



DEKALB COUNTY BOARD OF EDUCATION STONE MOUNTAIN, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016
(Including Independent Auditor's Reports)**



DEKALB COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

January 25, 2018

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeKalb County Board of Education (School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through ix, and pages 35 through 40 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, consisting of Schedules 7 through 9, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2

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U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2018, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with the first and last names being more prominent.

Greg S. Griffin
State Auditor

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

INTRODUCTION

The discussion and analysis of the DeKalb County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Board'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 Board's financial performance.

Financial Highlights

Key financial highlights for 2016 fiscal year are as follows:

- In total, net position increased \$114.9 million to \$988.0 million. This represents a 13.2 percent increase from 2015 due primarily to governmental activities since the Board has no business-type activities.
- General revenues accounted for \$576.1 million in revenue or 48.5 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$611.7 million or 51.5 percent of total revenues of \$1.188 billion.
- The Board had \$1,072.8 million in expenses related to governmental activities; \$611.7 million of these expenses were offset by program specific charges for services, grants or contributions.
- Among major funds, the general fund has \$1,071.7 million in revenues and \$1,034.4 million in expenditures. The general fund's "Net Change in Fund Balances" was \$37.4 million, which is a decrease from the prior year of \$10.1 million. The fund balance reflects the full accrual of all contracted salaries and benefits unpaid at June 30 in full compliance with GASB 34 regulations.

Using the Basic Financial Statements

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

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

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

Reporting the Board as a Whole

Statement of Net Position and the Statement of Activities

While this document includes a number of funds used by the Board to provide programs and activities, a view of the Board as a whole requires looking at all financial transactions to ask the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Board's Net Position and changes in Net Position. This change in net position is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished. The causes of this change may be a result of many factors, some financial, some not. Nonfinancial factors include the Board's property tax digest base, facility conditions, required educational programs and other factors.

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

- **Governmental Activities** - All of the Board's programs and services are reported here including instruction, pupil services, improvement of instructional services, educational media services, general administration, school administration, business administration, maintenance and operation of plant, student transportation services, central support services, enterprise operations, food services and interest on debt.

Reporting the Board's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Board's major funds. The Board uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Board's most significant funds. The Board's major governmental funds are the general fund, government-wide capital projects funds, and the debt service fund.

Governmental Funds: Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Board's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

Fiduciary Funds: The Board is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The Board 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 Board excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The Board as a Whole

The perspective of the Statement of Net Position is of the Board as a whole. Table 1 provides a summary of the Board's net position for fiscal year 2016 compared to fiscal year 2015.

Table 1
Net Position
(in Thousands)

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Assets		
Current and Other Assets	\$ 574,569	\$ 538,770
Capital Assets, Net	1,355,289	1,328,191
Total Assets	1,929,858	1,866,961
Deferred Outflow of Resources		
Related to Defined Benefit Pension Plans	101,992	99,096
Liabilities		
Current and Other Liabilities	877,873	751,797
Long-Term Liabilities	98,978	133,205
Total Liabilities	976,851	885,002
Deferred Inflows of Resources		
Related to Defined Benefit Pension Plans	66,992	207,924
Net Position		
Net Investment in Capital Assets	1,257,234	1,207,520
Restricted	291,733	290,866
Unrestricted (Deficit)	(560,960)	(625,255)
Total Net Position	\$ 988,007	\$ 873,131

Total net position increased \$ 114.9 million.

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

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

Table 2
Change in Net Position
(In Thousands)

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Revenues		
Program Revenues:		
Charges for Services	\$ 7,755	\$ 12,733
Operating Grants and Contributions	592,007	569,707
Capital Grants and Contributions	11,895	15,018
Total Program Revenues	611,657	597,458
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	449,703	414,377
Railroad Cars	-	84
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	102,677	103,096
Other Sales Tax	14,186	7,953
Investment Earnings	826	208
Miscellaneous	8,661	13,436
Total General Revenues	576,053	539,154
Total Revenues	1,187,710	1,136,612
Program Expenses:		
Instruction	683,818	654,144
Support Services		
Pupil Services	33,737	30,035
Improvement of Instructional Services	30,582	33,298
Educational Media Services	12,478	11,567
General Administration	12,835	11,718
School Administration	62,378	54,358
Business Administration	7,048	6,199
Maintenance and Operation of Plant	88,432	83,398
Student Transportation Services	55,211	50,332
Central Support Services	17,767	16,675
Other Support Services	3,223	6,979
Operations of Non-Instructional Services		
Enterprise Operations	1,445	2,658
Food Services	58,939	55,720
Interest on Short-Term and Long-Term Debt	4,942	5,724
Total Expenses	1,072,835	1,022,805
Increase in Net Position	\$ 114,875	\$ 113,807

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

Governmental Activities

Instruction, Pupil Services and Improvement of Instructional Services comprises 69.7 percent of governmental program expenses. The Operations of Non-instructional Services amounted to 5.6 percent of the total governmental program expenses. These operations consist primarily of the School Nutrition.

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 net cost of services for fiscal year 2016 compared to fiscal year 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities
(In Thousands)

	Net Cost of Services	
	Fiscal Year 2016	Fiscal Year 2015
Instruction	\$ 244,846	\$ 223,794
Support Services:		
Pupil Services	29,032	25,136
Improvement of Instructional Services	10,561	10,786
Educational Media Services	(335)	1,057
General Administration	2,338	432
School Administration	37,760	34,197
Business Administration	6,787	5,813
Maintenance and Operation of Plant	58,713	58,009
Student Transportation Services	46,174	39,537
Central Support Services	17,796	16,526
Other Support Services	665	2,924
Operations of Non-Instructional Services:		
Enterprise Operations	(358)	1,557
Food Services	5,156	(143)
Interest on Short-Term and Long-Term Debt	2,042	5,724
Total Expenses	\$ 461,177	\$ 425,349

Although program revenues make up 51.5 percent of the revenues, the Board is still primarily dependent upon tax revenues for governmental activities. More than 35.8 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 43.0 percent.

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

The Board's Funds

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$1.186 billion and expenditures and other financing uses of \$1.156 billion. There was an decrease in fund balance of \$8.3 million in the capital projects fund due to decreases in revenue over expenditures during the year. The general fund had an increase in fund balance of \$37.4 million. This increase in fund balance was mainly the result of an increase in revenues from \$1.019 billion in 2015 to \$1.072 billion in 2016.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the Board amended its general fund budget as needed from time to time. The Board uses site-based budgeting based on FTE student allocations. The anticipated budgeted revenues and other sources for the original General Fund budget were \$1.053 billion and anticipated budgeted expenditures and other uses were \$1.050 billion. The budgeting systems are designed to monitor and control total site based budgets and provide flexibility for site management.

For the general fund, final budgeted revenues and other sources of \$1.079 billion were under performed by the actual by \$7.2 million. This difference was due mainly to receiving less than expected miscellaneous revenue that was offset by better than expected property taxes, sales taxes, state funds and charges for services.

Actual expenditures and other uses of \$1.034 billion were 5.4 percent less than the final budgeted total of \$1.093 billion.

General fund revenues exceeded expenditures by \$37.4 million resulting in an increase in "Fund Balance" for the year. Revenues for property taxes, sales taxes, state funds, and charges for services were the major factors in this increase.

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016 the Board had \$1.355 billion invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2016 balances compared with fiscal year 2015 balances.

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

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Land	\$ 44,485	\$ 44,486
Construction In Progress	35,131	56,979
Building and Improvements	1,206,651	1,156,912
Equipment	24,038	24,872
Land Improvements	44,984	44,942
Total	\$ <u>1,355,289</u>	\$ <u>1,328,191</u>

The primary increase occurred in Building and Improvements. Due to the ongoing population growth in the County, the Board has numerous projects including new buildings, additions, and renovations.

Debt

At June 30, 2016 the Board had \$16.1 million in capital leases. There were \$9.2 million in compensated absences. There is \$33.3 million in general obligation bonds and \$1.4 million in premiums from the fiscal year 2013 bond issue. \$14.7 million of the outstanding debt is due within one year.

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

Table 5 summarizes long-term debt outstanding and compares fiscal year 2016 balance and 2015 balances.

