

**COWETA COUNTY BOARD  
OF EDUCATION**

**ANNUAL FINANCIAL REPORT**

**FOR THE  
FISCAL YEAR ENDED JUNE 30, 2020**

**Prepared by:  
Business Services Department**

**237 Jackson Street  
Newnan, Georgia 30263**

# COWETA COUNTY BOARD OF EDUCATION

## ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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# COWETA COUNTY BOARD OF EDUCATION

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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**To the Superintendent and Members of the  
Coweta County Board of Education  
Newnan, Georgia**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Coweta County Board of Education** (the "School System") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the School System's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School System as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 13, the School System implemented Governmental Accounting Standards Board ("GASB") Statement No. 84, Fiduciary Activities, as of July 1, 2019. This standard changed the accounting for the School System's fiduciary activities and the related disclosures. Our opinions are not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 13), the schedules of proportionate share of the net pension liabilities, the schedules of pension contributions, the schedule of proportionate share of the net other post-employment benefit ("OPEB") liability, and the schedule of OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School System's basic financial statements. The combining and individual fiduciary statements; schedule of expenditures of federal awards, 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 the schedules of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia Annotated §48-8-121, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The combining and individual fiduciary statements, schedule of expenditures of federal awards and schedules of expenditures of special purpose local option sales tax proceeds (collectively the “supplementary information”) are the responsibility of management and were derived from and relate 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of the School System’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of School System’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 Coweta County Board of Education’s internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 18, 2020

# COWETA COUNTY BOARD OF EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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The Management's Discussion and Analysis (MD&A) of Coweta County Board of Education's (the "School System") financial performance provides an overall review of the School System's financial activities for the fiscal year ended June 30, 2020. The intent of this MD&A is to look at the School System's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School System's financial performance. Comparative data is provided for fiscal year 2020 and fiscal year 2019.

### Financial Highlights

Key financial highlights for 2020 are as follows:

In total, net position increased \$16.0 million which represents a 19.4% increase from 2019. This total increase was due to governmental activities since the School System has no business-type activities and is related to an increase in capital assets and the reduction in the net OPEB liability.

- ❑ General revenues accounted for \$133.8 million in revenue, or 48.2%, of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$144.0 million, or 51.8%, of total revenues of \$277.8 million.
- ❑ The School System had \$261.8 million in expenses related to governmental activities; only \$144.0 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$133.8 million were adequate to provide for these programs.
- ❑ Among major funds, the General Fund had \$246.1 million in revenues and \$241.9 million in expenditures. The general fund's fund balance increased to \$38.1 million from \$33.8 million.
- ❑ In fiscal year 2020, the School System implemented GASB No. 84, Fiduciary Activities. The implementation of GASB No. 84 required the School System to restate beginning fund balance in the Governmental Funds Statement and in the Statement of Net Position. In the Governmental Funds Statement, the beginning of year fund balance was restated to \$33.8 million from \$33.1 million. In the Statement of Activities, the beginning of year Net Position was restated to \$82.7 million from \$81.9 million.
- ❑ In fiscal year 2019, the School System did not experience a reduction in state revenue known as the "Amended Formula Adjustment." However, in fiscal year 2020, the School System recognized a decrease of \$1.8 million in state revenue related to the Amended Formula Adjustment. In fiscal year 2021, the Amended Formula Adjustment will be \$11.9 million. The reductions in state revenue in fiscal year 2018 and prior fiscal years are listed below:
  - 2018: \$1.8million
  - 2017: \$1.5 million
  - 2016: \$5.4 million
  - 2015: \$8.9 million
  - 2014: \$22.3 million
  - 2013: \$26.4 million
  - 2012: \$15.3 million
  - 2011: \$14.8 million
  - 2010: \$19.1 million
  - 2009: \$7.0 million
  - 2008: \$1.8 million
  - 2007: \$2.1 million



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- 2006: \$3.9 million
- 2005: \$3.9 million
- 2004: \$3.3 million
- 2003: \$1.6 million

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A, the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School System. These include the government-wide and fund financial statements.

The government-wide financial statements include the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the School System presenting both short-term and long-term information about the overall financial status.

The fund financial statements focus on individual parts, reporting the School System's operation in more detail. The Governmental Funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The Fiduciary Funds statements provide information about the financial relationships in which the School System acts solely as a trustee or agent for the benefit of others.

The fund financial statements reflect the School System's most significant funds. For the year ended June 30, 2020, the general fund and the capital projects fund represent the most significant funds.

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

### Government-wide Statements

The government-wide statements report information about the School System as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School System's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the School System's net position and how it has changed. Net position, the difference between the School System's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, are one way to measure the School System's overall financial health or position. Over time, increases or decreases in net position are an indication of whether its financial health is improving or deteriorating. Changes may be the result of many factors, including those not under the School System's control, such as the property tax base, facility conditions, required educational programs and other factors.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- **Governmental Activities** – All of the School System's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, student activity accounts and various others.

### **Fund Financial Statements**

The School System's fund financial statements provide detailed information about the most significant funds, not the School System as a whole. Some funds are required by State law and some by bond requirements. The School System's major governmental funds are the General Fund and the Capital Projects Fund.

**Governmental Funds** – Most of the School System's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School System's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled to the financial statements.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School System as a whole. Table 1 provides a summary of the School System's net position for fiscal years 2020 and 2019.

**Table 1**  
**Net Position**

	<b>Governmental Activities</b>	
	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>
<b>Assets</b>		
Current and Other Assets	\$ 132,842,947	\$ 124,718,702
Capital Assets, Net	349,069,684	326,934,132
<b>Total Assets</b>	<b>481,912,631</b>	<b>451,652,834</b>
<b>Deferred outflows of resources</b>	<b>72,333,447</b>	<b>57,536,885</b>
<b>Liabilities</b>		
Current and Other Liabilities	37,449,975	32,793,043
Long-term Liabilities	373,709,524	349,497,583
<b>Total Liabilities</b>	<b>411,159,499</b>	<b>382,290,626</b>
<b>Deferred inflows of resources</b>	<b>44,404,005</b>	<b>44,999,376</b>
<b>Net Position</b>		
Net investment in capital assets	349,069,684	326,934,132
Restricted	45,584,650	46,872,946
Unrestricted	(295,971,760)	(291,907,361)
<b>Total Net Position</b>	<b>\$ 98,682,574</b>	<b>\$ 81,899,717</b>

Total assets and deferred outflows of resources increased by \$45.1 million. There was an increase in investments and in capital assets, and there was an increase in deferred outflows of resources. The increase in capital assets is due to the ongoing construction projects related to the renovation of facilities throughout the School System and the acquisition of equipment. The increase in the deferred outflows of resources is in connection with the School System's proportionate share of the net pension liability for the Teachers' Retirement System of Georgia and the Employees' Retirement System of Georgia and the School System's proportionate share of the net OPEB liability for the School OPEB Fund.

Total liabilities and deferred inflows of resources increased by \$28.3 million, primarily due to an increase in the net pension liability and an increase in contracts payable, retainage payable, and compensated absences.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2 shows the changes in net position for fiscal years ended June 30, 2020 and June 30, 2019.

**Table 2**  
**Change in Net Position**

	<b>Governmental Activities</b>	
	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 4,041,896	\$ 4,433,505
Operating Grants and Contributions	136,743,713	130,762,774
Capital Grants and Contributions	3,081,771	1,670,163
Total Program Revenues	143,867,380	136,866,442
General Revenues:		
Taxes		
Property Taxes		
for Maintenance and Operations	97,456,474	91,640,938
Sales Taxes		
Special Purpose Local Option Sales Tax	27,695,617	24,553,297
Other Sales Tax	3,204,139	2,445,859
Other Taxes	110,589	111,926
Local School Activity	3,631,946	3,610,265
Investment Earnings	866,873	1,127,756
Miscellaneous	764,982	1,303,226
Capital Contributions	167,461	-
Total General Revenues	133,898,081	124,793,267
Total Revenues	277,765,461	261,659,709
<b>Program Expenses</b>		
Instruction	172,119,951	149,778,888
Support Services		
Pupil Services	10,290,823	8,483,762
Improvement of Instructional Services	4,483,666	4,423,558
Educational Media Services	3,676,792	3,255,267
General Administration	737,039	912,957
School Administration	18,544,992	16,358,251
Business Administration	1,845,661	1,720,255
Maintenance and Operation of Plant	20,124,469	19,124,772
Student Transportation Services	12,926,215	13,786,286
Central Support Services	2,770,371	2,078,645
Other Support Services	762,387	700,578
Operations of Non-Instructional Services		
Enterprise operations	955,847	1,095,481
Community services	1,642,474	1,293,232
Food Services	10,880,010	10,735,445
Total Expenses	261,760,697	233,747,377
Increase (decrease) in Net Position	\$ 16,004,764	\$ 27,912,332

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Program revenues, in the form of charges for services, operating grants and contributions, and capital grants and contributions increased \$7.0 million for governmental activities. This increase is largely due to an increase in state funding for state grants and appropriations.

General revenues increased by \$9.1 million during fiscal year 2020, due to an increase in property tax revenues and an increase in sales tax revenue associated with the School System's Education Special Purpose Local Option Sales Tax ("ESPLOST"). The School System received less in investment earnings in fiscal year 2020 as compared to fiscal year 2019.

