



# **PAULDING COUNTY BOARD OF EDUCATION DALLAS, GEORGIA**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

**(Including Independent Auditor's Reports)**



PAULDING 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

February 20, 2018

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

### 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 Paulding County Board of Education (School District), as of and for the year ended June 30, 2017, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2017, 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 2017, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 80, *Blending Requirements for Certain Component Units*, and GASB Statement No. 82, *Pension Issues*. Our opinions are not modified with respect to these matters.

### ***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 vii and pages 35 through 41, 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, consisting of Schedules 8 through 10, are presented for the purposes of additional analysis and are 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 taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor

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PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

## INTRODUCTION

The discussion and analysis of the Paulding County Board of Education's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Paulding County Board of Education has prepared the annual financial report to comply with the reporting model for financial statements (GASB Statement 34).

## Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- ✓ The School District's financial status had minimal changes from fiscal year 2016. The general fund's net change in fund balance was a decrease of \$0.3 million, which represents a 0.6 percent decrease from the fiscal year 2016 balance.
- ✓ General revenues accounted for \$117.6 million in revenue or 40.0 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$176.1 million or 60.0 percent of total revenues. Total revenues were \$293.7 million.
- ✓ The School District had \$295.8 million in expenses related to governmental activities; only \$176.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues, primarily taxes, of \$117.6 million were adequate to provide for these programs.
- ✓ Among major funds, the general fund had \$274.4 million in revenues, (\$0.3) million in net other financing uses and \$274.3 million in expenditures. The general fund's balance decreased to \$49.8 million from \$50.1 million.
- ✓ The implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* established accounting and financial accounting standards for pensions that are provided to the employees of state and local governmental employers through pension plans administered through trusts. The School District's proportionate share of net pension liability for fiscal year 2017 is \$262.8 million which represents an increase of \$74.8 million from the fiscal year 2016 balance.

## Using the Basic Financial Statements

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the School District as a whole, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail.

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds. In the case of the Paulding County Board of Education, the general fund is by far the most significant fund.

### ***Reporting the School District as a Whole***

#### *Statement of Net Position and Statement of Activities*

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and all liabilities using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Governmental Activities - All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, after school program, school activity accounts and various others.

### **Reporting the School District's Most Significant Funds**

#### *Fund Financial Statements*

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

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

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

### The School District as a Whole

The perspective of the *Statement of Net Position* is of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2017.

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

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
<b>Assets</b>		
Current and Other Assets	\$ 99,258	\$ 99,231
Capital Assets, Net	405,309	401,642
<b>Total Assets</b>	<b>504,567</b>	<b>500,873</b>
<b>Deferred Outflows of Resources</b>		
Deferred Charge on Debt Refunding	4,501	4,782
Related to Defined Benefit Pension Plans	72,734	23,217
<b>Total Deferred Outflows of Resources</b>	<b>77,235</b>	<b>27,999</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>581,802</b>	<b>528,872</b>
<b>Liabilities</b>		
Current and Other Liabilities	48,418	47,649
Long-Term Liabilities	369,314	298,726
<b>Total Liabilities</b>	<b>417,732</b>	<b>346,375</b>
<b>Deferred Inflows of Resources</b>		
Unearned Grant Revenue	250	375
Related to Defined Benefit Pension Plans	1,334	17,545
<b>Total Deferred Inflows of Resources</b>	<b>1,584</b>	<b>17,920</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>419,316</b>	<b>364,295</b>
<b>Net Position</b>		
Net Investment in Capital Assets	301,702	291,724
Restricted	6,526	7,469
Unrestricted (Deficit)	(145,742)	(134,616)
<b>Total Net Position</b>	<b>\$ 162,486</b>	<b>\$ 164,577</b>

Total net position decreased \$2.1 million primarily due to an increase in the net pension liability of \$74.8 million, a decrease in deferred inflows of resources related to pensions of \$16.2 million and an increase in deferred outflows related to pensions of \$49.5 million.



PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Table 2 shows the changes in net position for fiscal year 2017 compared to the changes in net position in fiscal year 2016.