Table 5
Debt at June 30
(in Thousands)

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2016	2015
Qualified School Construction Bonds	\$ 38,959	\$ 44,077
Capital Leases	16,117	44,287
Compensated Absences	9,187	9,128
General Obligation Bonds	33,300	33,300
Unamortized Bond Premium	1,415	2,413
Total	\$ 98,978	\$ 133,205

The Board maintains an underlying AA and Aa3 credit rating from Standard & Poor's Ratings Services and Moody's Investors Service, respectively.

Current Issues

State funding was higher in 2016 than 2015 due to an increase in "Quality Basic Education" and state grants revenue of \$19.5 million. Federal grant revenue decreased in 2016 by 2.5% from 2015. Combined state and federal revenues used in general fund operations in 2016 increased by \$22.2 million from 2015.

Local revenue within DeKalb County School District is increasing. Property tax revenues had been impacted by the revaluation of property due to foreclosures and weak sales during the recent recession. Digest values are documented to be increasing by at least 7% during fiscal year 2016. Overall, total general fund revenues have been increasing for the last two years. Prior to the 2009 fiscal year, the tax digest in DeKalb County had never seen a decrease in value. However, for the last three years, substantial digest increases have been documented.

During 2013, the Board reduced annual budgeted expenditures to address the challenges of prior reduced revenues. The reduced annual budget enabled the DeKalb County School District to eliminate the deficit from fiscal year 2012. As of the end of fiscal year 2016, the Board has rebuilt the School District's financial reserves which are now in compliance with the School District's policy relating to fund balance targets. The Board remains committed to maintaining the School District's financial reserves.

Current financial statements reflect the School District's liability for the unfunded portion of the pension plan administered through the Teachers Retirement System of Georgia (TRS) and Employees Retirement System of Georgia (ERS). This amount is currently being calculated based on actuarial estimates and is reflected on the government-wide financial statements as deferred inflows and outflows of resources and net pension liability.

The School District has adopted GASB Statement No. 68 and No. 71 in the fiscal year 2015, which resulted in a material restatement of beginning net position.

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

Factors Bearing on the District's Future

Principal among the factors bearing upon the School District's future are the January 2016 attainment of the status of full accreditation from the SACs organization. Additionally, the return of the School District's Fund Balance to substantially fully funded relative to internal Board Policy gives to the School District much more flexibility relative to salary and benefit increases, enhanced educational programs, and substantial technological improvements which, will greatly increase the efficacy, and thereby student performance, of the School District's educational initiatives. Finally the School District received its five (5) year accreditation certification from the SACs organization in March 2017 which granted full accreditation out to June 30, 2022.

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, contact Dr. Michael J. Bell, Chief Financial Officer, at the DeKalb County Board of Education, 1701 Mountain Industrial Boulevard, Stone Mountain, Georgia, 30083.

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DEKALB COUNTY BOARD OF EDUCATION

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DEKALB COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 205,976,316.38
Investments	247,894,996.20
Receivables, Net	
Interest	50,864.59
Taxes	35,790,823.33
State Government	65,922,186.16
Federal Government	16,494,029.53
Other	144,266.59
Inventories	2,295,062.29
Capital Assets, Non-Depreciable	79,616,552.18
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>1,275,672,783.55</u>
Total Assets	<u>1,929,857,880.80</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	<u>101,991,941.21</u>
<u>LIABILITIES</u>	
Accounts Payable	7,559,587.14
Salaries and Benefits Payable	128,804,276.28
Payroll Withholdings Payable	1,982,426.59
Interest Payable	436,720.12
Claims Incurred but not Reported (IBNR)	9,874,642.00
Contracts Payable	6,672,950.46
Retainages Payable	3,547,872.98
Net Pension Liability	718,994,177.00
Long-Term Liabilities	
Due Within One Year	14,650,088.78
Due in More Than One Year	<u>84,327,879.12</u>
Total Liabilities	<u>976,850,620.47</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	<u>66,992,307.00</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	1,257,233,589.23
Restricted for	
Continuation of Federal Programs	3,670,462.15
Debt Service	444,000.00
Capital Projects	287,619,062.46
Unrestricted (Deficit)	<u>(560,960,219.30)</u>
Total Net Position	<u>\$ 988,006,894.54</u>

DEKALB COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 683,817,591.08	\$ 5,382,969.39
Support Services		
Pupil Services	33,736,839.84	-
Improvement of Instructional Services	30,582,298.47	-
Educational Media Services	12,477,913.96	-
General Administration	12,835,390.31	-
School Administration	62,377,447.11	-
Business Administration	7,048,375.76	-
Maintenance and Operation of Plant	88,432,154.37	-
Student Transportation Services	55,210,542.63	-
Central Support Services	17,767,415.35	-
Other Support Services	3,223,234.41	-
Other Operations on Non-Instructional Services		
Enterprise Operations	1,445,441.17	-
Food Services	58,938,644.57	2,372,379.11
Interest on Short-Term and Long-Term Debt	4,941,468.94	-
	<u>\$ 1,072,834,757.97</u>	<u>\$ 7,755,348.50</u>
Total Governmental Activities		
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)	
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION	
\$ 428,180,717.83	\$ 5,408,172.00	\$ (244,845,731.86)	
4,704,267.03	-	(29,032,572.81)	
19,791,631.51	229,414.30	(10,561,252.66)	
12,784,540.04	28,725.43	335,351.51	
10,497,501.59	-	(2,337,888.72)	
24,616,929.05	-	(37,760,518.06)	
194,296.58	67,542.99	(6,786,536.19)	
29,643,980.64	74,840.04	(58,713,333.69)	
5,932,227.19	3,104,016.41	(46,174,299.03)	
(28,792.89)	-	(17,796,208.24)	
2,558,448.32	-	(664,786.09)	
1,803,784.56	-	358,343.39	
51,327,032.14	82,781.39	(5,156,451.93)	
-	2,899,958.68	(2,041,510.26)	
<u>\$ 592,006,563.59</u>	<u>\$ 11,895,451.24</u>	<u>(461,177,394.64)</u>	
		449,702,920.40	
		102,677,184.81	
		14,186,246.84	
		826,140.91	
		<u>8,660,403.00</u>	
		<u>576,052,895.96</u>	
		114,875,501.32	
		<u>873,131,393.22</u>	
		<u>\$ 988,006,894.54</u>	

DEKALB COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 181,156,473.76	\$ 24,772,220.58	\$ 47,622.04	\$ 205,976,316.38
Investments	-	247,894,996.20	-	247,894,996.20
Receivables, Net				
Interest	-	50,864.59	-	50,864.59
Taxes	18,531,206.95	17,259,616.38	-	35,790,823.33
State Government	65,922,186.16	-	-	65,922,186.16
Federal Government	16,494,029.53	-	-	16,494,029.53
Other	144,266.59	-	-	144,266.59
Inventories	2,295,062.29	-	-	2,295,062.29
 Total Assets	 \$ 284,543,225.28	 \$ 289,977,697.75	 \$ 47,622.04	 \$ 574,568,545.07
<u>LIABILITIES</u>				
Accounts Payable	\$ 6,022,615.85	\$ 1,536,971.29	\$ -	\$ 7,559,587.14
Salaries and Benefits Payable	128,779,227.51	25,048.77	-	128,804,276.28
Payroll Withholdings Payable	1,980,465.16	1,961.43	-	1,982,426.59
Contracts Payable	-	6,672,950.46	-	6,672,950.46
Retainages Payable	-	3,547,872.98	-	3,547,872.98
 Total Liabilities	 136,782,308.52	 11,784,804.93	 -	 148,567,113.45
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	12,760,188.26	-	-	12,760,188.26
<u>FUND BALANCES</u>				
Nonspendable	2,295,062.32	-	-	2,295,062.32
Restricted	2,975,086.25	278,192,892.82	47,604.51	281,215,583.58
Assigned	1,648,629.50	-	-	1,648,629.50
Unassigned	128,081,950.43	-	17.53	128,081,967.96
 Total Fund Balances	 135,000,728.50	 278,192,892.82	 47,622.04	 413,241,243.36
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 284,543,225.28	 \$ 289,977,697.75	 \$ 47,622.04	 \$ 574,568,545.07

DEKALB COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")	\$	413,241,243.36
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Land	\$	44,485,477.61	
Construction in progress		35,131,074.57	
Buildings and improvements		1,676,612,510.08	
Equipment		117,449,992.02	
Land improvements		33,406,375.61	
Accumulated depreciation		<u>(551,796,094.16)</u>	1,355,289,335.73

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

Net pension liability	(718,994,177.00)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

34,999,634.21

Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.

