
Acquiring land; and	100,000	100,000	-	-	-	April 1, 2023
Acquiring any property necessary or desirable therefore, both real and personal.	150,000	150,000	-	-	-	April 1, 2023
	<u>\$ 20,192,000</u>	<u>\$ 19,100,000</u>	1,404,805	<u>\$ 2,366,969</u>	<u>\$ 3,771,774</u>	
Total Non-SPLOST Capital Lease Principal Payments			127,030			
Total Non-SPLOST Capital Lease Interest Payments			<u>6,867</u>			
Total Capital Projects Fund Expenditures			<u>\$ 1,538,702</u>			

(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 project(s). Includes all cost from project inception to completion.

(3) The voters of City of Commerce 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.

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Section II

Compliance and Internal Control Reports

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DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

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

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Dr. Joy Tolbert, Superintendent and Members of the
City of Commerce Board of Education

We have audited the financial statements of the governmental activities, each major fund, and fiduciary activities of the City of Commerce Board of Education (School District), as of and for the year ended June 30, 2021, 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 July 28, 2022. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* in finding 2021-001 that we consider to be a material weakness.

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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 financial statements. 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".

Greg S. Griffin
State Auditor

July 28, 2022

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DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

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

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Dr. Joy Tolbert, Superintendent and Members of the
City of Commerce Board of Education

Report on Compliance for Each Major Federal Program

We have audited the City of Commerce 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, 2021. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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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, 2021.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

July 28, 2022

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Section III

Auditee's Response to Prior Year Findings and Questioned Costs

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CITY OF COMMERCE BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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Section IV

Findings and Questioned Costs

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CITY OF COMMERCE BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:
Governmental Activities, Each Major Fund, and
Fiduciary Activities Unmodified

Internal control over financial reporting:
▪ Material weakness(es) identified? Yes
▪ Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:
▪ Material weakness(es) identified? No
▪ Significant deficiency(ies) 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>Assistance Listing Number</u>	<u>Assistance Listing Program or Cluster Title</u>
10.553, 10.555, 10.579	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee? No

CITY OF COMMERCE BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

II FINANCIAL STATEMENT FINDINGS

FS 2021-01 Internal Controls over Financial Reporting

Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	No

Description:

The School District did not have adequate internal controls in place over the financial statement 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 fund 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 nonmajor funds in the aggregate to be provided in the fund financial statements.

Chapter II – 2, *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:

- Audit adjustment material to the debt service fund totaling \$126,103 was proposed and accepted by the client to correctly report property tax revenues on the financial statements.
- Audit reclassification material to the capital projects fund in the amount of \$853,321 was proposed and accepted by the client to correctly report fund balance restricted for debt service on the financial statements
- Material audit reclassification totaling \$1,855,900 was proposed and accepted by the client to correctly report education equalization funding as general revenues on the government-wide financial statements.
- Numerous other audit adjustments and reclassifications were proposed and accepted by the client to properly present the School District's financial statements, note disclosures and supplemental information.

CITY OF COMMERCE BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Cause:

Per discussion with the finance director, it was determined that the misstatements were due to oversight.

Effect:

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

Recommendation:

The School District should strengthen their internal controls and review procedures over the financial reporting process to ensure that the financial statements presented for audit are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP statements, GASB pronouncements and knowledge of the School District's activities and operations. The School District should also consider implementing the use of a review checklist to assist in the review process over the financial statements.

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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DR. JOY TOLBERT
SUPERINTENDENT



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Commerce, GA 30529

(706) 335-5500
Fax (706) 335-5214

May 9, 2022

CORRECTIVE ACTION PLANS – FINANCIAL STATEMENT FINDINGS

FS 2021-01 Improve Controls over Financial Reporting

Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	No

Description:

The school district did not have adequate internal controls in place over the financial statement reporting process.

Corrective Action Plans:

The school district will establish procedures to ensure that all material financial statement adjustments will be reviewed to determine if the adjustments are necessary and correct. A checklist will also be put into place. The school district will continue to strengthen internal controls to ensure that the financial statements are presented accurately going forward.

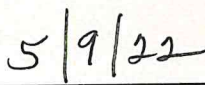
Estimated Completion Date: June 30, 2022

Contact Person: Beth Dalton, Finance Director

Telephone: 706-335-5500

Email: beth.dalton@commercecityschools.org


Dr. Joy R. Tolbert, Superintendent


May 9, 2022