**Table 2**  
**Change in Net Position**  
**(In Thousands)**

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2017	2016
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 5,823	\$ 6,005
Operating Grants and Contributions	165,330	157,040
Capital Grants and Contributions	4,974	4,025
Total Program Revenues	176,127	167,070
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	68,098	63,877
For Debt Services	(27)	232
Railroad Cars and Other Taxes	23	23
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	15,530	15,118
Intangible Recording Tax	2,126	1,865
Grants and Contributions not		
Restricted to Specific Programs	27,944	30,016
Investment Earnings	247	70
Miscellaneous	4,329	4,267
Extraordinary Item:		
Impairment of Asset	(715)	-
Total General Revenues and Extraordinary Item	117,555	115,468
Total Revenues	293,682	282,538
<b>Program Expenses:</b>		
Instruction	192,407	172,615
Support Services		
Pupil Services	10,552	9,258
Improvement of Instructional Services	13,523	10,972
Educational Media Services	4,914	4,452
General Administration	1,332	1,040
School Administration	17,447	15,354
Business Administration	1,310	1,261
Maintenance and Operation of Plant	17,888	17,865
Student Transportation Services	13,954	12,773
Central Support Services	2,363	1,867
Other Support Services	266	365
Operations of Non-Instructional Services		
Enterprise Operations	1,260	1,197
Community Services	1	5
Food Services	14,181	12,896
Interest on Short-Term and Long-Term Debt	4,374	4,507
Total Expenses	295,772	266,427
Increase (Decrease) in Net Position	\$ (2,090)	\$ 16,111

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

## Governmental Activities

Instruction comprises 65.1 percent of governmental program expenses. Interest expense comprises 1.5 percent of governmental program expenses. Interest expense was attributable to the outstanding bonds for capital projects and capital leases.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**  
**(In Thousands)**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
Instruction	\$ 192,407	\$ 172,615	\$ 60,731	\$ 49,415
Support Services:				
Pupil Services	10,552	9,257	8,598	7,400
Improvement of Instructional Services	13,523	10,972	10,116	7,591
Educational Media Services	4,914	4,452	1,502	1,111
General Administration	1,332	1,040	(1,796)	(1,974)
School Administration	17,447	15,354	10,977	8,911
Business Administration	1,310	1,261	1,287	1,247
Maintenance and Operation of Plant	17,888	17,865	9,811	9,870
Student Transportation Services	13,954	12,773	11,259	10,116
Central Support Services	2,363	1,867	2,246	1,795
Other Support Services	266	365	216	144
Operations of Non-Instructional Services:				
Enterprise Operations	1,260	1,197	78	(96)
Community Services	1	5	1	4
Food Services	14,181	12,896	245	(686)
Interest on Short-Term and Long-Term Debt	4,374	4,508	4,374	4,508
Total Expenses	\$ 295,772	\$ 266,427	\$ 119,645	\$ 99,356

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. There are 31.6 percent of instruction activities that are supported through taxes and other general revenues; for all governmental activities general revenue support is over 40.5 percent.

## The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$304.4 million and expenditures and other financing uses of \$304.5 million. There was a net increase of \$0.2 million in the capital projects fund. The capital projects funds are restricted for debt service. The increase is primarily due to \$0.9 million transfer from the general fund in anticipation of future construction and/or acquisition projects. The general fund had a decrease of \$0.3 million and the debt service fund had an increase of \$0.03 million.

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District amended its general fund budget as needed. The School District uses zero-based budgeting to propose its annual budget. Any adjustments to the original budget, as governed by Board policy, are reflected in the working budget and presented to the Board with explanations for any significant variances.

For the general fund, the final budgeted revenues of \$275.4 million reflect an increase to the original budgeted amount of \$269.6 million by \$5.8 million. This difference was primarily due to increases in budgeted state and federal revenues of \$4.4 million and \$2.1 million, respectively. Actual revenues of \$274.4 million were less than the final budgeted amount by \$1.0 million.

The final budgeted expenditures of \$276.4 million reflect an increase to the original budgeted amount of \$271.6 million by \$4.8 million. This difference was primarily due to an increase in instruction of \$2.2 million, an increase in improvement of instructional services of \$0.7 million and increases in pupil services and student transportation services of \$0.6 million each. The final budgeted amount of \$276.4 million exceeded the actual expenditures by \$2.0 million.