Property taxes	12,760,188.26
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Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds payable	\$	(33,300,000.00)	
Accrued interest payable		(436,720.12)	
Capital leases payable		(16,117,129.98)	
Qualified School Construction Bonds payable		(38,958,854.71)	
Compensated absences payable		(9,187,393.66)	
Unamortized bond premiums		(1,414,589.55)	
Claims and judgments payable		<u>(9,874,642.00)</u>	<u>(109,289,330.02)</u>

Net position of governmental activities (Exhibit "A")	\$	<u>988,006,894.54</u>
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DEKALB COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 445,002,268.03	\$ -	\$ -	\$ 445,002,268.03
Sales Taxes	14,186,246.84	102,677,184.81	-	116,863,431.65
State Funds	466,538,193.08	6,601,672.56	-	473,139,865.64
Federal Funds	129,054,422.32	-	-	129,054,422.32
Charges for Services	7,755,348.50	-	-	7,755,348.50
Investment Earnings	515,856.30	310,283.77	0.84	826,140.91
Miscellaneous	8,660,403.00	2,899,958.68	-	11,560,361.68
Total Revenues	1,071,712,738.07	112,489,099.82	0.84	1,184,201,838.73
<u>EXPENDITURES</u>				
Current				
Instruction	656,373,988.90	-	-	656,373,988.90
Support Services				
Pupil Services	34,549,041.89	-	-	34,549,041.89
Improvement of Instructional Services	29,148,934.44	-	-	29,148,934.44
Educational Media Services	12,526,578.30	-	-	12,526,578.30
General Administration	13,073,118.12	-	-	13,073,118.12
School Administration	63,999,330.68	-	-	63,999,330.68
Business Administration	6,457,861.81	70,616.68	-	6,528,478.49
Maintenance and Operation of Plant	84,782,527.82	-	-	84,782,527.82
Student Transportation Services	50,022,703.66	4,842,785.00	-	54,865,488.66
Central Support Services	18,194,651.85	2,018.21	-	18,196,670.06
Other Support Services	3,223,693.01	-	-	3,223,693.01
Enterprise Operations	1,445,441.17	-	-	1,445,441.17
Food Services Operation	58,756,787.81	-	-	58,756,787.81
Capital Outlay	288,232.40	78,143,215.55	-	78,431,447.95
Debt Services				
Principal	1,449,615.94	31,838,285.34	-	33,287,901.28
Interest	61,108.50	4,578,876.64	1,332,000.00	5,971,985.14
Total Expenditures	1,034,353,616.30	119,475,797.42	1,332,000.00	1,155,161,413.72
Revenues over (under) Expenditures	37,359,121.77	(6,986,697.60)	(1,331,999.16)	29,040,425.01
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	1,315,527.30	1,315,527.30
Transfers Out	-	(1,315,527.30)	-	(1,315,527.30)
Total Other Financing Sources (Uses)	-	(1,315,527.30)	1,315,527.30	-
Net Change in Fund Balances	37,359,121.77	(8,302,224.90)	(16,471.86)	29,040,425.01
Fund Balances - Beginning	97,641,606.73	286,495,117.72	64,093.90	384,200,818.35
Fund Balances - Ending	\$ 135,000,728.50	\$ 278,192,892.82	\$ 47,622.04	\$ 413,241,243.36

DEKALB COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2016

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ 29,040,425.01

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

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

Capital outlay	\$	67,972,495.03	
Depreciation expense		<u>(35,631,852.19)</u>	32,340,642.84

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. (5,242,014.67)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. 4,700,652.37

Repayment of the principal of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Capital lease payments	\$	28,169,615.94	
Qualified School Construction Bond payments		<u>5,118,285.34</u>	33,287,901.28

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

Pension expense			21,680,318.09
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest on long-term debt	\$	31,982.40	
Amortization of bond premium		998,533.80	
Compensated absences		(59,877.11)	
Claims and judgments		<u>(1,903,062.69)</u>	<u>(932,423.60)</u>

Change in net position of governmental activities (Exhibit "B") \$ 114,875,501.32

DEKALB COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

EXHIBIT "G"

	AGENCY FUNDS
	<hr/>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 2,199,292.18
Investments	<hr/> 1,248.62
Total Assets	\$ <u><u>2,200,540.80</u></u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u><u>2,200,540.80</u></u>

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

Charter Schools

The Chamblee Charter High School, Chestnut Elementary School, Kingsley Charter Elementary School, Peachtree Charter Middle School and Smoke Rise Elementary Charter Schools are responsible for the public education of all students attending its schools. The Charter Schools were created through a contract between the School District and the Charter School whereby all State funding associated with the students attending the Charter Schools and certain specified local funds are turned over to the Charter School to cover the cost of its operations. The financial statements of the Charter Schools have been included with the School District's general fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

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

FUND FINANCIAL STATEMENTS

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

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues

NEW ACCOUNTING PRONOUNCEMENTS

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

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

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The School District participates in an external investment pool, the State of Georgia local government investment pool (Georgia Fund 1), which does not meet the criteria of this statement. Therefore, the investment in this pool is measured at fair value as provided in paragraph 11 of GASB Statement No. 31, as amended.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (O.C.G.A.) §45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

INVESTMENTS

The School District can invest its funds as permitted by O.C.G.A. §36-83-4. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity.

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. All other investments are reported at fair value.

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

RECEIVABLES

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

INVENTORIES

Consumable Supplies

On the basic financial statements, consumable supplies are reported at cost (first-in, first-out). The School District uses the consumption method to account for the consumable supplies inventory whereby an asset is recorded when supplies are purchased and expenses are recorded at the time the supplies are consumed.

Food Inventories

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

CAPITAL ASSETS

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

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

EXHIBIT "H"

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

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	\$ 100,000.00	20 to 40 years
Buildings and Improvements	\$ 100,000.00	Up to 50 years
Improvements other than Buildings	\$ 100,000.00	50 years
Equipment		
Outdoor Equipment	\$ 5,000.00	15 to 20 years
Vehicles	\$ 5,000.00	8 years
Kitchen Equipment	\$ 5,000.00	15 years
Computers	\$ 5,000.00	5 years
Miscellaneous	\$ 5,000.00	7 to 20 years
Buses	\$ 5,000.00	15 years
Intangible Assets	\$ 1,000,000.00	15 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Under the full accrual method of accounting, the School District has reported deferred outflows of resources related to defined benefit pension plans, as discussed in Note 13 – Retirement Plans.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Under the full accrual method of accounting, the School District has reported deferred inflows of resources related to defined benefit pension plans, as discussed in Note 13 – Retirement Plans. This item is reported only in the government-wide Statement of Net Position. The School District has only 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 property taxes and grants and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

COMPENSATED ABSENCES

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

Vacation leave of 10 to 20 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 30 days in addition to vacation earned during the current year of service, but no more than one-half of the earned but unused vacation or the previous year. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal-year end.

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

LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS

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

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

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the 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's 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 the benefit terms. Investments are reported at fair value. See Note 13 – Retirement Plans.

FUND BALANCES

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

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

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

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

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

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

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

USE OF ESTIMATES

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

PROPERTY TAXES

The DeKalb County Board of Commissioners adopted the property tax levy for the 2015 tax digest year (calendar year) on July 21, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on November 15, 2015 (lien date) and could be paid in two installments on September 30, 2015 and November 15, 2015 (due dates). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The DeKalb County Tax Commissioner bills and collects the property taxes for the School District, withholds 1.25% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations amounted to \$424,714,486.40.

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

School Operations	<u>23.73</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$20,287,781.63 during fiscal year ended June 30, 2016.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$102,677,184.81 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate 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 District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

The Superintendent is authorized by the Board to approve adjustments of no more than 10% of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 10% of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

NOTE 4: DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

O.C.G.A. §45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. §45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance.