### **Governmental Activities**

Governmental program expenses are comprised of the following: Instruction 65.8%, Support Services 29.1%, and Operations of Non-Instructional Services 5.1%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services comparing fiscal year 2020 with fiscal year 2019. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>
<b>Program Expenses</b>				
Instruction	\$ 172,119,951	\$ 149,778,888	\$ (53,970,979)	\$ (37,761,101)
Support Services:				
Pupil Services	10,290,823	8,483,762	(9,701,860)	(8,103,598)
Improvement of Instructional Services	4,483,666	4,423,558	(2,321,983)	(2,040,504)
Educational Media Services	3,676,792	3,255,267	(3,629,299)	(3,209,498)
General Administration	737,039	912,957	2,836,666	1,674,363
School Administration	18,544,992	16,358,251	(18,508,697)	(16,323,769)
Business Administration	1,845,661	1,720,255	(1,835,658)	(1,709,489)
Maintenance and Operation of Plant	20,124,469	19,124,772	(13,536,324)	(13,448,038)
Student Transportation Services	12,926,215	13,786,286	(9,953,024)	(10,571,479)
Central Support Services	2,770,371	2,078,645	(2,744,698)	(2,052,005)
Other Support Services	762,387	700,578	(450,784)	(508,210)
Operations of Non-Instructional Services				
Enterprise Operations	955,847	1,095,481	(955,847)	(1,095,481)
Community Services	1,642,474	1,293,232	(475,868)	165,521
Food Services	10,880,010	10,735,445	(2,644,962)	(1,897,647)
<b>Total Expenses</b>	<b>\$ 261,760,697</b>	<b>\$ 233,747,377</b>	<b>\$ (117,893,317)</b>	<b>\$ (96,880,935)</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Although program revenues make up a majority of the revenues, the School System is still dependent upon tax revenues for governmental activities. Taxes and other general revenues support 28.2% of instructional activities; for all governmental activities general revenue support is 44.2%.

### FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM'S FUNDS

The School System's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$276.7 million and expenditures and other financing uses of \$274.5 million. The net change in fund balance in the Capital Projects fund was a decrease of \$2.0 million primarily due to an increase in Capital Project expenses due to the construction of the new Blake Bass Middle School and the continuation of renovation projects throughout the School System. SPLOST revenue increased in fiscal year 2020 when compared to fiscal year 2019.

The net change in fund balance in the General Fund was an increase of \$4.2 million. The increase in the General Fund for the year is due to a combination of an increase in local and state revenue and effective budgeting of expenses in the General Fund.

#### ***General Fund Budgeting Highlights***

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

During the course of fiscal year 2020, the School System amended its general fund budget as needed. The School System uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budgeted revenues of \$254.8 million exceeded the original budgeted amount of \$244.0 million by \$10.8 million. This difference was due to an increase in miscellaneous revenues of \$7.0 million, an increase in state revenues of \$1.4 million (for on-behalf payments), and an increase in federal revenues of \$2.4 million. The miscellaneous revenues budgeted increased due to the inclusion of the principals' accounts in our financial statements, the state revenues increased due to the inclusion of the on-behalf payments, and the federal revenues increased due to an increase in the federal grants. The final budgeted revenues of \$254.8 million exceeded the actual revenues by \$8.8 million.

The final budgeted expenditures of \$256.0 million exceeded the original budgeted amount of \$245.3 million by \$10.7 million. The majority of this difference was due to a large increase in instruction, which included a \$6.5 million increase due to the inclusion of the principals' accounts in our financial statements. Enterprise activities increased by \$0.5 million due to the inclusion of the principals' accounts in our financial statements. The budgeted ending fund balance decreased \$1.2 million. The actual expenditures of \$241.9 million was \$14.1 million less than budgeted.

General Fund revenues and other financing sources exceeded expenses and other financing uses by \$4.2 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

At the end of fiscal year 2020, the School System had \$349.1 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2020 balances compared with fiscal year 2019 balances.

**Table 4**  
**Capital Assets**  
**(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>
Land	\$ 11,506,463	\$ 11,511,038
Construction in Progress	22,533,890	5,220,215
Buildings and Improvements	251,867,502	253,378,796
Equipment	28,171,890	21,424,741
Land Improvements	34,989,938	35,399,342
Total	<u>\$ 349,069,683</u>	<u>\$ 326,934,132</u>

Construction in progress increased primarily due to the construction of the new Blake Bass Middle School, and various renovations projects throughout the School System, such as security, HVAC, and roofing upgrades. Equipment increased due to the purchase of new buses and technology used throughout the School System. Land decreased as a result of the School System donating a small tract of land near Newnan Crossing Elementary School to the City of Newnan in partnership with the LINC Trail Group.

#### *Debt*

At June 30, 2020, the School System's long-term liabilities consisted of compensated absences outstanding of \$0.9 million and a workers' compensation liability of \$1.5 million. Of these amounts, the amount of debt that is considered due within one year is \$0.5 million for compensated absences and \$0.7 million for workers' compensation.

The net OPEB liability and the net pension liability in fiscal year 2020 is \$151.8 million and \$219.5 million, respectively.

#### **Current Issues**

Coweta County's economic outlook remained strong through 2019 and through the end of the School System's fiscal year 2020. As of July 1, 2019, U.S. Census estimates Coweta County's population as 148,509. This is a 16.6% increase since April 2010 when the population in Coweta County was 127,317. New housing starts and residential development, and a continuation of strong housing sales, suggest continued growth throughout 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The County School System's student enrollment remained relatively flat in 2020, following three years of moderate increases. In the spring of 2020, total enrollment was 22,722 students. In the spring of 2019 and 2018, student enrollment was 22,640 and 22,698 respectively. Recent enrollment was in line with School System projections, made in collaboration with local officials and consultants, of a modest rise in student enrollment following previous years of flat student enrollment. Flat growth was the result of lower local birth rates, lower rates of net county in-migration, and new home growth at higher price-points (less likely to be purchased by young families). Education Planners, LLC, a demographic consulting firm, worked with local planning and officials and state and national demographic studies to provide the School System with enrollment projections. The firm noted a rebound in live birth rates in the county and an increase in housing permits, and projected trends of moderately higher family growth and a return of residential in-migration.

The onset of COVID-19, however, disrupted these trends. In February 2020, the School System initiated a Coronavirus task force comprised of school and local emergency and health officials, to monitor and make recommendations of action in regards to the developing crisis. The School System decided to close schools and move to a wholly virtual learning format beginning March 12. The School System began immediate planning for continued virtual operations and the resolution of the 2019-20 school year through May 22, 2020, and the restart of instruction – virtual and/or face-to-face – in August of 2020. The entirety of the School System's curriculum was converted into online format to meet this planning effort, and the School System continued to meet regularly with local and state health officials to begin planning for a restart of in-person instruction, if possible, by the new school year. The School System began the new school year on August 13 in a wholly virtual-learning format, with plans to re-start in-person instruction (with online options for parents) by September 8. In response to the pandemic, the School System is scheduled to receive approximately \$3.4 million in CARES Act funding in fiscal year 2021 to assist with reduced funding from local and state sources.

The COVID-19 pandemic affected employment in Coweta County. According to the Georgia Department of Labor, the Three Rivers Region experienced unemployment rates of 4.4% in March 2020, 13.1% in April 2020, 9.5% in May 2020, and 8.2% in June 2020. The Three Rivers Region includes Butts, Carroll, Coweta, Heard, Lamar, Meriwether, Pike, Spalding, Troup, and Upson counties. In Coweta County, the unemployment rate for March, April, May, and June 2020 was 3.9%, 13.0%, 9.5%, and 8.0% according to the Economic Research Federal Reserve Bank of St. Louis (<https://fred.stlouisfed.org/series/GACOWE7URN>). The Georgia Department of Labor reports the labor force in Coweta equal to 74,231 in October 2020 compared to 75,259 in October 2019. Current data shows the unemployment rate in Coweta County as of October 2020 to be 3.9%, which is lower than the Three Rivers Region rate of 4.4% and the State of Georgia's rate of 4.5%.

In Coweta County, the greatest impact to the local economy due to the COVID-19 pandemic occurred in April 2020. At the 2020 Economic Forecast Breakfast at the University of West Georgia, the Center for Business and Economic Research reported that the downturn in the economy coincides with Governor Brian Kemp's order to shut down certain businesses in response to COVID-19. The downturn in the economy resulted in increased unemployment for the area. The four areas that were impacted greatly in Coweta County by the pandemic are the accommodation and food services area, the manufacturing sector, local government area, and the health care industry.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Center for Business and Economic Research stated that the pandemic did not have a negative impact on the housing market in Coweta County. Closed sales increased 10.4% in the first nine months of 2020 when compared to the same time in 2019. Real estate inventory is turning over more quickly in 2020 when compared to 2019. The average days of property on the market decreased to 60.2 days during January to September 2020, from 67.1 days during January to September 2019. The average home price in September 2020 was \$309,169, which is 9.5% higher than the previous year.