The School District has made a concerted effort to maintain an appropriate fund balance for current and future operations.

### Capital Assets and Debt Administration

#### *Capital Assets*

At the end of fiscal year 2017, the School District had \$405.3 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2017 balances compared with fiscal year 2016 balances.

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

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
Land	\$ 13,305	\$ 13,309
Construction In Progress	6,823	17,444
Building and Improvements	360,617	351,670
Equipment	16,327	13,348
Land Improvements	8,237	5,871
Total	\$ 405,309	\$ 401,642

An increase occurred in Building and Improvements because of additions to Shelton Elementary and North Paulding High School as well as various other building renovations in 2017, including renovations to East Paulding High School.

PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### **Long-Term Liabilities**

At June 30, 2017, the School District had \$94.6 million in bonds outstanding with \$4.1 million due within one year. The School District's legal debt limit is 10 percent of the assessed valuation of \$3,993.8 million, or a maximum debt of \$399.3 million. The total current bonded restricted debt of \$94.6 million is well below the legal limit. Other long-term liabilities amounted to \$11.9 million, which consists of unamortized bond premiums, capital leases and compensated absences.

### **Factors Bearing on the School District's Future**

With 28,753 full-time equivalent students as of March 2017, Paulding County Board of Education is the 13<sup>th</sup> largest school district in the state (out of 180). Almost two-thirds of the School District's revenues comes from the state. As such, the School District is highly sensitive to changes in state funding, including the Equalization Grant, which provided over \$27.9 million in funding during 2017. Less than one-third of the School District's revenues comes from local sources, which continues to lag behind historic levels. With limited commercial and industrial development, the School District is primarily dependent on residential ad valorem property taxes for local revenue. According to the Georgia Department of Education, Paulding County Board of Education ranked 137<sup>th</sup> (out of 180) in local revenue per full-time equivalent student. While residential home growth is projected to increase, commercial and industrial development is expected to remain significantly lower than elsewhere in the Atlanta metropolitan area. Changes in state funding and future tax digest levels will materially influence future revenues. These rising costs include, but are not limited to, the Teachers Retirement System (TRS) and State Health Benefit Plan, which have seen unprecedented increases over the past few years. As Georgia's economy continues to recover from the Great Recession, competition for highly qualified teachers is expected to increase, requiring the School District to remain competitive in compensation and benefits. With around 85% of the School District's budget devoted to salaries and benefits, these areas will significantly influence future expenditure levels. In spite of these changes, the School District remains committed to its mission of engaging, inspiring and preparing ALL students for success today and tomorrow.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Steve Barnette, Chief Financial Officer at the Paulding County Board of Education, 3236 Atlanta Highway, Dallas, Georgia 30132.

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PAULDING COUNTY BOARD OF EDUCATION

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PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2017

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 68,646,201.37
Receivables, Net	
Interest	11,569.67
Taxes	4,343,196.49
State Government	23,016,078.98
Federal Government	2,143,569.21
Other	91,686.98
Inventories	438,946.20
Prepaid Items	566,707.84
Capital Assets, Non-Depreciable	20,127,381.76
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>385,182,067.93</u>
Total Assets	<u>504,567,406.43</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Charge on Debt Refunding	4,500,879.12
Related to Defined Benefit Pension Plans	<u>72,734,410.70</u>
Total Deferred Outflows of Resources	<u>77,235,289.82</u>
<u>LIABILITIES</u>	
Accounts Payable	12,229,068.53
Salaries and Benefits Payable	31,930,388.65
Payroll Withholdings Payable	657.60
Interest Payable	1,688,666.67
Claims Incurred but not Reported (IBNR)	195,502.19
Contracts Payable	1,767,843.07
Retainages Payable	473,307.13
Deposits and Unearned Revenues	132,464.50
Net Pension Liability	262,784,569.00
Long-Term Liabilities	
Due Within One Year	4,477,507.76
Due in More Than One Year	<u>102,052,461.86</u>
Total Liabilities	<u>417,732,436.96</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unearned Grant Revenue	250,000.00
Related to Defined Benefit Pension Plans	<u>1,333,981.00</u>
Total Deferred Inflows of Resources	<u>1,583,981.00</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	301,701,952.98
Restricted for	
Continuation of Federal Programs	6,526,250.15
Unrestricted (Deficit)	<u>(145,741,924.84)</u>
Total Net Position	<u>\$ 162,486,278.29</u>



PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 192,406,638.14	\$ 56,695.97
Support Services		
Pupil Services	10,551,560.21	-
Improvement of Instructional Services	13,523,292.14	-
Educational Media Services	4,914,134.29	-
General Administration	1,332,401.82	-
School Administration	17,447,413.62	-
Business Administration	1,309,578.77	-
Maintenance and Operation of Plant	17,888,358.10	-
Student Transportation Services	13,953,528.46	-
Central Support Services	2,363,162.73	-
Other Support Services	265,687.57	-
Operations of Non-Instructional Services		
Enterprise Operations	1,260,268.12	1,181,107.76
Community Services	989.91	-
Food Services	14,181,299.57	4,584,927.84
Interest on Short-Term and Long-Term Debt	4,373,635.01	-
	<u>\$ 295,771,948.46</u>	<u>\$ 5,822,731.57</u>
Total Governmental Activities		
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Extraordinary Item		
Impairment of Asset		
Total General Revenues and Extraordinary Item		
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
\$ 127,864,798.33	\$ 3,753,931.16	\$ (60,731,212.68)
1,950,889.87	2,218.72	(8,598,451.62)
3,405,136.03	2,013.35	(10,116,142.76)
3,269,865.07	141,816.94	(1,502,452.28)
3,127,322.56	1,216.69	1,796,137.43
6,351,047.27	119,229.34	(10,977,137.01)
12,255.07	10,006.10	(1,287,317.60)
7,907,443.89	169,600.43	(9,811,313.78)
2,462,983.15	231,648.75	(11,258,896.56)
46,872.63	70,505.40	(2,245,784.70)
49,087.14	886.65	(215,713.78)
-	1,413.71	(77,746.65)
-	420.29	(569.62)
8,882,490.81	469,224.06	(244,656.86)
-	-	(4,373,635.01)
\$ 165,330,191.82	\$ 4,974,131.59	(119,644,893.48)
		68,097,925.50
		(26,745.49)
		23,508.19
		15,529,602.12
		2,126,314.43
		27,943,642.00
		246,786.83
		4,328,862.19
		(715,324.00)
		117,554,571.77
		(2,090,321.71)
		164,576,600.00
		\$ 162,486,278.29

PAULDING COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 59,389,649.97	\$ 9,173,249.82	\$ 83,301.58	\$ 68,646,201.37
Receivables, Net				
Interest	11,335.31	234.36	-	11,569.67
Taxes	2,815,378.25	1,312,207.70	215,610.54	4,343,196.49
State Government	21,258,919.54	1,757,159.44	-	23,016,078.98
Federal Government	2,143,569.21	-	-	2,143,569.21
Other	91,686.98	-	-	91,686.98
Due from Other Fund	9,065,548.11	-	-	9,065,548.11
Inventories	438,946.20	-	-	438,946.20
Prepaid Items	566,707.84	-	-	566,707.84
Total Assets	\$ 95,781,741.41	\$ 12,242,851.32	\$ 298,912.12	\$ 108,323,504.85
<u>LIABILITIES</u>				
Accounts Payable	\$ 12,214,761.04	\$ 14,307.49	\$ -	\$ 12,229,068.53
Due to Other Funds		9,065,548.11	-	9,065,548.11
Salaries and Benefits Payable	31,930,388.65	-	-	31,930,388.65
Payroll Withholdings Payable	657.60	-	-	657.60
Contracts Payable	-	1,767,843.07	-	1,767,843.07
Retainages Payable	-	473,307.13	-	473,307.13
Deposits and Unearned Revenue	132,464.50	-	-	132,464.50
Total Liabilities	44,278,271.79	11,321,005.80	-	55,599,277.59
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	1,488,565.17	-	210,081.70	1,698,646.87
Unearned Revenue - Grants	250,000.00	-	-	250,000.00
Total Deferred Inflows of Resources	1,738,565.17	-	210,081.70	1,948,646.87
<u>FUND BALANCES</u>				
Nonspendable	10,071,202.15	-	-	10,071,202.15
Restricted	6,087,303.95	921,845.52	88,830.42	7,097,979.89
Assigned	1,544,566.44	-	-	1,544,566.44
Unassigned	32,061,831.91	-	-	32,061,831.91
Total Fund Balances	49,764,904.45	921,845.52	88,830.42	50,775,580.39
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 95,781,741.41	\$ 12,242,851.32	\$ 298,912.12	\$ 108,323,504.85