Acceptable security for deposits consists of any one of or any combination of the following:

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

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- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2016, the School District had deposits with a carrying amount of \$70,559,381.49, and a bank balance of \$79,324,746.40. The bank balances insured by Federal depository insurance were \$2,780,876.91 and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name were \$28,845,211.79.

At June 30, 2016, \$47,698,657.70 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ -
Uninsured with collateral held by the pledging financial institution	-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name	<u>47,698,657.70</u>
Total	\$ <u><u>47,698,657.70</u></u>

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

Statement of Net Position	
Cash and cash equivalents	\$ 205,976,316.38
Statement of Fiduciary Net Position	
Cash and cash equivalents	<u>2,199,292.18</u>
Total cash and cash equivalents	208,175,608.56
Add:	
Deposits with original maturity of three months or more reported as investments	1,248.62
Less:	
Cash on hand	61,125.00
Investment pools reported as cash and cash equivalents	
Georgia Fund 1	<u>137,556,350.69</u>
Total carrying value of deposits - June 30, 2016	\$ <u><u>70,559,381.49</u></u>

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of \$137,556,350.69 in Georgia Fund 1, a local government investment pool. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2016, was 42 days.

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

CATEGORIZATION OF INVESTMENTS

At June 30, 2016, the School District had the following investments:

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Debt Securities		
U. S. Treasury Money Market Funds		
First American Treasury Obligation Fund	\$ 416,192.25	\$ 416,192.25
Goldman Sachs Financial Square Trust Treasury Obligations	247,478,803.95	247,478,803.95
	<u>\$ 247,894,996.20</u>	<u>\$ 247,894,996.20</u>

Fair Value of Investments

The School District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2016:

First American Treasury Obligation Fund of \$416,192.25 and Goldman Sachs Financial Square Trust Treasury Obligations Fund of \$247,478,803.95 are valued using a matrix pricing model. (Level 2 inputs).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

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Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

At June 30, 2016, \$247,894,996.20 of the School District's applicable investments were held by the investment's counterparty, not in the School District's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those prescribed O.C.G.A. §36-83-4. The School District does not have a formal policy that would further limit its investment choices or one that addresses credit risk.

The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Ratings
		AAAm
Debt Securities		
U. S. Treasury Money Market Funds		
First American Treasury Obligation Fund	\$ 416,192.25	\$ 416,192.25
Goldman Sachs Financial Square Trust Treasury Obligations	<u>247,478,803.95</u>	<u>247,478,803.95</u>
Totals by Quality Ratings	<u>\$ 247,894,996.20</u>	<u>\$ 247,894,996.20</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Goldman Sachs Financial Square Trust Treasury Fund. This investment is 99.8% of the School District's total investments.

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NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 44,485,477.61	\$ -	\$ -	\$ 44,485,477.61
Construction in Progress	56,979,452.78	130,888,544.35	152,736,922.56	35,131,074.57
Total Capital Assets Not Being Depreciated	101,464,930.39	130,888,544.35	152,736,922.56	79,616,552.18
Capital Assets Being Depreciated				
Buildings and Improvements	1,607,223,685.97	82,735,422.68	13,346,598.57	1,676,612,510.08
Equipment	111,714,131.42	6,919,910.38	1,184,049.78	117,449,992.02
Land Improvements	33,240,835.43	165,540.18	-	33,406,375.61
Less Accumulated Depreciation for:				
Buildings and Improvements	450,312,093.45	27,461,465.27	7,812,069.27	469,961,489.45
Equipment	66,771,887.35	7,170,460.80	1,476,564.41	72,465,783.74
Land Improvements	8,368,894.85	999,926.12	-	9,368,820.97
Total Capital Assets, Being Depreciated, Net	1,226,725,777.17	54,189,021.05	5,242,014.67	1,275,672,783.55
Governmental Activity Capital Assets - Net	\$ 1,328,190,707.56	\$ 185,077,565.40	\$ 157,978,937.23	\$ 1,355,289,335.73

Current year depreciation expense by function is as follows:

Instruction	\$ 29,189,253.93
Support Services	
Improvements of Instructional Services	\$ 1,238,394.21
Educational Media Services	155,061.86
Business Administration	364,601.71
Maintenance and Operation of Plant	403,991.67
Student Transportation Services	3,833,689.15
Food Services	5,995,738.60
	446,859.66
	\$ 35,631,852.19

NOTE 6: INTERFUND TRANSFERS

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

Transfers to	Transfers From Capital Projects Fund
Debt Service Fund	\$ 1,315,527.30

Transfers are used to move Education Special Purpose Local Option Sales Tax (ESPLOST) revenues collected in the capital projects fund to debt service fund to fund the bond interest payments.

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NOTE 7: LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
General Obligation Bonds	\$ 33,300,000.00	\$ -	\$ -	\$ 33,300,000.00	\$ -
Unamortized Bond Premiums	2,413,123.35	-	998,533.80	1,414,589.55	998,533.86
Qualified School Construction Bonds	44,077,140.05	-	5,118,285.34	38,958,854.71	5,118,285.34
Capital Leases	44,286,745.92	-	28,169,615.94	16,117,129.98	2,190,511.75
Compensated Absences	9,127,516.55	5,819,739.00	5,759,861.89	9,187,393.66	6,342,757.83
	<u>\$ 133,204,525.87</u>	<u>\$ 5,819,739.00</u>	<u>\$ 40,046,296.97</u>	<u>\$ 98,977,967.90</u>	<u>\$ 14,650,088.78</u>

GENERAL OBLIGATION DEBT OUTSTANDING

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

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Amount Issued	Amount Outstanding
General Government - Series 2012	4.00%	<u>\$ 33,300,000.00</u>	<u>\$ 33,300,000.00</u>

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

Fiscal Year Ending June 30:	General Obligation Debt		Unamortized Bond
	Principal	Interest	Premium
2017	\$ -	\$ 1,332,000.00	\$ 998,533.86
2018	<u>33,300,000.00</u>	<u>666,000.00</u>	<u>416,055.69</u>
Total Principal and Interest	<u>\$ 33,300,000.00</u>	<u>\$ 1,998,000.00</u>	<u>\$ 1,414,589.55</u>

QUALIFIED SCHOOL CONSTRUCTION BONDS (QSCB)

On May 1, 2011 the School District entered into a lease agreement with the Georgia Municipal Association, Inc., for the purchase of a replacement high school. The Georgia Municipal Association, Inc. sold \$57,770,000.00 in Qualified School Construction Taxable Certificates of Participation Bonds (QSCBS) and \$5,690,000.00 in Certificates of Participation Tax-Exempt Bonds to fund the construction of the new school. The lease agreement with Georgia Municipal Association provides that the School District owns the high school and is responsible for the payment of principal and interest on the Certificate of Participation and QSCBS.

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Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows School Districts to borrow without incurring interest costs.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the School District may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. To qualify for this subsidy the School District is required to periodically file appropriate documents with the Internal Revenue Service. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The interest subsidy received by the School District in fiscal year 2016 was \$2,899,958.68, which funded all but \$351,683.26 of interest expense due on the QSCB.

Debt currently outstanding under Qualified School Construction Bonds is as follows:

Description	Amount Issued	Amount Outstanding
Georgia Municipal Association-COP Series 2011A	\$ 57,770,000.00	\$ 33,268,854.71
Georgia Municipal Association-COP Series 2011b	5,690,000.00	5,690,000.00
	<u>\$ 63,460,000.00</u>	<u>\$ 38,958,854.71</u>

The following is a schedule of total Qualified School Construction Bond payments:

Fiscal Year Ending June 30:	Principal	Interest
2017	\$ 5,118,285.34	\$ 3,251,643.00
2018	5,118,285.34	3,251,643.00
2019	5,118,285.34	3,251,643.00
2020	5,118,285.34	3,251,643.00
2021	5,118,285.34	3,251,643.00
2022 - 2024	13,367,428.01	5,119,289.50
Total Principal and Interest	<u>\$ 38,958,854.71</u>	<u>\$ 21,377,504.50</u>

CAPITAL LEASES

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

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

	Governmental Funds
Buildings and Improvements	\$ 19,360,000.00
Less: Accumulated Depreciation	<u>2,516,800.00</u>
	<u>\$ 16,843,200.00</u>

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The DeKalb County Board of Education entered into an agreement dated March 1, 2007, with the Georgia School Boards Association for the construction and subsequent lease of purchase of land, buildings, and all furnishings and subsequent lease of one new elementary school facilities. Under the terms of the agreement, the School District will make annual payments through December 1, 2027.