The local economy in Coweta County shows promising news. Amazon, Hello Fresh, Goodyear, and Yamaha Motor Manufacturing announced plans to expand operations in Coweta County which will result in a total of 1,600 new jobs in the area. Piedmont Hospital is constructing a five level medical office building adjacent to its current hospital campus in Newnan. The School System is also constructing a new middle school, Blake Bass Middle School, which is scheduled to open in August 2021. Blake Bass Middle School is being built with SPLOST proceeds.

### **Contacting the Board's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact W. Keith Chapman, CPA, Assistant Superintendent for Financial Services at the Coweta County Board of Education, 237 Jackson Street, Newnan, Georgia 30263. You may also email your questions to [keith.chapman@cowetaschools.net](mailto:keith.chapman@cowetaschools.net).

## **BASIC FINANCIAL STATEMENTS**

# COWETA COUNTY BOARD OF EDUCATION

## STATEMENT OF NET POSITION JUNE 30, 2020

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 12,586,653
Investments	93,741,166
Receivables:	
Taxes	6,105,902
Accounts	169,396
Intergovernmental	18,314,401
Inventories	310,143
Prepaid items	1,615,286
Capital assets, nondepreciable	34,040,353
Capital assets, depreciable (net of accumulated depreciation)	315,029,331
Total assets	<u>481,912,631</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	61,130,009
Other post-employment benefits	11,203,438
Total deferred outflows of resources	<u>72,333,447</u>
<b>LIABILITIES</b>	
Accounts payable	939,838
Accrued payroll and payroll withholdings	29,756,293
Contracts payable	4,864,364
Retainage payable	1,649,118
Unearned revenue	240,362
Workers' compensation claims payable due within one year	683,496
Workers' compensation claims payable due in more than one year	787,154
Compensated absences due within one year	489,826
Compensated absences due in more than one year	421,036
Other post-employment benefit obligation	151,789,626
Net pension liability, due in more than one year	219,538,386
Total liabilities	<u>411,159,499</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	6,342,429
Other post-employment benefits	38,061,576
Total deferred inflows of resources	<u>44,404,005</u>
<b>NET POSITION</b>	
Investment in capital assets	349,069,684
Restricted for capital projects	45,160,286
Restricted for continuation of federal programs	424,364
Unrestricted	(295,971,760)
Total net position	<u>\$ 98,682,574</u>

The accompanying notes are an integral part of these financial statements.

# COWETA COUNTY BOARD OF EDUCATION

## STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 172,157,460	\$ 633,563	\$ 115,458,078	\$ 2,183,680	\$ (53,882,139)
Pupil services	10,290,823	-	588,963	-	(9,701,860)
Improvement of instructional services	4,483,666	-	2,161,683	-	(2,321,983)
Educational media services	3,676,792	-	47,493	-	(3,629,299)
General administration	737,039	-	3,573,705	-	2,836,666
School administration	18,544,992	-	36,295	-	(18,508,697)
Business services	1,845,661	-	10,003	-	(1,835,658)
Maintenance and operations	20,124,469	23,450	5,694,695	911,112	(13,495,212)
Student transportation	12,926,215	-	2,818,751	154,440	(9,953,024)
Central support services	2,770,371	-	25,673	-	(2,744,698)
Other support services	762,387	-	311,603	-	(450,784)
Enterprise operations	955,847	-	-	-	(955,847)
School nutrition	10,880,010	2,218,670	6,016,378	-	(2,644,962)
Community services	1,642,474	1,166,213	393	-	(475,868)
Total governmental activities	<u>\$ 261,798,206</u>	<u>\$ 4,041,896</u>	<u>\$ 136,743,713</u>	<u>\$ 3,249,232</u>	(117,763,365)
General revenues:					
Property taxes					97,456,474
Sales taxes, for capital projects					27,695,617
Other sales taxes					3,204,139
Other taxes					110,589
Local school activity					3,631,946
Unrestricted investment earnings					866,873
Gain on disposal of capital assets					37,509
Miscellaneous					764,982
Total general revenues					<u>133,768,129</u>
Change in net position					16,004,764
Net position, beginning of year, as restated					82,677,810
Net position, end of year					<u>\$ 98,682,574</u>

The accompanying notes are an integral part of these financial statements.

# COWETA COUNTY BOARD OF EDUCATION

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2020

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 8,898,637	\$ 3,688,016	\$ 12,586,653
Investments	39,519,867	54,221,299	93,741,166
Receivables:			
Taxes	2,545,034	3,560,868	6,105,902
Accounts	169,396	-	169,396
Intergovernmental	18,296,783	17,618	18,314,401
Prepaid items	-	1,615,286	1,615,286
Inventories	310,143	-	310,143
Total assets	<u>\$ 69,739,860</u>	<u>\$ 63,103,087</u>	<u>\$ 132,842,947</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 771,116	\$ 168,722	\$ 939,838
Contracts payable	-	4,864,364	4,864,364
Retainage payable	-	1,649,118	1,649,118
Accrued payroll and payroll withholdings	29,756,293	-	29,756,293
Unearned revenue	240,362	-	240,362
Total liabilities	<u>30,767,771</u>	<u>6,682,204</u>	<u>37,449,975</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	893,571	-	893,571
Total deferred inflows of resources	<u>893,571</u>	<u>-</u>	<u>893,571</u>
<b>FUND BALANCES</b>			
Fund balances			
Nonspendable for inventories and prepaid items	310,143	1,615,286	1,925,429
Restricted for:			
Continuation of federal programs	114,221	-	114,221
Capital projects	-	43,545,000	43,545,000
Committed:			
Self-insurance	6,369,744	-	6,369,744
School activity accounts	2,672,765	-	2,672,765
Assigned:			
Local capital outlay projects	-	11,260,597	11,260,597
After school program	58,488	-	58,488
Subsequent year's budget	1,849,219	-	1,849,219
Unassigned	26,703,938	-	26,703,938
Total fund balances	<u>38,078,518</u>	<u>56,420,883</u>	<u>94,499,401</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 69,739,860</u>	<u>\$ 63,103,087</u>	<u>\$ 132,842,947</u>

The accompanying notes are an integral part of these financial statements.

# COWETA COUNTY BOARD OF EDUCATION

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2020

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Amounts reported for governmental activities in the statement of net position are different from amounts reported in the balance sheet of governmental funds due to the following:

Fund balances - total governmental funds	\$ 94,499,401
Capital assets	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of the assets	467,759,587
Accumulated depreciation	(118,689,903)
Revenues	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	893,571
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. Long-term liabilities at year-end consist of the following:	
Deferred outflows - pensions	61,130,009
Deferred outflows - OPEB	11,203,438
Deferred inflows - pensions	(6,342,429)
Deferred inflows - OPEB	(38,061,576)
Net pension liability	(219,538,386)
OPEB obligation	(151,789,626)
Workers' compensation claims payable	(1,470,650)
Compensated absences payable	(910,862)
Net position - governmental activities.	<u>\$ 98,682,574</u>

**The accompanying notes are an integral part of these financial statements.**

# COWETA COUNTY BOARD OF EDUCATION

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Local sources	\$ 108,782,085	\$ 27,695,617	\$ 136,477,702
State sources	123,025,415	2,057,331	125,082,746
Federal sources	14,269,409	-	14,269,409
Interest income	175	866,698	866,873
Total revenues	<u>246,077,084</u>	<u>30,619,646</u>	<u>276,696,730</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	158,152,858	-	158,152,858
Pupil services	9,866,252	-	9,866,252
Improvement of instructional services	4,285,377	-	4,285,377
Educational media services	3,260,830	-	3,260,830
General administration	720,790	-	720,790
School administration	17,764,872	-	17,764,872
Business services	1,743,330	-	1,743,330
Maintenance and operations	18,052,454	-	18,052,454
Student transportation	12,123,543	-	12,123,543
Central support services	2,660,906	-	2,660,906
Other support services	906,883	-	906,883
Other non-instructional services	932,885	-	932,885
School nutrition	9,957,435	-	9,957,435
Community service	1,474,564	-	1,474,564
Capital outlay	-	32,634,960	32,634,960
Total expenditures	<u>241,902,979</u>	<u>32,634,960</u>	<u>274,537,939</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,174,105</u>	<u>(2,015,314)</u>	<u>2,158,791</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from sale of capital assets	60,205	42,283	102,488
Total other financing sources	<u>60,205</u>	<u>42,283</u>	<u>102,488</u>
Net change in fund balances	4,234,310	(1,973,031)	2,261,279
<b>FUND BALANCE, beginning of year, as restated</b>	<u>33,844,208</u>	<u>58,393,914</u>	<u>92,238,122</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 38,078,518</u>	<u>\$ 56,420,883</u>	<u>\$ 94,499,401</u>

The accompanying notes are an integral part of these financial statements.

# COWETA COUNTY BOARD OF EDUCATION

## 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, 2020

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

Net change in fund balances - total governmental funds.	\$ 2,261,279
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Total capital outlay	32,526,895
Total depreciation	(10,326,364)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, or donations) is to decrease net position.	(64,979)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	427,941
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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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The adjustments for these items are as follows:

Adjustment to record pension expense and related revenue for pension special funding situation, net of fund level amounts	473,329
Change in net pension liability and deferred inflows and outflows related to pension activity	(9,499,455)
Change in workers' compensation claim liability	170,426
Change in compensated absences liability	(246,098)
Change in net OPEB pension liability and deferred inflows and outflows related to OPEB activity	281,790

Change in net position - governmental activities	<u>\$ 16,004,764</u>
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The accompanying notes are an integral part of these financial statements.