PAULDING COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")	\$	50,775,580.39
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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 funds.

Land	\$	13,304,734.59	
Construction in progress		6,822,647.17	
Buildings and improvements		470,914,612.89	
Equipment		43,732,921.12	
Land improvements		11,637,820.00	
Accumulated depreciation		<u>(141,103,286.08)</u>	405,309,449.69

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

Net pension liability	(262,784,569.00)
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Deferred charges on debt refundings are applicable to future periods and are therefore not reported in the funds and are amortized over the life of the new debt.	4,500,879.12
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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 funds.	71,400,429.70
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Taxes that are not available to pay for current period expenditures are deferred in the funds.	1,698,646.87
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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 funds.

Bonds payable	\$	(94,630,000.00)	
Accrued interest payable		(1,688,666.67)	
Capital leases payable		(301,214.10)	
Compensated absences payable		(346,010.96)	
Unamortized bond premiums		(11,252,744.56)	
Claims and judgments payable		<u>(195,502.19)</u>	<u>(108,414,138.48)</u>

Net position of governmental activities (Exhibit "A")	\$	<u>162,486,278.29</u>
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PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 68,564,174.02	\$ -	\$ 25,958.27	\$ 68,590,132.29
Sales Taxes	2,126,314.43	15,529,602.12	-	17,655,916.55
State Funds	175,077,799.02	4,742,482.84	-	179,820,281.86
Federal Funds	18,367,610.01	-	-	18,367,610.01
Charges for Services	5,822,731.57	-	-	5,822,731.57
Investment Earnings	221,011.53	25,664.80	110.50	246,786.83
Miscellaneous	4,185,355.27	60,505.39	11,350.15	4,257,210.81
	<u>274,364,995.85</u>	<u>20,358,255.15</u>	<u>37,418.92</u>	<u>294,760,669.92</u>
Total Revenues				
<u>EXPENDITURES</u>				
Current				
Instruction	176,853,212.06	-	-	176,853,212.06
Support Services				
Pupil Services	10,178,228.50	-	-	10,178,228.50
Improvement of Instructional Services	13,090,834.56	-	-	13,090,834.56
Educational Media Services	4,408,449.80	-	-	4,408,449.80
General Administration	1,289,654.44	-	-	1,289,654.44
School Administration	16,437,203.61	-	-	16,437,203.61
Business Administration	1,234,911.45	-	-	1,234,911.45
Maintenance and Operation of Plant	17,343,453.56	-	-	17,343,453.56
Student Transportation Services	15,834,683.05	-	-	15,834,683.05
Central Support Services	2,124,627.27	-	-	2,124,627.27
Other Support Services	256,050.01	-	-	256,050.01
Enterprise Operations	1,256,938.47	-	-	1,256,938.47
Food Services Operation	13,655,705.83	-	-	13,655,705.83
Capital Outlay	207,564.88	12,260,067.39	-	12,467,632.27
Debt Services				
Principal	141,945.52	-	3,960,000.00	4,101,945.52
Dues and Fees	-	-	5,717.50	5,717.50
Interest	24,485.58	86,375.58	4,249,300.00	4,360,161.16
	<u>274,337,948.59</u>	<u>12,346,442.97</u>	<u>8,215,017.50</u>	<u>294,899,409.06</u>
Total Expenditures				
Revenues over (under) Expenditures	<u>27,047.26</u>	<u>8,011,812.18</u>	<u>(8,177,598.58)</u>	<u>(138,739.14)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Capital Assets	48,798.72	-	-	48,798.72
Insurance Proceeds	28,373.63	-	-	28,373.63
Transfers In	468,558.53	881,588.48	8,204,967.35	9,555,114.36
Transfers Out	(888,605.98)	(8,666,508.38)	-	(9,555,114.36)
	<u>(342,875.10)</u>	<u>(7,784,919.90)</u>	<u>8,204,967.35</u>	<u>77,172.35</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(315,827.84)	226,892.28	27,368.77	(61,566.79)
Fund Balances - Beginning	<u>50,080,732.29</u>	<u>694,953.24</u>	<u>61,461.65</u>	<u>50,837,147.18</u>
Fund Balances - Ending	<u>\$ 49,764,904.45</u>	<u>\$ 921,845.52</u>	<u>\$ 88,830.42</u>	<u>\$ 50,775,580.39</u>