The DeKalb County Board of Education entered into an agreement dated December 1, 2009, with the Bank of America for the purchase of textbooks over the next five years and subsequent lease of textbooks. Under the terms of the agreement, the School District will make annual payments through July 12, 2017.

The following is a schedule of total capital lease payments:

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,190,511.75	\$ 668,570.98
2018	1,611,618.23	599,095.21
2019	990,000.00	550,610.00
2020	1,040,000.00	505,800.00
2021	1,090,000.00	452,550.00
2022 - 2026	6,270,000.00	1,456,006.26
2027 - 2031	2,925,000.00	148,125.00
Total Principal and Interest	<u>\$ 16,117,129.98</u>	<u>\$ 4,380,757.45</u>

COMPENSATED ABSENCES

Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the general fund is the fund used to liquidate this long-term debt. The School District uses the vesting method to compute compensated absences.

NOTE 8: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions and acts of God. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years. Coverage is provided through agreements by the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), errors and omissions liability, and crime risks. Payment of excess insurance for the system varies by line of coverage.

The School District has established a limited risk management program for workers' compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$1,000,000.00 loss per occurrence, up to \$25,000,000.00.

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2015	\$ 8,268,012.40	\$ 6,335,301.56	\$ 6,631,734.65	\$ 7,971,579.31
2016	\$ 7,971,579.31	\$ 8,833,382.08	\$ 6,930,319.39	\$ 9,874,642.00

UNEMPLOYMENT COMPENSATION

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

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2015	\$ -	\$ 174,997.51	\$ 174,997.51	\$ -
2016	\$ -	\$ 79,320.17	\$ 79,320.17	\$ -

SURETY BOND

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 1,000,000.00

NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2016:

Nonspendable		
Inventories		\$ 2,295,062.32
Restricted		
Continuation of federal programs	\$ 2,975,086.25	
Capital projects	277,574,497.33	
Debt service	<u>666,000.00</u>	281,215,583.58
Assigned		
School activity accounts		1,648,629.50
Unassigned		<u>128,081,967.96</u>
Fund Balance, June 30, 2016		<u>\$ 413,241,243.36</u>

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

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of not less than 5% and 7% 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 District shall develop a restoration plan to achieve and maintain the minimum fund balance.

NOTE 10: SIGNIFICANT COMMITMENTS

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

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

Project	Unearned Executed Contracts (1)
Allgood Elementary School	\$ 317,243.04
Brockett Elementary School	537,073.09
Gresham Park Elementary School	6,300,731.69
Hallford Stadium	737,040.00
Hambrick Elementary School	191,835.29
Henderson Middle School	10,321,059.54
Kingsley Elementary School	987,319.18
McNair Middle School	1,327,370.00
Midvale Elementary School	196,412.50
Redan High School	1,344,127.63
Rockbridge Elementary School	18,213,938.00
Stone Mill Elementary School	931,899.00
Stone Mountain High School	904,775.00
Warren Tech School	791,289.50
William Godfrey Stadium	573,049.00
	<u>\$ 43,675,162.46</u>

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

NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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

LITIGATION

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

NOTE 12: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

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

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

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

July 1, 2015 – June 30, 2016	\$945.00 per member per month
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For non-certificated school personnel:

July 1, 2015 – December 31, 2015	\$596.20 per member per month
January 1, 2016 – June 30, 2016	\$746.20 per member per month

DEKALB COUNTY BOARD OF EDUCATION
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JUNE 30, 2016

EXHIBIT "H"

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

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>		<u>Required Contribution</u>
2016	100%	\$	105,571,344.22
2015	100%	\$	95,446,409.56
2014	100%	\$	92,864,270.07

NOTE 13: RETIREMENT PLANS

The School District participates in various retirement plans administered by the State of Georgia, as further explained below.

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description: All teachers of the School District as defined in O.C.G.A. §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual School District payroll, of which 14.16% of payroll was required from the School District and 0.11% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$76,015,169.87 and \$586,544.81 from the School District and the State, respectively.

EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to \$4,200.00, plus 6% of annual compensation in excess of \$4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were \$208,112.00 for the current fiscal year.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

Plan description: PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

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

EXHIBIT "H"

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

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

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

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$1,649,273.00.

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

At June 30, 2016, the School District reported a liability of \$718,994,177.00 for its proportionate share of the net pension liability for TRS (\$717,461,169.00) and ERS (\$1,533,008.00).

The TRS net pension liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School District were as follows:

School District's proportionate share of the net pension liability	\$ 717,461,169.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>5,869,616.00</u>
Total	<u><u>\$ 723,330,785.00</u></u>

The net pension liability for TRS and ERS was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2015.

At June 30, 2015, the School District's TRS proportion was 4.712696%, which was a decrease of 0.000234% from its proportion measured as of June 30, 2014. At June 30, 2015, the School District's ERS proportion was 0.037839%, which was a decrease of 0.000293% from its proportion measured as of June 30, 2014.

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

EXHIBIT "H"

At June 30, 2016, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$7,531,760.00.

The PSERS net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2015.

For the year ended June 30, 2016, the School District recognized pension expense of \$54,892,133.00 for TRS, \$244,375.00 for ERS and \$449,149.00 for PSERS and revenue of \$594,437.00 for TRS and \$449,149.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,310,441.00	\$ -	\$ 12,248.00
Net difference between projected and actual earnings on pension plan investments	-	60,518,604.00	-	110,609.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	25,675,510.00	32,202.00	93,149.00	8,203.00
School District contributions subsequent to the measurement date	<u>76,015,169.87</u>	<u>-</u>	<u>208,112.34</u>	<u>-</u>
Total	<u>\$ 101,690,679.87</u>	<u>\$ 66,861,247.00</u>	<u>\$ 301,261.34</u>	<u>\$ 131,060.00</u>

The School District contributions subsequent to the measurement date of \$76,015,169.87 for TRS and \$208,112.34 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2017	\$ (22,060,968.00)	\$ 30,213.00
2018	\$ (22,060,968.00)	\$ (56,118.00)
2019	\$ (22,061,015.00)	\$ (49,301.00)
2020	\$ 25,299,181.00	\$ 37,295.00
2021	\$ (301,967.00)	\$ -

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

EXHIBIT "H"

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

Teachers Retirement System:

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

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

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

Employees' Retirement System:

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

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

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

Public School Employees Retirement System:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

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

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

EXHIBIT "H"

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

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

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

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

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

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 1,232,902,774.00	\$ 717,461,169.00	\$ 292,614,641.00
Employees' Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 2,173,095.00	\$ 1,533,008.00	\$ 987,310.00

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS, ERS and PSERS financial report which is publically available at www.trsga.com/publications and <http://www.ers.ga.gov/formspubs/formspubs.html>.

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

EXHIBIT "H"

DEFINED CONTRIBUTION PLAN

On July 11, 1983, DeKalb County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public Schools Employees Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board selected Fidelity Investments as the provider of this plan. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to eight percent of the employee's base pay. The employee becomes vested in the plan when the first contribution is made.

Funds accumulated in the employer paid accounts become available to the employee upon retirement or when the employee reaches age 59 1/2.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>		<u>Required Contribution</u>
2016	100%	\$	4,184,256.87
2015	100%	\$	3,927,701.28
2014	100%	\$	3,858,443.98

NOTE 14: SUBSEQUENT EVENTS

In the subsequent fiscal year, voters authorized the School District to issue general obligation bonds in the amount of \$131,025,000.00. The proceeds from these bonds will be used to pay for costs of certain capital projects and expenses incident to the issuance of the bonds. The primary security for the payment of these bonds is sales tax collections.