# COWETA COUNTY BOARD OF EDUCATION

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 104,378,952	\$ 111,379,622	\$ 108,782,085	\$ (2,597,537)
State sources	122,570,130	123,961,075	123,025,415	(935,660)
Federal sources	16,198,947	18,590,018	14,269,409	(4,320,609)
Interest income	899,000	899,000	175	(898,825)
Total revenues	<u>244,047,029</u>	<u>254,829,715</u>	<u>246,077,084</u>	<u>(8,752,631)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	161,132,289	168,741,594	158,152,858	10,588,736
Pupil services	9,581,689	9,578,512	9,866,252	(287,740)
Improvement of instructional services	4,858,240	5,026,730	4,285,377	741,353
Educational media services	3,317,786	3,317,335	3,260,830	56,505
General administration	946,137	946,957	720,790	226,167
School administration	18,228,944	18,232,567	17,764,872	467,695
Business services	1,507,476	1,458,042	1,743,330	(285,288)
Maintenance and operations	17,092,576	18,268,849	18,052,454	216,395
Student transportation	12,378,819	12,872,653	12,123,543	749,110
Central support services	2,214,976	2,725,287	2,660,906	64,381
Other support services	1,224,728	1,458,250	906,883	551,367
Enterprise operations	-	500,000	932,885	(432,885)
School nutrition	10,923,000	11,030,000	9,957,435	1,072,565
Community services	1,879,114	1,879,114	1,474,564	404,550
Total expenditures	<u>245,285,774</u>	<u>256,035,890</u>	<u>241,902,979</u>	<u>14,132,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,238,745)</u>	<u>(1,206,175)</u>	<u>4,174,105</u>	<u>5,380,280</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of assets	-	-	60,205	60,205
Total other financing sources	<u>-</u>	<u>-</u>	<u>60,205</u>	<u>60,205</u>
Net change in fund balances	<u>(1,238,745)</u>	<u>(1,206,175)</u>	<u>4,234,310</u>	<u>5,440,485</u>
<b>FUND BALANCE, beginning of year, as restated</b>	<u>33,844,208</u>	<u>33,844,208</u>	<u>33,844,208</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 32,605,463</u>	<u>\$ 32,638,033</u>	<u>\$ 38,078,518</u>	<u>\$ 5,440,485</u>

The accompanying notes are an integral part of these financial statements.

# COWETA COUNTY BOARD OF EDUCATION

## STATEMENT OF FIDUCIARY NET POSITION CUSTODIAL FUNDS JUNE 30, 2020

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		<b>Custodial Funds</b>
	<b>ASSETS</b>	
Cash		\$ 575,645
Investments		218,872
Total assets		<u>794,517</u>
	<b>LIABILITIES</b>	
Accounts payable		<u>543,617</u>
Total liabilities		<u>543,617</u>
	<b>NET POSITION</b>	
Restricted for individuals, organizations and other government		<u>\$ 250,900</u>

The accompanying notes are an integral part of these financial statements.

# COWETA COUNTY BOARD OF EDUCATION

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS JUNE 30, 2020

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	Custodial Funds
<b>ADDITIONS</b>	
Local collections	\$ 231
Total additions	<u>231</u>
<b>DEDUCTIONS</b>	
Collections disbursed	<u>500</u>
Total deductions	<u>500</u>
Change in net position	(269)
<b>NET POSITION</b>	
Beginning of year, as restated	<u>251,169</u>
End of year	<u>\$ 250,900</u>

The accompanying notes are an integral part of these financial statements.

# COWETA COUNTY BOARD OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Coweta County Board of Education (the "School System") 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 System 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 System is a primary government and consists of all the organizations that compose its legal entity.

*Blended Component Unit* – The Central Education Center (the "Charter School") is responsible for the public education of all students attending its school. The Charter School was created through a contract between the School System and the Charter School whereby all State funding associated with the students attending the Charter School and certain specified local funds are turned over to the Charter School to cover the costs of its operations. The financial statements of the Charter School have been included with the School System's General Fund.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School System. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Custodial funds have no measurement focus; however, they use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The proportionate share of the School System's net pension liability has been allocated to the pension plan based on actual contributions made to the plan during the measurement period to actuarially determine the proportionate share of each participating employer.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the School System considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School System.

Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School System must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School System on a reimbursement basis.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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 through June 30) and paid over a 12-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 System over the same 12-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 Governmental 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 System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

The School System reports the following major governmental funds:

The **General Fund** is the School System's primary operating fund. It accounts for all financial resources of the School System, except those required to be accounted for in another fund.

The **Capital Projects Fund** accounts for the proceeds of a 1% Special Purpose Local Option Sales Tax ("SPLOST") as well as bond proceeds and revenues from local and state sources to be used for land and building acquisitions and construction and renovations of new educational and administrative facilities.

Additionally, the School System reports the following fund types:

The **Custodial Funds** are used to account for student club and class accounts, and flex benefits for the employees of the School System.

Amounts reported as *program revenues* include: 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the School System's policy to use restricted resources first, then unrestricted resources as they are needed.

#### D. Cash and Investments

The School System's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The local government investment pool, ("Georgia Fund 1"), created by the Official Code of Georgia Annotated ("O.C.G.A.") §36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the School System's investment in the Georgia Fund 1 is reported at fair value.

#### E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds".

#### F. On-Behalf Payments

The State of Georgia makes certain pension plan payments on behalf of the School System for its employees. The School System records these payments as both a revenue and expenditure in the General Fund. The total of the on-behalf payments for the fiscal year ended June 30, 2020, was \$568,843.

#### G. Inventories

Inventories are stated at cost using the first-in/first-out method. Donated food commodities are recorded at fair value. The School System utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenditures when used rather than when purchased.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### H. Non-Monetary Transactions

The School System received from the United States Department of Agriculture through the Georgia Department of Education approximately \$528,390 in donated food commodities for its lunchroom programs. The federally assigned value of these commodities is reflected as a revenue and an expenditure in the financial statements.

#### I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia ("TRS"), the Employees' Retirement System of Georgia ("ERS"), and the Public School Employees' Retirement System ("PSERS"), and additions to/deductions from TRS/ERS/PSERS fiduciary net position have been determined on the same basis as they are reported by TRS/ERS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. See also Note 9 – Retirement Plans.

#### J. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of the asset. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capitalization thresholds and estimated useful lives of capital assets are as follows:

<u>Asset</u>	<u>Capitalization Threshold</u>	<u>Years</u>
Land	All	N/A
Land improvements	\$ 10,000	20 – 80
Buildings and improvements	10,000	25 – 80
Equipment	10,000	10 – 50
Intangible assets	500,000	5 – 80



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### K. Deferred Outflows/Inflows of Resources

GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of financial position/governmental funds balance sheet will sometimes 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 so will not be recognized as an outflow of resources (expense/expenditure) until then. The Governmental Activities report several types of deferred outflows of resources related to the reporting of the net pension liability and net OPEB liability. See also Note 9 – Retirement Plans and Note 9 – Other Post-Employment Benefits.

In addition to liabilities, the statement of financial position/governmental funds balance sheet will sometimes 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 so will not be recognized as an inflow of resources (revenue) until that time. In addition to the items related to changes in the net pension liability as discussed below, the School System has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The Governmental Activities report deferred inflows of resources related to the reporting of the net pension liability and net OPEB liability. These deferred inflows of resources will be amortized over five years.

#### L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M. Compensated Absences

It is the School System's policy to permit employees to accumulate unused vacation and sick pay benefits. Members of the TRS may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual School Systems. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School System's financial statements. Accumulated unpaid vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

#### N. Other Post-Employment Benefits ("OPEB")

For purposes of measuring the net other post-employment benefits ("OPEB") liability (asset), 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 Personnel Post-Employment Health Benefit Fund (the "School OPEB Fund") and additions to/deductions from the School OPEB Fund's fiduciary net position have been determined on the same basis as they are reported by the 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.

#### O. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

**Fund Balance** – Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Board of Education is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balances are classified as follows:

**Nonspendable:** Fund balances that are not in spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

**Restricted:** Fund balances that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Fund Equity (Continued)

##### Fund Balance (Continued)

**Committed:** Fund balances that can be used only for the specific purposes determined by an approved resolution of the Coweta County Board of Education. Commitments may be changed or lifted only by referring to formal action that imposed the original constraint on the fund (e.g., the School System's commitment in connection with future construction projects).

**Assigned:** Fund balances intended to be used by the School System for specific purposes. Intent can be expressed by the Coweta County Board of Education or by a designee to whom the Coweta County Board of Education delegates authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

**Unassigned:** Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The School System reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

The responsibility for designating funds to specific classifications shall be as follows:

**Committed:** The Coweta County Board of Education is the School System'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.

**Assigned:** The Coweta County Board of Education has authorized the Superintendent and the Assistant Superintendent for Financial Services as officials authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

It is the goal of the School System to achieve and maintain an unassigned fund balance in the General Fund at fiscal year-end of not less than 5% of budgeted expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with O.C.G.A. §20-2-167(a) 5. If the unassigned fund balance at fiscal year-end falls below the goal, the School System shall develop a restoration plan to achieve and maintain the minimum fund balance.