PAULDING COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2017

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ (61,566.79)

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	\$ 17,706,967.13	
Depreciation expense	<u>(12,008,922.20)</u>	5,698,044.93

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. (2,030,682.24)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (495,444.09)

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

Deferral of loss on refunding bonds	\$ (281,304.96)	
Bond principal retirements	3,960,000.00	
Capital lease payments	141,945.52	
Bond premium retirements	<u>185,956.11</u>	4,006,596.67

Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid. 81,875.00

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	(9,114,582.33)
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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.

Compensated absences	\$ (32,440.67)	
Claims and judgments	<u>(142,122.19)</u>	<u>(174,562.86)</u>

Change in net position of governmental activities (Exhibit "B") \$ (2,090,321.71)

PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

EXHIBIT "G"

	AGENCY FUNDS
	<hr/>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>396,606.94</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>396,606.94</u>

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**NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY**

**REPORTING ENTITY**

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**BASIS OF PRESENTATION**

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

**GOVERNMENT-WIDE STATEMENTS:**

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

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

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

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

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

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

#### **FUND FINANCIAL STATEMENTS:**

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

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), 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 (property and sales) legally restricted for the payment of general long-term principal and interest and paying agent's fees.

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, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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, claims and judgments, and compensated absences, which are recognized as expenditures

PAULDING COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

EXHIBIT "H"

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 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information; (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. See Note 15 for further disclosure of tax abatements in accordance with this standard.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the School District's financial statements.

#### **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.

PAULDING COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

EXHIBIT "H"

## RECEIVABLES

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

Due to other funds and due from other funds consist of activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year.

## INVENTORIES

### Food Inventories

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

## PREPAID ITEMS

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items, in both the government-wide and governmental fund financial statements.

## CAPITAL ASSETS

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

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	\$ 5,000.00	20 years
Buildings and Improvements	\$ 5,000.00	50 years
Equipment	\$ 5,000.00	5 to 25 years
Intangible Assets	\$ 100,000.00	20 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.

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

### **COMPENSATED ABSENCES**

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

Vacation leave of 12 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis with less than 5 years of experience and 15 days per fiscal year to all full time personnel employed on a twelve month basis with 5 or more years of experience. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 20 days. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements

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

### **LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS**

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

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

### **PENSIONS**

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

### **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.

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

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

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

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

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

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

#### USE OF ESTIMATES

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

#### PROPERTY TAXES

The Paulding County Board of Commissioners adopted the property tax levy for the 2016 tax digest year (calendar year) on August 9, 2016 (levy date) based on property values as of January 1, 2016. Taxes were due on November 15, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. The Paulding County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2017, for maintenance and operations amounted to \$62,961,273.67 and for school bonds amounted to \$10,173.23.

Tax millage rate levied for the 2016 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>18.879</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$5,618,685.39 during fiscal year ended June 30, 2017.



## **SALES TAXES**

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$15,529,602.12 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

### **NOTE 3: BUDGETARY DATA**

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. The Board prepares and presents the annual budget by fund type, fund, function, and object for management control; however, the level of control will be set at the aggregate level. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting a budget primer (including draft enrollment projections, position allotments and budget initiatives) and an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. These public meetings also provide opportunities for public input on the budget. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

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

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

### **NOTE 4: DEPOSITS AND CASH EQUIVALENTS**

#### **COLLATERALIZATION OF DEPOSITS**

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

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

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

**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, 2017, School District had deposits with a carrying amount of \$67,919,405.09, and a bank balance of \$69,792,648.82. The bank balances insured by Federal depository insurance were \$1,188,703.50 and the bank balances collateralized with securities held by the pledging financial institution or by the pledging financial institution's trust department or agent in the School District's name were \$68,327,074.15.