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

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	4.712696%	\$ 717,461,169.00	\$ 5,869,616.00	\$ 723,330,785.00	\$ 501,452,947.02	143.08%	81.44%
2015	4.712930%	\$ 595,416,542.00	\$ 4,485,967.00	\$ 599,902,509.00	\$ 483,104,365.11	123.25%	84.03%

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

SCHEDULE "2"

<u>Year Ended</u>	<u>School District's proportion of the net pension liability</u>	<u>School District's proportionate share of the net pension liability</u>	<u>School District's covered payroll</u>	<u>School District's proportionate share of the net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total net pension liability</u>
2016	0.037839%	\$ 1,533,008.00	\$ 917,547.04	167.08%	76.20%
2015	0.038132%	\$ 1,430,186.00	\$ 900,181.75	158.88%	77.99%

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

SCHEDULE "3"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered- employee payroll	Contribution as a percentage of covered- employee payroll
2016	\$ 76,015,169.87	\$ 76,015,169.87	\$ -	\$ 536,892,957.32	14.16%
2015 (1)	\$ 65,941,062.53	\$ 65,941,062.53	\$ -	\$ 501,452,947.02	13.15%
2014 (1)	\$ 59,325,216.04	\$ 59,325,216.04	\$ -	\$ 483,104,365.11	12.28%
2013 (1)	\$ 56,336,367.47	\$ 56,336,367.47	\$ -	\$ 493,745,551.89	11.41%
2012 (1)	\$ 56,477,234.74	\$ 56,477,234.74	\$ -	\$ 549,402,308.66	10.28%
2011 (1)	\$ 57,198,714.76	\$ 57,198,714.76	\$ -	\$ 556,407,731.18	10.28%
2010 (1)	\$ 57,802,494.08	\$ 57,802,494.08	\$ -	\$ 593,458,300.06	9.74%

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

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

SCHEDULE "4"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2016	\$ 208,112.00	\$ 208,112.00	\$ -	\$ 841,877.02	24.72%
2015	\$ 201,493.33	\$ 201,493.33	\$ -	\$ 917,547.04	21.96%
2014	\$ 166,173.55	\$ 166,173.55	\$ -	\$ 900,181.75	18.46%
2013	\$ 104,823.34	\$ 104,823.34	\$ -	\$ 723,163.41	14.50%
2012	\$ 76,992.22	\$ 76,992.22	\$ -	\$ 689,712.79	11.16%
2011	\$ 57,961.96	\$ 57,961.96	\$ -	\$ 587,675.52	9.86%
2010	\$ 61,212.21	\$ 61,212.21	\$ -	\$ 619,629.00	9.88%

Teachers Retirement System

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

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Employees' Retirement System

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

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	5.45% - 9.25%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Public School Employees Retirement System

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

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of living adjustments	1.50% semi-annually

DEKALB COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

SCHEDULE "6"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	\$ 422,065,868.00	\$ 422,065,868.00	\$ 445,002,268.03	\$ 22,936,400.03
Sales Taxes	5,800,000.00	5,800,000.00	14,186,246.84	8,386,246.84
State Funds	455,748,793.00	460,957,821.25	466,538,193.08	5,580,371.83
Federal Funds	120,127,053.00	139,230,466.49	129,054,422.32	(10,176,044.17)
Charges for Services	3,089,658.00	3,089,658.00	7,755,348.50	4,665,690.50
Investment Earnings	114,500.00	114,500.00	515,856.30	401,356.30
Miscellaneous	46,204,005.00	47,645,977.00	8,660,403.00	(38,985,574.00)
Total Revenues	1,053,149,877.00	1,078,904,290.74	1,071,712,738.07	(7,191,552.67)
EXPENDITURES				
Current				
Instruction	652,616,189.00	671,897,628.41	656,373,988.90	15,523,639.51
Support Services				
Pupil Services	32,358,501.00	33,699,634.74	34,549,041.89	(849,407.15)
Improvement of Instructional Services	31,190,060.00	34,485,723.55	29,148,934.44	5,336,789.11
Educational Media Services	12,525,805.00	12,660,207.78	12,526,578.30	133,629.48
General Administration	15,538,219.00	19,695,260.35	13,073,118.12	6,622,142.23
School Administration	57,014,251.00	62,346,071.00	63,999,330.68	(1,653,259.68)
Business Administration	6,417,161.00	6,360,089.42	6,457,861.81	(97,772.39)
Maintenance and Operation of Plant	85,479,094.00	87,040,633.00	84,782,527.82	2,258,105.18
Student Transportation Services	56,436,504.00	60,427,564.30	50,022,703.66	10,404,860.64
Central Support Services	18,578,616.00	19,807,908.00	18,194,651.85	1,613,256.15
Other Support Services	4,292,800.00	5,592,873.07	3,223,693.01	2,369,180.06
Enterprise Operations	1,278,390.00	1,278,390.00	1,445,441.17	(167,051.17)
Food Services Operation	57,762,911.00	59,168,911.00	58,756,787.81	412,123.19
Capital Outlay	-	300,000.00	288,232.40	11,767.60
Debt Service	1,490,512.00	1,490,512.00	1,510,724.44	(20,212.44)
Total Expenditures	1,032,979,013.00	1,076,251,406.62	1,034,353,616.30	41,897,790.32
Excess of Revenues over (under) Expenditures	20,170,864.00	2,652,884.12	37,359,121.77	34,706,237.65
OTHER FINANCING USES				
Other Uses	(16,700,000.00)	(16,700,000.00)	-	16,700,000.00
Net Change in Fund Balances	3,470,864.00	(14,047,115.88)	37,359,121.77	51,406,237.65
Fund Balances - Beginning	97,641,606.73	97,641,606.73	97,641,606.73	-
Fund Balances - Ending	\$ 101,112,470.73	\$ 83,594,490.85	\$ 135,000,728.50	\$ 51,406,237.65

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts.
The actual revenues and expenditures of the various principal accounts are \$13,272,716.65 and \$13,194,928.72, respectively.

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

DEKALB COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

SCHEDULE "7"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	16165GA324N109	\$ 9,903,608.56
National School Lunch Program	10.555	16165GA324N1099	48,940,975.27
Total Child Nutrition Cluster			58,844,583.83
Pass-Through From Georgia Department of Education			
Food Services			
Child Nutrition Discretionary Grants Limited Availability	10.579	15155GA350N8103	16,673.17
Total U. S. Department of Agriculture			58,861,257.00
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	28,108,626.25
Preschool Grants	84.173	H173A150081	779,052.12
Total Special Education Cluster			28,887,678.37
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A150010	922,452.38
Charter Schools	84.282	U282A100007	1,993.95
Education for Homeless Children and Youth	84.196	S196A150011	54,852.91
English Language Acquisition Grants	84.365	S365A150010	2,629,358.87
Improving Teacher Quality State Grants	84.367	S367A150001	3,537,311.96
Special Education			
State Personnel Development	84.323	H323A120020	32,986.04
Title I Grants to Local Educational Agencies	84.010	S010A150010	40,696,173.80
Total Other Programs			47,875,129.91
Total U. S. Department of Education			76,762,808.28
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.UNKNOWN		422,585.66
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		170,610.02
Department of the Navy			
R.O.T.C. Program	12.UNKNOWN		705,846.54
Total U. S. Department of Defense			1,299,042.22
Total Expenditures of Federal Awards			\$ 136,923,107.50

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the DeKalb County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net assets of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