When multiple categories of fund balance are available for expenditures (e.g., a project is being funded partly by a grant, funds set aside by the Coweta County Board of Education, and unassigned fund balance), the School System will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Fund Equity (Continued)

##### Fund Balance (Continued)

Net position represents the difference between assets and liabilities in reporting, which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used (i.e., the amount that the School System has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

#### P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

### NOTE 2. BUDGETARY DATA

The budget is a complete financial plan for the School System's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the General Fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function level. The 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 System'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 System's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. BUDGETARY DATA (CONTINUED)

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

### NOTE 3. DEPOSITS AND INVESTMENTS

**Credit Risk.** State statutes authorize the School System to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool ("Georgia Fund 1"). The investment in Georgia Fund 1 represents the School System's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. Treasury obligations, securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities, banker's acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in Georgia Fund 1 is valued at fair market value. The regulatory oversight agency for Georgia Fund 1 is the Georgia Office of the State Treasurer. As of June 30, 2020, the School System's investment in Georgia Fund 1 was rated AA+ by Standard & Poor's.

At June 30, 2020, the School System had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Less than One Year</u>
Georgia Fund 1	AA+	\$ 93,741,166	\$ 93,741,166
Certificates of Deposit	N/A	218,872	218,872
		<u>\$ 93,960,038</u>	<u>\$ 93,960,038</u>

Investments are reported in the following activities:

Governmental	\$ 93,741,166
Fiduciary	218,872
	<u>\$ 93,960,038</u>

**Interest Rate Risk.** The School System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

**Custodial Credit Risk – Deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2020, all of the School System's deposits were properly collateralized in accordance with state law and applicable GASB pronouncements.

**Fair Value Measurements.** The School System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The School System has the following recurring fair value measurements as of June 30, 2020:

**Investments not subject to level disclosure:**

Georgia Fund 1	\$	93,741,166
Certificates of Deposit		<u>218,872</u>
Total Investments	\$	<u>93,960,038</u>

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the School System does not disclose its investment in the Georgia Fund 1 within its fair value hierarchy.

### NOTE 4. RECEIVABLES

Receivables at June 30, 2020, for the School System's individual major funds are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Taxes	\$ 2,545,034	\$ 3,560,868	\$ 6,105,902
Accounts	169,396	-	169,396
Intergovernmental	<u>18,296,783</u>	<u>17,618</u>	<u>18,314,401</u>
Net total receivable	<u>\$ 21,011,213</u>	<u>\$ 3,578,486</u>	<u>\$ 24,589,699</u>

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 4. RECEIVABLES (CONTINUED)**

Due from other governments consists of grant reimbursements due primarily from the Georgia Department of Education. Sales taxes are collected by the state on the School System's behalf. Property taxes are collected by the Coweta County Tax Commissioner on the School System's behalf.

### **NOTE 5. PROPERTY TAXES**

Coweta County bills and collects property taxes for the School System. Property taxes are levied (assessed) on all taxable real, public utility and personal property (including vehicles) located within the County as of January 1st of each year. State law limits the School System's tax levy for operations to 20 mills (one mill equals \$1 per thousand dollars of assessed value). Assessed values for property tax purposes are determined by the Coweta County Board of Tax Assessors for all property except public utilities and motor vehicles. Assessed value is set at 40% of market value. The State of Georgia establishes values for public utilities and motor vehicles.

Real property taxes were levied on August 20, 2019, billed on October 1, 2019, and payable on or before December 2, 2019. Coweta County may place liens on property once the related tax payments become delinquent. Liens were placed on delinquent accounts on May 4, 2020.

Vehicle personal property taxes are due upon each respective payor's date of birth on an annual basis. Beginning in April 2013, a title ad valorem tax is assessed upon sale of a vehicle, which replaces the personal property tax due annually on the payor's date of birth.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 11,511,038	\$ -	\$ (4,575)	\$ -	\$ 11,506,463
Construction in progress	5,220,215	23,616,240	-	(6,302,565)	22,533,890
Total	<u>16,731,253</u>	<u>23,616,240</u>	<u>(4,575)</u>	<u>(6,302,565)</u>	<u>34,040,353</u>
Capital assets, being depreciated:					
Buildings and improvements	337,779,801	15,222	(186,256)	5,258,813	342,867,580
Land improvements	48,749,275	120,337	-	1,043,752	49,913,364
Machinery and equipment	32,163,193	8,775,096	-	-	40,938,289
Total	<u>418,692,269</u>	<u>8,910,655</u>	<u>(186,256)</u>	<u>6,302,565</u>	<u>433,719,233</u>
Less accumulated depreciation for:					
Buildings and improvements	(84,401,005)	(6,724,924)	125,851	-	(91,000,078)
Land improvements	(13,349,933)	(1,573,493)	-	-	(14,923,426)
Machinery and equipment	<u>(10,738,452)</u>	<u>(2,027,947)</u>	<u>-</u>	<u>-</u>	<u>(12,766,399)</u>
Total	<u>(108,489,390)</u>	<u>(10,326,364)</u>	<u>125,851</u>	<u>-</u>	<u>(118,689,903)</u>
Total capital assets, being depreciated, net	<u>310,202,879</u>	<u>(1,415,709)</u>	<u>(60,405)</u>	<u>6,302,565</u>	<u>315,029,330</u>
Governmental activities capital assets, net	<u>\$ 326,934,132</u>	<u>\$ 22,200,531</u>	<u>\$ (64,980)</u>	<u>\$ -</u>	<u>\$ 349,069,684</u>

Depreciation expense was charged to functions/programs of the School System as follows:

Governmental activities	
Instruction	\$ 5,505,852
Improvements of instructional services	11,402
Educational media services	266,203
General administration	4,136
School administration	44,701
Business administration	50,683
Maintenance and operations	2,596,795
Student transportation	1,185,082
Central support services	6,980
School nutrition	512,746
Enterprise operations	22,962
Community services operations	118,822
Total depreciation expense - governmental activities	<u>\$ 10,326,364</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Workers' compensation					
claims	\$ 1,641,076	\$ 653,455	\$ (823,881)	\$ 1,470,650	\$ 683,496
Compensated absences	664,764	735,924	(489,826)	910,862	489,826
Net OPEB liability	157,351,339	15,271,367	(20,833,080)	151,789,626	-
Net pension liability	189,840,404	55,826,472	(26,128,490)	219,538,386	-
Governmental activities:					
Long-term liabilities	<u>\$ 349,497,583</u>	<u>\$ 72,487,218</u>	<u>\$ (48,275,277)</u>	<u>\$ 373,709,524</u>	<u>\$ 1,173,322</u>

Workers' compensation claims payable, compensated absences, the net other post-employment benefit liability, and the net pension liability are liquidated primarily by the General Fund.

### NOTE 8. RETIREMENT PLANS

#### Teachers' Retirement System

##### Plan Description

All teachers of the School System as defined in §47-3-60 of the O.C.G.A. and certain other support personnel as defined by §47-3-63 are provided a pension through the 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](http://www.trsga.com/publications).

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Teachers' Retirement System (Continued)

##### 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 ten 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 2020. The School System's contractually required contribution rate for the year ended June 30, 2020, was 21.14% of annual School System payroll. School System contributions to TRS were \$27,634,874 for the year ended June 30, 2020.

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

At June 30, 2020, the School System reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the School System by the State of Georgia for certain public school support personnel. The amounts recognized by the School System 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 System were as follows:

School System's proportionate share of the net pension liability	\$ 219,330,161
State of Georgia's proportionate share of the net pension liability associated with the School System	<u>441,020</u>
Total	<u>\$ 219,771,181</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Teachers' Retirement System (Continued)

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

The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The School System's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2019. At June 30 2019, the School System's proportion was 1.020012%, which was a decrease of 0.001919% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School System recognized pension expense of \$36,639,864 and revenue of \$145,952 for support provided by the State of Georgia for certain support personnel.

At June 30, 2020, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 12,362,566	\$ 65,026
Changes of assumptions	21,047,591	-
Net difference between projected and actual earnings on pension plan investments	-	5,222,920
Changes in proportion and differences between School System contributions and proportionate share of contributions	-	1,047,324
School System contributions subsequent to the measurement date	27,634,874	-
Total	<u>\$ 61,045,031</u>	<u>\$ 6,335,270</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Teachers' Retirement System (Continued)

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

School System contributions subsequent to the measurement date of \$27,634,874 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, 2021. 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,	
2021	\$ 11,407,639
2022	1,677,230
2023	6,848,433
2024	7,141,585

##### Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, 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
Post-retirement benefit increases	1.50% semi-annually

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Teachers' Retirement System (Continued)

##### Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2018 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 long-term assumed 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 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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
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	<u>100.00 %</u>	

##### 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 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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Teachers' Retirement System (Continued)

##### Sensitivity of the School System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School System's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the School System'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:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
School System's proportionate share of the net pension liability	\$ 356,037,045	\$ 219,330,161	\$ 106,908,529

#### 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](http://www.trsga.com/publications).

#### Public School Employees' Retirement System ("PSERS")

##### Plan Description

Public School Employees' Retirement System ("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 TRS. 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](http://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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Public School Employees' Retirement System ("PSERS") (Continued)

##### Benefits Provided (Continued)

Upon retirement, the member will receive a monthly benefit of \$15.25, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

##### Contributions

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

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

##### Pension Liabilities and Pension Expense

At June 30, 2020, the School System did not have a liability for a proportionate share of the net pension liability of PSERS 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 System is as follows:

State of Georgia's proportionate share of the net pension liability  
associated with the School System

\$ 2,906,146

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Public School Employees' Retirement System ("PSERS") (Continued)

##### Pension Liabilities and Pension Expense (Continued)

For the year ended June 30, 2020, the School System recognized pension expense of \$896,220 and revenue of \$896,220 for support provided by the State of Georgia.

##### Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, 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 pension plan investment expense, including inflation
Post-retirement benefit increases	1.50%, semi-annually

Post-retirement mortality rates were based on 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) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward five 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.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Public School Employees' Retirement System ("PSERS") (Continued)

##### Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2018 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 long-term 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 nominal returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

\*Rates shown are net of inflation.

##### 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 non-employer 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Employees' Retirement System ("ERS")

##### Plan Description

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

##### Benefits Provided

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Employees' Retirement System ("ERS") (Continued)

##### Contributions

Member contributions under the Old Plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the New Plan and GSEPS are 1.25% of annual compensation. The School System's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2020 was 24.66% of annual covered payroll. The School System's contributions to ERS totaled \$39,886 for the year ended June 30, 2020. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2020, the School System reported a liability for its proportionate share of the net pension liability of ERS in the amount of \$208,225. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The School System's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2019. At June 30, 2019, the School System's proportion was 0.005046%, which was an increase of 0.001443% from its proportion measured as of June 30, 2018.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Employees' Retirement System ("ERS") (Continued)

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

For the year ended June 30, 2020, the School System recognized pension expense of \$61,022. At June 30, 2020, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,935	\$ -
Changes of assumptions	3,665	-
Net difference between projected and actual earnings on pension plan investments	-	6,482
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,492	677
Employer contributions subsequent to the measurement date	<u>39,886</u>	<u>-</u>
Total	<u>\$ 84,978</u>	<u>\$ 7,159</u>

School System contributions subsequent to the measurement date of \$39,886 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, 2021. 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,	
2021	\$ 30,692
2022	7,659
2023	(1,277)
2024	859

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Employees' Retirement System ("ERS") (Continued)

##### Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25 - 7.00%, including inflation
Investment rate of return	7.30%, net pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2018 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 long-term assumed investment rate of return.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Employees' Retirement System ("ERS") (Continued)

##### Actuarial Assumptions (Continued)

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:

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

\*Rates shown are net of inflation.

##### 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 State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Employees' Retirement System ("ERS") (Continued)

##### Sensitivity of the School System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School System's proportionate share of the net pension liability calculated using the discount rate of 7.30%, as well as what the School System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1-percentage-point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
School System's proportionate share of the net pension liability	\$ 295,907	\$ 208,225	\$ 133,477

##### Pension Plan Fiduciary Net Position

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

##### Defined Contribution Plan

Employees of the School System may elect to contribute to a qualifying 403(b) and/or 457 plan by selecting a vendor that has been approved by the School System. The School System does not provide matching funds to supplement the employee contributions. The employee contributions, disbursements, and loans are governed by the Internal Revenue Service rules and regulations and the plan document approved by the School System. The School System selected a third-party administrator to assist in the administration of the 403(b) plan and common remitting services for the 457 plan. Contributions to the plan become property of the employee without a vesting period.

The School System also provides a supplemental 403(b) plan option for employees who are not members of the TRS. Employees who are not members of the TRS may elect to contribute to a supplemental 403(b) plan by choosing a vendor that has been approved by the School System. The School System provides matching funds of 50% of the employee's contribution up to a maximum School System contribution of 3% of the employee's contribution. The employee and employer contributions, disbursements, and loans are governed by the Internal Revenue Service rules and regulations and the plan document approved by the School System. The School System selected a third-party administrator to assist in the administration of the supplemental 403(b) plan. Employee and employer contributions become property of the employee without a vesting period.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. RETIREMENT PLANS (CONTINUED)

#### Defined Contribution Plan (Continued)

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2020	100%	\$ 103,970
2019	100%	101,906
2018	100%	85,757

### NOTE 9. OTHER POST-EMPLOYMENT BENEFITS

#### State of Georgia School Employees' Post-employment Benefit Fund

##### Plan Description

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

##### Benefits provided

The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System ("ERS"), Georgia Judicial Retirement System ("JRS"), Legislative Retirement System ("LRS"), Teachers' Retirement System ("TRS") or Public School Employees' Retirement System ("PSERS"). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement 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.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### State of Georgia School Employees' Post-employment Benefit Fund (Continued)

##### Contributions

As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School System were \$4,204,838 for the year ended June 30, 2020. 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, 2020, the School System reported a liability of \$151,789,626 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The School System'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, 2019. At June 30 2019, the School System's proportion was 1.236863%, which was a decrease of 0.001179% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School System recognized OPEB expense of \$3,923,048. At June 30, 2020, the School System 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	\$ -	\$ 16,513,132
Changes of assumptions	5,271,357	21,397,544
Net difference between projected and actual earnings on OPEB plan investments	330,551	-
Changes in proportion and differences between School System contributions and proportionate share of contributions	1,396,692	150,900
School System contributions subsequent to the measurement date	4,204,838	-
Total	<u>\$ 11,203,438</u>	<u>\$ 38,061,576</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### State of Georgia School Employees' Post-employment Benefit Fund (Continued)

##### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Board contributions subsequent to the measurement date of \$4,204,838 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, 2021. 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,	
2021	\$ (6,938,261)
2022	(6,938,261)
2023	(6,950,968)
2024	(6,107,117)
2025	(3,387,062)
2026	(741,307)

##### Actuarial assumptions

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 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, 2019:

Inflation	2.75%
Salary increases	3.25 – 8.75%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate:	
Pre-Medicare Eligible	7.250%
Medicare Eligible	5.375%
Ultimate trend rate	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2028
Medicare Eligible	2022

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### State of Georgia School Employees' Post-employment Benefit Fund (Continued)

##### Actuarial assumptions (Continued)

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the pension system, which covered the five-year period ended June 30, 2014, and adopted by the pension Board on December 17, 2015. The next experience study for TRS will be for the period ended June 30, 2018.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 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.

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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### State of Georgia School Employees' Post-employment Benefit Fund (Continued)

##### Actuarial assumptions (Continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. During the fiscal year 2018, the School OPEB fund updated their investment strategy to a more long-term approach. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00 %	(0.50) %
Domestic large equities	46.20	8.90
Domestic small equities	1.30	13.20
International developed market equities	12.40	8.90
International emerging market equities	5.10	10.90
Alternatives	5.00	12.00
Total	100.00 %	

\*Rates shown are net of inflation.

##### Discount rate

The discount rate has changed since the prior measurement date from 3.87% to 3.58%. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.50% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2119. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2026. Therefore, the calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### State of Georgia School Employees' Post-employment Benefit Fund (Continued)

##### Sensitivity of the School System's proportionate share of the net OPEB liability to changes in the discount rate

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

	<b>1% Decrease (2.58%)</b>	<b>Current Discount Rate (3.58%)</b>	<b>1% Increase (4.58%)</b>
School System's proportionate share of the net OPEB liability	\$ 176,429,646	\$ 151,789,626	\$ 131,746,077

##### Sensitivity of the School System's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate

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

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
School System's proportionate share of the net OPEB liability	\$ 127,866,678	\$ 151,789,626	\$ 182,173,586

##### OPEB plan fiduciary net position

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. RISK MANAGEMENT

The School System is exposed to various risks of loss for claims associated with torts; theft of, damage to and destruction of assets; errors and omissions; natural disaster; workers' compensation; unemployment compensation; and dental benefits. The School System is self-insured for workers' compensation and unemployment compensation. The School System purchases commercial insurance for all other risks of loss. The School System has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three years.

#### Workers' Compensation

The School System has established a limited risk management program for workers' compensation claims. In connection with this program, a self-insurance reserve has been established within the general fund by the School System. The School System 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. An excess coverage insurance policy covers individual claims in excess of \$700,000 loss per occurrence, up to the statutory limit.

#### Unemployment Compensation

The School System is self-insured with regard to unemployment compensation claims. In connection with this program, a self-insurance reserve has been established within the General Fund by the School System. The School System 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 balances of claims liabilities for the years June 30, 2019 and June 30, 2020 for which the School System is self-insured are as follows:

<b>Workers' Compensation</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Unpaid claims, beginning of fiscal year	\$ 1,641,076	\$ 1,634,760
Incurred claims (including IBNRs)	653,455	839,687
Claim payments and changes in estimates	(823,881)	(833,371)
Unpaid claims, end of fiscal year	<u>\$ 1,470,650</u>	<u>\$ 1,641,076</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. RISK MANAGEMENT (CONTINUED)

#### Unemployment Compensation (Continued)

<u>Unemployment Compensation</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	14,852	37,934
Claim payments and changes in estimates	(14,852)	(37,934)
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

#### Surety Bond

The School System purchased surety bonds to provide additional insurance coverage as follows:

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 20,000
Assistant Superintendent for Financial Services	10,000
Board Treasurer	10,000
Board Chair	10,000
All Employees	250,000

### NOTE 11. COMMITMENTS AND CONTINGENCIES

In addition to the liabilities enumerated in the balance, at June 30, 2020, the School System has contractual commitments on uncompleted contracts of approximately \$34,679,816.

The School System is involved in a number of legal matters which either have or could result in litigation. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School System's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School System.

The School System participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School System has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the opinion of the School System, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12. TAX ABATEMENTS

For the year ended June 30, 2020, the School System property tax revenues were reduced by \$2,032,244 under agreements entered into by Coweta County, Georgia. Under the agreements, taxes on both real property and personal property are reduced based on investments made by the corporation to whom the incentives were offered as long as the corporation meets certain investment targets.

### NOTE 13. RESTATEMENT OF PRIOR YEAR NET POSITION AND FUND BALANCE

In fiscal year 2020, the School District adopted 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. The School System restated beginning net position and beginning fund balance for the general fund for the cumulative effect of this accounting change. These changes are in accordance with generally accepted accounting principles.

Fund balance, General Fund, as previously reported	\$ 33,066,115
Prior Period Adjustment - Implementation of GASB No. 84	778,093
Fund balance, General Fund, as restated	<u>\$ 33,844,208</u>
Net Position, Student Activities Fund, as previously reported	\$ -
Prior Period Adjustment - Implementation of GASB No. 84	107,870
Net Position, Student Activities Fund, as restated	<u>\$ 107,870</u>
Net Position, Flexible Spending Accounts Fund, as previously reported	\$ -
Prior Period Adjustment - Implementation of GASB No. 84	143,299
Net Position, Flexible Spending Accounts Fund, as restated	<u>\$ 143,299</u>
Net Position, July 1, 2019 as previously reported	\$ 81,899,717
Prior Period Adjustment - Implementation of GASB No. 84	778,093
Net Position, July 1, 2019, as restated	<u>\$ 82,677,810</u>



## **REQUIRED SUPPLEMENTARY INFORMATION**

# COWETA COUNTY BOARD OF EDUCATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	<b>1.020012%</b>	1.021931%	1.022337%	1.028038%	1.034116%	1.048524%
School System's proportionate share	<b>\$ 219,330,161</b>	\$ 189,692,283	\$ 190,004,480	\$ 212,095,702	\$ 157,433,892	\$ 132,467,177
State of Georgia's proportionate share of the net pension liability associated with the School System	<b>441,020</b>	417,091	208,527	-	-	-
Total	<b><u>\$ 219,771,181</u></b>	<b><u>\$ 190,109,374</u></b>	<b><u>\$ 190,213,007</u></b>	<b><u>\$ 212,095,702</u></b>	<b><u>\$ 157,433,892</u></b>	<b><u>\$ 132,467,177</u></b>
School System's covered payroll	<b>\$ 124,657,483</b>	\$ 121,776,841	\$ 117,657,845	\$ 112,787,507	\$ 109,375,399	\$ 107,006,481
School System's proportionate share of the net pension liability as a percentage of its covered payroll	<b>175.95%</b>	155.77%	161.49%	188.05%	143.94%	123.79%
Plan fiduciary net position as a percentage of the total pension liability	<b>78.56%</b>	80.27%	79.33%	76.06%	81.44%	84.03%

**Note:**

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

# COWETA COUNTY BOARD OF EDUCATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 27,634,874	\$ 26,053,414	\$ 20,470,687	\$ 16,771,552	\$ 16,094,777	\$ 14,382,865
Contributions in relation to the contractually required contribution	<u>27,634,874</u>	<u>26,053,414</u>	<u>20,470,687</u>	<u>16,771,552</u>	<u>16,094,777</u>	<u>14,382,865</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered payroll	\$ 130,723,150	\$ 124,657,483	\$ 121,776,841	\$ 117,657,845	\$ 112,787,507	\$ 109,375,399
Contributions as a percentage of covered payroll	21.14%	20.90%	16.81%	14.25%	14.27%	13.15%

**Note:**

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

# **COWETA COUNTY BOARD OF EDUCATION**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION TEACHERS' RETIREMENT SYSTEM OF GEORGIA FOR THE YEAR ENDED JUNE 30, 2020**

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### **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 increases 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 the rates of mortality, retirement, disability, withdrawal, and salary increases. The expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

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%.

# COWETA COUNTY BOARD OF EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30,

	2020	2019	2018	2017	2016	2015
School System's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
School System's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the School System	2,906,146	2,708,156	2,560,850	3,341,464	2,156,886	1,809,179
Total	\$ 2,906,146	\$ 2,708,156	\$ 2,560,850	\$ 3,341,464	\$ 2,156,886	\$ 1,809,179
School System's covered payroll	\$ 8,455,537	\$ 6,602,870	\$ 5,415,336	\$ 5,388,111	\$ 5,067,472	\$ 4,925,591
School System'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	N/A
Plan fiduciary net position as a percentage of the total pension liability	85.02%	85.26%	85.69%	81.00%	87.00%	88.29%

**Note:**

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

# **COWETA COUNTY BOARD OF EDUCATION**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2020**

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### **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 the rates of mortality, retirement, and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward three years for males and two 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 reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date.

# COWETA COUNTY BOARD OF EDUCATION

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

	2020	2019	2018	2017	2016	2015
School System's proportion of the net pension liability	0.005046%	0.003603%	0.003676%	0.366000%	0.365200%	0.356000%
School System's proportionate share of the net pension liability	\$ 208,225	\$ 148,121	\$ 149,295	\$ 173,133	\$ 147,957	\$ 133,522
School System's covered payroll	\$ 130,463	\$ 90,157	\$ 90,157	\$ 83,913	\$ 83,506	\$ 80,155
School System's proportionate share of the net pension liability as a percentage of its covered payroll	159.60%	164.29%	165.59%	206.32%	177.18%	166.58%
Plan fiduciary net position as a percentage of the total pension liability	76.74%	76.68%	76.33%	72.34%	76.20%	77.99%

**Note:**

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

# COWETA COUNTY BOARD OF EDUCATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	<b>39,886</b>	32,329	\$ 22,368	\$ 22,368	\$ 20,743	\$ 18,338
Contributions in relation to the contractually required contribution	<u><b>39,886</b></u>	<u>32,329</u>	<u>22,368</u>	<u>22,368</u>	<u>20,743</u>	<u>18,338</u>
Contribution deficiency (excess)	<u><b>\$ -</b></u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered payroll	<b>\$ 161,742</b>	\$ 130,463	\$ 90,157	\$ 90,157	\$ 83,912	\$ 83,506
Contributions as a percentage of covered payroll	<b>24.66%</b>	24.78%	24.81%	24.81%	24.72%	21.96%

**Note:**

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.



# **COWETA COUNTY BOARD OF EDUCATION**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2020**

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### **Changes of Assumptions**

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

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

# COWETA COUNTY BOARD OF EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE PROPORTIONATE SHARE OF NET OPEB LIABILITY FOR THE YEAR ENDED JUNE 30,

	2020	2019	2018
School System's proportion of the net OPEB liability	1.236863%	1.24%	1.24%
School System's proportion of the net OPEB liability	\$ 151,789,626	\$ 157,351,339	\$ 173,804,325
School System's covered employee payroll	\$ 109,242,402	\$ 106,832,606	\$ 101,536,207
School System's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	138.95%	147.29%	171.17%
Plan fiduciary net position as a percentage of the total OPEB liability	4.63%	2.93%	1.61%

**Note:**

The schedule will present 10 years of information once it is accumulated.

# COWETA COUNTY BOARD OF EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF OPEB CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30,

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	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 4,204,838	\$ 6,661,358	\$ 6,416,650
Contributions in relation to the contractually required contribution	<u>4,204,838</u>	<u>6,661,358</u>	<u>6,416,650</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered employee payroll	\$ 116,725,365	\$ 109,242,402	\$ 106,832,606
Contributions as a percentage of covered employee payroll	3.60%	6.10%	6.01%

**Note:**

The schedule will present 10 years of information once it is accumulated.

# **COWETA COUNTY BOARD OF EDUCATION**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHOOL OPEB FUND FOR THE YEAR ENDED JUNE 30, 2020**

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### **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 departments) are now assigned to the State OPEB fund based on their last employer payroll location: irrespective of retirement affiliation.