DEKALB COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2016

SCHEDULE "8"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		
	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 7,870,116.58	\$ -	\$ 7,870,116.58
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	26,323,308.00	-	26,323,308.00
Kindergarten Program - Early Intervention Program	10,194,586.00	-	10,194,586.00
Primary Grades (1-3) Program	69,230,006.00	-	69,230,006.00
Primary Grades - Early Intervention (1-3) Program	18,374,677.00	-	18,374,677.00
Upper Elementary Grades (4-5) Program	30,583,581.00	-	30,583,581.00
Upper Elementary Grades - Early Intervention (4-5) Program	8,530,732.00	-	8,530,732.00
Middle School (6-8) Program	51,294,207.00	-	51,294,207.00
High School General Education (9-12) Program	52,498,202.00	-	52,498,202.00
Vocational Laboratory (9-12) Program	10,153,241.00	-	10,153,241.00
Students with Disabilities	58,803,244.00	-	58,803,244.00
Gifted Student - Category VI	27,856,170.00	-	27,856,170.00
Remedial Education Program	3,890,252.00	-	3,890,252.00
Alternative Education Program	3,828,653.00	-	3,828,653.00
English Speakers of Other Languages (ESOL)	19,193,643.00	-	19,193,643.00
Media Center Program	10,518,607.00	-	10,518,607.00
20 Days Additional Instruction	3,054,440.00	-	3,054,440.00
Staff and Professional Development	1,868,081.00	-	1,868,081.00
Principal Staff and Professional Development	33,304.00	-	33,304.00
Indirect Cost			
Central Administration	8,102,600.00	-	8,102,600.00
School Administration	20,123,081.00	-	20,123,081.00
Facility Maintenance and Operations	24,855,222.00	-	24,855,222.00
Amended Formula Adjustment	(24,558,840.00)	-	(24,558,840.00)
Categorical Grants			
Pupil Transportation	4,469,231.00	-	4,469,231.00
Nursing Services	1,953,399.00	-	1,953,399.00
Other State Programs			
Charter Schools - Facilities	345,463.00	-	345,463.00
Food Services	1,304,340.00	-	1,304,340.00
GNETS State Grant	3,365,826.13	-	3,365,826.13
Math and Science Supplements	1,040,069.89	-	1,040,069.89
Preschool Handicapped Program	2,270,061.07	-	2,270,061.07
Pupil Transportation - State Bonds	2,393,820.00	-	2,393,820.00
Residential Treatment Centers Grant	292,870.00	-	292,870.00
Rule 10 Special Education State Grant	180,000.00	-	180,000.00
Teacher of the Year	1,014.25	-	1,014.25
Teachers Retirement	586,544.81	-	586,544.81
Vocational Education	920,324.00	-	920,324.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects	-	6,601,672.56	6,601,672.56
Governor's Office of Student Achievement			
Connections for Classrooms Grant	3,144,843.35	-	3,144,843.35
Office of the State Treasurer			
Public School Employees Retirement	1,649,273.00	-	1,649,273.00
	\$ 466,538,193.08	\$ 6,601,672.56	\$ 473,139,865.64

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

SCHEDULE "9"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	ESTIMATED COMPLETION DATE
2007 Sales Tax - Authorized Projects						
(1) Lease-hold improvements for Rock Chapel ES, Princeton ES, and Dunwoody ES (COPS 05/07);	\$ 66,000,000.00	\$ 73,189,758.29	\$ 27,952,425.40	\$ 31,976,212.52	\$ -	Dec-16
(2) Renovations/expansion at SWD HS, Towers HS, Columbia HS, McNair HS, and emergency HVAC;	25,000,000.00	22,888,015.35	-	22,888,015.35	22,888,015.35	Completed
(3) Cross Keys HS Renovation and Career Tech;	16,927,348.00	17,909,849.64	-	17,909,849.64	17,909,849.64	Completed
(4) Tucker HS replacement;	66,330,016.00	60,359,593.17	-	60,359,593.17	60,359,593.17	Completed
(5) Roofing Portfolio #1;	9,677,168.00	12,238,001.23	-	12,238,001.23	12,238,001.23	Completed
(6) HVAC Portfolio #1;	17,168,224.00	11,708,470.64	161,249.75	11,547,220.89	11,708,470.64	Completed
(7) ADA Code Requirements Portfolio #1;	4,730,336.00	3,607,327.90	246,903.58	3,360,424.32	3,607,327.90	Completed
(8) Local School Priority Requests (LSPR);	5,156,419.00	7,421,713.65	22,110.76	7,399,602.89	7,421,713.65	Completed
(9) Site improvements;	13,417,986.00	7,201,387.04	493,707.90	6,707,679.14	7,201,387.04	Completed
(10) Druid Hills HS improvements;	9,739,800.00	17,980,312.63	-	17,980,312.63	17,980,312.63	Completed
(11) Renovation and expansion of relocated DeKalb School of the Arts;	10,000,000.00	5,404,226.51	-	5,404,226.51	5,404,226.51	Completed
(12) Renovation and expansion of Mountain Industrial Center;	29,836,296.00	31,587,438.27	66,552.25	31,520,886.02	31,587,438.27	Completed
(13) Purchase of land;	3,000,000.00	18,676.47	-	18,676.47	18,676.47	Completed
(14) Additions to Chamblee HS, Clarkston HS, Druid Hills HS, Dunwoody HS, Lakeside HS, and Redan	63,292,805.00	51,275,705.06	253,200.63	51,022,504.43	51,275,705.06	Completed
(15) Technology--Refresh cycle;	19,418,581.00	26,251,224.41	509,612.84	25,741,611.57	26,251,224.41	Completed
(16) Lithonia HS addition and improvements;	11,447,624.00	25,488.00	-	25,488.00	25,488.00	Completed
(17) MLK Jr HS addition and improvements;	10,178,779.00	14,694,031.21	959,455.43	13,734,575.78	14,694,031.21	Completed
(18) Miller Grove HS addition and improvements;	5,874,487.00	5,142,911.18	-	5,142,911.18	5,142,911.18	Completed
(19) Dunwoody HS addition and improvements;	4,819,395.00	19,774,546.64	47,066.00	19,727,480.64	19,774,546.64	Completed
(20) Clarkston HS improvements;	4,000,000.00	11,759,987.13	-	11,759,987.13	11,759,987.13	Completed
(21) HVAC Portfolio #2;	10,716,737.00	8,531,290.61	762,309.28	7,768,981.33	8,531,290.61	Completed
(22) Roofing Portfolio #2;	10,681,471.00	4,124,513.16	-	4,124,513.16	4,124,513.16	Completed
(23) ADA Code Requirements Portfolio #2;	2,052,729.00	2,683,108.92	164,651.16	2,518,457.76	2,683,108.92	Completed
(24) School buses;	12,000,000.00	12,026,695.05	-	12,026,695.05	12,026,695.05	Completed
(25) Technology-Media Center upgrades;	10,000,000.00	9,909,524.63	51,074.37	9,858,450.26	9,909,524.63	Completed
(26) HVAC Portfolio #3;	17,408,662.00	9,378,708.92	2,473,276.40	6,905,432.52	9,378,708.92	Completed
(27) Roofing Portfolio #3;	7,125,137.00	3,264,672.84	-	3,264,672.84	3,264,672.84	Completed
(28) Other improvements and supporting services;	-	68,911,566.02	407,979.27	47,765,376.25	-	Dec-23
(29) Bond Interest Payments;	-	56,021,915.62	-	56,021,915.62	56,021,915.62	Completed
	<u>\$ 466,000,000.00</u>	<u>\$ 575,290,660.19</u>	<u>\$ 34,571,575.02</u>	<u>\$ 506,719,754.30</u>	<u>\$ 433,189,335.88</u>	