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

## **SUPPLEMENTARY INFORMATION**

# COWETA COUNTY BOARD OF EDUCATION

## COMBINING STATEMENT OF FIDUCIARY NET POSITION CUSTODIAL FUNDS JUNE 30, 2020

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	School Activities Fund	Flexible Spending Accounts Fund	Custodial Funds
<b>ASSETS</b>			
Cash	\$ 32,075	\$ 543,570	\$ 575,645
Investments	75,383	143,489	218,872
Total assets	<u>107,458</u>	<u>687,059</u>	<u>794,517</u>
<b>LIABILITIES</b>			
Accounts payable	-	543,617	543,617
Total liabilities	<u>-</u>	<u>543,617</u>	<u>543,617</u>
<b>NET POSITION</b>			
Restricted for individuals, organizations and other government	<u>\$ 107,458</u>	<u>\$ 143,442</u>	<u>\$ 250,900</u>

# COWETA COUNTY BOARD OF EDUCATION

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS JUNE 30, 2020

	<b>School Activities Fund</b>	<b>Flexible Spending Accounts Fund</b>	<b>Custodial Funds</b>
<b>ADDITIONS</b>			
Local collections	\$ 88	\$ 143	\$ 231
Total additions	<u>88</u>	<u>143</u>	<u>231</u>
<b>DEDUCTIONS</b>			
Collections disbursed	500	-	500
Total deductions	<u>500</u>	<u>-</u>	<u>500</u>
Change in net position	(412)	143	(269)
<b>NET POSITION</b>			
Beginning of year, as restated	<u>107,870</u>	<u>143,299</u>	<u>251,169</u>
End of year	<u>\$ 107,458</u>	<u>\$ 143,442</u>	<u>250,900</u>

# COWETA COUNTY BOARD OF EDUCATION

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS – SPLOST IV FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
<b>SPLOST IV Project</b>	\$ 130,000,000	\$ 158,000,000			
(a) The acquisition, construction and equipping of one or more new high schools, one or more new middle schools, one or more new elementary schools and a new transportation facility,	-	-	\$ 10,933,788	\$ 5,200,868	\$ 16,134,656
(b) additions throughout the School System, including, but not limited to, additions at Newnan High School and Evans Middle School,	-	-	9,518,585	-	9,518,585
(c) the acquisition of buses,	-	-	4,586,770	-	4,586,770
(d) the acquisition of technology,	-	-	11,086,998	28,865	11,115,863
(e) the acquisition of text books and digital media,	-	-	2,438,200	1,106,610	3,544,810
(f) the acquisition of land,	-	-	-	-	-
(g) renovations and improvements throughout the School System, including, but not limited to, renovations and improvements at East Coweta High School, Canongate Elementary School, Newnan Crossing Elementary School, Thomas Crossroads Elementary School, Jefferson Parkway Elementary School, and Northgate High School,	-	-	67,819,425	17,139	67,836,564
(h) issuance of general obligation debt of the School System in the maximum principal amount of \$60,000,000 for the above purposes.	-	-	-	-	-
<b>Totals</b>	<u>\$ 130,000,000</u>	<u>\$ 158,000,000</u>	<u>\$ 106,383,766</u>	<u>\$ 6,353,482</u>	<u>\$ 112,737,248</u>

### Reconciliation to total expenditures, Capital Projects Fund

SPLOST IV	\$ 6,353,482
SPLOST V	25,494,655
Non-SPLOST expenditures	<u>786,823</u>
Total expenditures, Capital Projects Fund	<u>\$ 32,634,960</u>



# COWETA COUNTY BOARD OF EDUCATION

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS – SPLOST V FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
<b>SPLOST V Project</b>	\$ 134,000,000	\$ 134,000,000			
(a) acquiring, constructing and equipping new school buildings, administration buildings, athletic buildings/facilities and other buildings,	-	-	\$ 644,790	\$ 4,032,693	\$ 4,677,483
(b) adding to, renovating, repairing, improving and equipping existing school buildings, including, but not limited to, Newnan Crossing Elementary School, Arnall Middle School, Jefferson Parkway Elementary School, Thomas Crossroads Elementary School, and Northgate High School, administration buildings, athletic buildings/facilities and other buildings and facilities useful or desirable therewith, including, without limitation, the Central Education Center and the Nixon Centre for Performing and Visual Arts,	-	-	5,579,947	14,437,705	20,017,652
(c) acquiring, installing and equipping portable classrooms,	-	-	-	-	-
(d) acquiring buses and other vehicles,	-	-	1,971,533	1,725,745	3,697,278
(e) acquiring technology,	-	-	1,317,055	5,298,512	6,615,567
(f) acquiring land for future facilities (the "Projects")	-	-	-	-	-
(g) issuance of general obligation debt of the School System in the maximum principal amount of \$60,000,000 for the above purposes.	-	-	-	-	-
<b>Totals</b>	<u>\$ 134,000,000</u>	<u>\$ 134,000,000</u>	<u>\$ 9,513,325</u>	<u>\$ 25,494,655</u>	<u>\$ 35,007,980</u>

## **COMPLIANCE SECTION**



**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***

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**To the Superintendent and Members of the  
Coweta County Board of Education  
Newnan, Georgia**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coweta County Board of Education (the "School System") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the School System's basic financial statements and have issued our report thereon dated December 18, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School System'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School System's internal control. Accordingly, we do not express an opinion on the effectiveness of the School System'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School System'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*.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The script is cursive and fluid, with the letters "M", "J", and "L" being particularly large and stylized.

Macon, Georgia  
December 18, 2020



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

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**To the Superintendent and Members of the  
Coweta County Board of Education  
Newnan, Georgia**

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

We have audited the Coweta County Board of Education's (the "School System") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School System's major federal programs for the year ended June 30, 2020. The School System'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 System'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; 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 System'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 System's compliance.

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

In our opinion, the School System complied, in all material respects, with the 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, 2020.

***Report on Internal Control Over Compliance***

Management of the School System 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 System'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 System's internal control over compliance.

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

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

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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.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 18, 2020

# COWETA COUNTY BOARD OF EDUCATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through ID Number	Total Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
Passed through from Georgia Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	205GA324N1099	\$ 1,050,784
National School Lunch Program	10.555	205GA324N1099	4,206,178
Total Child Nutrition Cluster			<u>5,256,962</u>
Child Nutrition Discretionary Grants	10.579	205GA324N8503	<u>18,065</u>
Total U.S. Department of Agriculture			<u>5,275,027</u>
<b>U.S. DEPARTMENT OF DEFENSE:</b>			
Direct Federal Award			
Junior ROTC	12.unknown	N/A	<u>164,199</u>
Total U.S. Department of Defense			<u>164,199</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>			
Passed through from Georgia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A180010	318,054
Title I Grants to Local Educational Agencies	84.010	S010A190010	3,596,696
Total Title I Grants to Local Educational Agencies			<u>3,914,750</u>
Title IV - Part A Student Support and Academic Enrichment	84.424A	S424A180011	46,922
Title IV - Part A Student Support and Academic Enrichment	84.424A	S424A190011	262,313
Total Title IV - Part A Student Support and Academic Enrichment			<u>309,235</u>
Career and Technical Education - Basic Grants to States	84.048	V048A190010	152,095
Career and Technical Education - Basic Grants to States	84.048	V048A180010	9,103
Total Career and Technical Education - Basic Grants to States			<u>161,198</u>
English Language Acquisition Grants	84.365	S365A180010	4,522
English Language Acquisition Grants	84.365	S365A190010	40,627
English Language Acquisition Grants	84.365	S365A190010	4,295
Total English Language Acquisition Grants			<u>49,444</u>
Supporting Effective Instruction State Grants	84.367	S367A180001	44,823
Supporting Effective Instruction State Grants	84.367	S367A190001	492,821
Supporting Effective Instruction State Grants	84.367	S367A190001	2,250
			<u>539,894</u>
Special Education Cluster:			
Grants to States	84.027	H027A180073	2,014,381
Grants to States	84.027	H027A190073	1,664,066
Grants to States	84.027	H027A190073	14,400
Preschool Grants	84.173	H173A180081	91,881
Preschool Grants	84.173	H173A190081	70,934
Total Special Education Cluster			<u>3,855,662</u>
Total U.S. Department of Education			<u>8,830,183</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 14,269,409</u></u>

N/A - Not available/applicable



# **COWETA COUNTY BOARD OF EDUCATION**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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### **NOTE 1. BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Coweta County Board of Education (the "School System") and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") *Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

### **NOTE 2. DONATED COMMODITIES**

The Child Nutrition Cluster includes \$528,390 of non-cash expenditures in the form of donated food commodities.

### **NOTE 3. DE MINIMIS COST RATE**

The School System elected not to use the 10% de minimis cost rate for the year ended June 30, 2020.

### **NOTE 4. SUBRECIPIENTS**

The School System did not pass through any funds to subrecipients for the year ended June 30, 2020.

# COWETA COUNTY BOARD OF EDUCATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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### SECTION I SUMMARY OF AUDIT RESULTS

#### **Financial Statements**

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_ Yes X No

Significant deficiencies identified not considered  
to be material weaknesses?

\_\_\_ Yes X None Reported

Noncompliance material to financial statements noted?

\_\_\_ Yes X No

#### **Federal Awards**

Internal Control over major programs:

Material weaknesses identified?

\_\_\_ Yes X No

Significant deficiencies identified not considered  
to be material weaknesses?

\_\_\_ Yes X None Reported

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

Unmodified

Any audit findings disclosed that are required to  
be reported in accordance with the Uniform Guidance?

\_\_\_ Yes X No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

U.S. Department of Education:

10.553

School Breakfast Program

10.555

National School Lunch Program

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X Yes \_\_\_ No

**COWETA COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**SECTION II**  
**FINANCIAL STATEMENTS FINDINGS**

None reported.

**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

# **COWETA COUNTY BOARD OF EDUCATION**

## **SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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No prior year findings.