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

SCHEDULE "9"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	ESTIMATED COMPLETION DATE
2012 Sales Tax - Authorized Projects						
(1) Americans with Disabilities Act (ADA)	\$ 2,342,500.00	\$ 2,067,991.00	\$ 207,749.50	\$ 40,951.45	\$ -	Jan-17
(2) Stadiums;	9,557,400.00	10,234,240.00	3,527,113.40	-	-	Sep-17
(3) Capital Renewal Program;	84,892,200.00	87,811,643.98	9,388,384.34	8,612,673.58	-	Feb-18
(4) Code Requirements;	2,342,500.00	1,920,248.00	111,222.55	54,419.85	-	Feb-17
(5) Coralwood Diagnostic Center Addition;	9,932,200.00	9,804,210.00	-	-	-	Dec-18
(6) Early Learning Center;	2,717,300.00	2,682,284.00	-	-	-	Oct-17
(7) Arts School at former Avondale MS;	4,029,100.00	3,977,167.00	89,049.31	27,500.00	-	Sep-17
(8) Renovation of Southwest DeKalb HS and Stone Mountain HS;	11,056,600.00	33,224,366.00	1,024,527.98	21,090,991.55	-	Apr-17
(9) Replacement of Austin ES, Fernbank ES, Gresham Park ES, Pleasantdale ES, Peachcrest ES, Rockbridge ES, Smoke Rise ES;	135,021,700.00	143,102,953.00	25,060,862.09	34,454,100.17	-	Nov-18
(10) Henderson MS Renovation/Addition;	14,992,000.00	19,090,623.91	5,265,247.74	1,129,898.48	-	Jan-17
(11) Redan HS Renovation/Addition;	20,988,800.00	21,018,330.00	12,928,839.84	6,920,597.62	-	Oct-16
(12) Chamblee HS Replacement;	55,001,900.00	54,992,632.00	5,564,777.90	11,195,538.11	-	Jun-19
(13) McNair MS Replacement;	35,043,800.00	34,592,213.00	4,931.60	-	-	Mar-18
(14) Local School Priority Requests;	5,153,500.00	3,202,479.00	2,867,850.50	34,443.75	-	Aug-17
(15) Demolition;	2,342,500.00	3,312,309.00	936,680.22	1,825,599.99	-	Aug-17
(16) Safety/Security Systems Upgrade;	2,342,500.00	2,055,999.24	2,055,999.24	-	2,055,999.24	Completed
(17) Technology Equipment and Infrastructure Refresh;	36,261,900.00	34,244,407.00	4,054,256.66	27,496,377.42	-	Dec-17
(18) School Buses;	9,463,700.00	12,800,319.00	4,842,785.00	7,957,462.61	12,800,247.61	Completed
(19) Service Vehicles;	1,592,900.00	2,107,220.33	551,910.00	1,555,310.33	2,107,220.33	Completed
(20) Other capital improvements and supporting services (Includes Bond Series 2012 Bond Issuance Costs, Principal Payments and 2011 COPs Interest Payments).	29,925,000.00	101,853,960.11	7,737,561.83	12,477,984.17	-	Oct-17
	<u>475,000,000.00</u>	<u>584,095,595.57</u>	<u>86,219,749.70</u>	<u>134,873,849.08</u>	<u>16,963,467.18</u>	
	<u>\$ 941,000,000.00</u>	<u>\$ 1,159,386,255.76</u>	<u>\$ 120,791,324.72</u>	<u>\$ 641,593,603.38</u>	<u>\$ 450,152,803.06</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of DeKalb County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

January 25, 2018

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

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeKalb County Board of Education (School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies

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may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item FS 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with the first and last names being more prominent.

Greg S. Griffin
State Auditor

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

January 25, 2018

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

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited DeKalb County Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The School District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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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.

Respectfully submitted,

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

Greg S. Griffin
State Auditor

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-6441-13-01	<u>Financial Statement Preparation</u>
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented
FS-6441-13-02	<u>Capital Asset Maintenance</u>
Control Category:	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved – See Corrective Action/Responses

Management concurs with this finding. The IT and Finance Division will implement a new Financial Management Information System conversion project which will ensure that capital assets will be tracked and reported properly. A software system has been selected and we are at the beginning stages of replacing our legacy accounting and capital assets software with an estimated 15 to 18 month implementation timeline.

Estimated Completion Date: July 1, 2018

Contact Person: Dr. Michael J. Bell, CFO
Telephone: (678) 676-0133
E-mail: Michael_bell@dekalbschools.ga.org

FS-2014-001	<u>Financial Statement Preparation</u>
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-2014-002 Capital Asset Maintenance

Control Category: Capital Assets
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved – See Corrective Action/Responses

Management concurs with this finding. The IT and Finance Division will implement a new FMIS conversion project which will ensure that capital assets will be tracked and reported properly. A software system has been selected and we are at the beginning stages of replacing our legacy accounting and capital assets software with an estimated 15 to 18 month implementation timeline.

Estimated Completion Date: July 1, 2018

Contact Person: Dr. Michael J. Bell, CFO
Telephone: (678) 676-0133
E-mail: Michael_bell@dekalbschools.ga.org

FS-2015-001 Inadequate Controls over Capital Assets

Control Category: Capital Assets
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved – See Corrective Action/Responses

Management concurs with this finding. The IT and Finance Division will implement a new FMIS conversion project which will ensure that capital assets will be tracked and reported properly. A software system has been selected and we are at the beginning stages of replacing our legacy accounting and capital assets software with an estimated 15 to 18 month implementation timeline.

Estimated Completion Date: July 1, 2018

Contact Person: Dr. Michael J. Bell, CFO
Telephone: (678) 676-0133
E-mail: Michael_bell@dekalbschools.ga.org

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

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-2015-001 Inadequate Controls over Employee Compensation

Compliance Requirement:	Allowable Cost/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	10.553 and 10.555 Child Nutrition Cluster
Questioned Costs:	\$17,348.43

Finding Status: Previously Reported Corrective Action Implemented

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:
Governmental Activities; General Fund; Capital Projects Fund; Debt
Service Fund; Aggregate Remaining Fund Information Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified? Yes

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

- Material weakness identified? No
- Significant deficiency identified? Yes

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

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? Yes

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.00

Auditee qualified as low-risk auditee? No

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials:

We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-2016-001	<u>Controls over Equipment</u>
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Number:	16165GA324N1099
Questioned Costs:	None Identified

Description:

The policies and procedures of the School District were insufficient to provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster.

Criteria:

2 CFR §200.313 (d)(1) states, "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property". In addition, 2 CFR §200.313 (d)(2) states, "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years".

Condition:

The School District did not maintain an adequate and complete equipment listing for the Child Nutrition Cluster. Our testing revealed the following deficiencies:

- Five out of thirty-four equipment items reviewed across six different locations were not properly included on the inventory listing.
- Two out of thirty-four equipment items reviewed could not be located.
- Eight out of eight new equipment purchases reviewed were not properly added to the inventory listing.
- Inventory records did not contain all required components. The equipment's cost, acquisition date, location, serial number, percentage of Federal participation in regards to cost, who holds title, use and condition of the property are all required to be tracked.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:

The internal control process by which equipment items get aggregated and reported does not appear fully effective. In discussing the deficiency with management, they state that communication difficulties exist between the responsible parties of purchasing equipment, labeling equipment, performance of the annual inventory, and recording equipment items on the listings. Additionally, personnel responsible for equipment record keeping found that equipment purchases were often difficult to accurately distinguish from other purchase types due to insufficient descriptions in the source data.

Effect or Potential Effect:

Failure to maintain a proper, accurate equipment listing and resulted in noncompliance with the Federal Grant requirements and indicates a significant deficiency in the School District's control procedures over Child Nutrition Cluster equipment.

Recommendation:

The School District should evaluate its design and implementation of the equipment reporting process and strengthen controls to ensure that the equipment records are complete and accurate. Communication between responsible parties should be streamlined and increased oversight to the equipment reporting process should be performed. During performance of the physical inventory, participants should consider whether the listing contains all necessary equipment, and fully communicate any items that appear to be missing from the inventory records. The equipment records should include description, identifying number, source, title holder, acquisition date, cost, funding source, percentage of federal participation, location, condition, and ultimate disposition data of each piece of equipment.

Views of Responsible Officials:

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2016-001	<u>Controls over Capital Assets</u>
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact	None
Repeat of Prior Year Finding:	FS-2015-001, FS-2014-002, and FS-6441-13-02

Adequate policies and procedures are not in place to ensure capital assets inventory records are properly maintained.

Corrective Action Plans:

- 1) The Finance Division has reviewed the capitalization policy and will develop and amend the district's capitalization policy to include a threshold to record intangible assets.
- 2) The district is currently addressing the controls over capital assets and will implement additional monitoring, analysis and reporting of capital projects through additional personnel as well as the application of the new Financial Management Information System (FMIS), Munis. The new FMIS includes a project ledger to assist with capital assets that will enable improved tracking to assure reporting accuracy and appropriate adjustments are made as necessary.

Estimated Completion Date: July 1, 2018

Contact Person: Dr. Michael J. Bell
Telephone: (678) 676-0133
E-mail: michael_bell@dekalbschoolsga.org

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

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

FA 2016-001	<u>Controls over Equipment</u>
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Number:	16165GA324N1099
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	No

The policies and procedures of the School District were insufficient to provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster.

Corrective Action Plans:

Management concurs with this finding. The School Nutrition Department (SNS) will implement new procedures to strengthen the equipment records and ensure complete and accurate tracking and reporting in accordance with all applicable federal, state and local requirements. Additionally, the SNS department will create a new position dedicated to management and oversight of Equipment and Real Property to ensure effective internal control processes, including performance of an annual inventory.

Estimated Completion Date: July 1, 2018

Contact Person: Dr. Michael J. Bell
Telephone: (678) 676-0133
E-mail: michael_bell@dekalbschoolsga.org