At June 30, 2017, \$276,871.17 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>276,871.17</u>
Total	\$ <u><u>276,871.17</u></u>



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

Statement of Net Position	
Cash and cash equivalents	\$ 68,646,201.37
Statement of Fiduciary Net Position	
Cash and cash equivalents	<u>396,606.94</u>
Total cash and cash equivalents	<u>69,042,808.31</u>
Less:	
Cash on hand	435.55
Investment pools reported as cash and cash equivalents	
Georgia Fund 1	<u>1,122,967.67</u>
Total carrying value of deposits - June 30, 2017	<u>\$ 67,919,405.09</u>

#### CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of \$1,122,967.67 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2017, was 56 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](http://www.audits.ga.gov/SGD/CAFR.html).

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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, 2016	Increases	Decreases	Balances June 30, 2017
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 13,308,975.26	\$ -	\$ 4,240.67	\$ 13,304,734.59
Construction in Progress	17,444,109.72	9,351,215.66	19,972,678.21	6,822,647.17
Total Capital Assets Not Being Depreciated	30,753,084.98	9,351,215.66	19,976,918.88	20,127,381.76
Capital Assets Being Depreciated				
Buildings and Improvements	453,670,553.95	19,958,963.48	2,714,904.54	470,914,612.89
Equipment	41,424,234.47	5,523,794.22	3,215,107.57	43,732,921.12
Land Improvements	8,798,635.35	2,849,912.65	10,728.00	11,637,820.00
Less Accumulated Depreciation for:				
Buildings and Improvements	102,000,937.55	9,321,690.13	1,024,992.14	110,297,635.54
Equipment	28,076,209.01	2,208,349.88	2,879,567.63	27,404,991.26
Land Improvements	2,927,275.19	478,882.19	5,498.10	3,400,659.28
Total Capital Assets, Being Depreciated, Net	370,889,002.02	16,323,748.15	2,030,682.24	385,182,067.93
Governmental Activity Capital Assets - Net	\$ 401,642,087.00	\$ 25,674,963.81	\$ 22,007,601.12	\$ 405,309,449.69

Current year depreciation expense by function is as follows:

Instruction	\$ 8,634,613.71
Support Services	
Pupil Services	\$ 5,179.59
Improvements of Instructional Services	4,700.16
Educational Media Services	331,070.58
General Administration	2,840.35
School Administration	278,340.01
Business Administration	23,359.16
Maintenance and Operation of Plant	391,728.76
Student Transportation Services	1,077,485.44
Central Support Services	164,594.33
Other Support Services	2,069.89
Athletic Programs	3,389.89
Community Services	1,007.81
Food Services	2,285,765.97
	1,088,542.52
	\$ 12,008,922.20

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**NOTE 6: INTERFUND ASSETS, LIABILITIES, AND TRANSFERS**

**INTERFUND ASSETS AND LIABILITIES**

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2017, consisted of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 9,065,548.11	\$ -
Capital projects fund	<u>-</u>	<u>9,065,548.11</u>
	<u>\$ 9,065,548.11</u>	<u>\$ 9,065,548.11</u>

Interfund Assets and Liabilities are used to provide supplemental funding for capital construction projects. In fiscal year 2015, the School District's general fund advanced cash to the capital projects fund for ESPLOST V capital projects. Collections for ESPLOST V began in April 2016. Repayment of this advance began in May 2017 and will conclude in April 2021.

**INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	<u>Transfers From</u>	
<u>Transfers to</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>
General fund	\$ -	\$ 468,558.53
Capital projects fund	881,588.48	-
Debt service fund	<u>7,017.50</u>	<u>8,197,949.85</u>
Total	<u>\$ 888,605.98</u>	<u>\$ 8,666,508.38</u>

Transfers are used to (1) move property tax revenues collected by the general fund to (a) the capital projects fund as required matching or supplemental funding source for capital construction projects and the debt service fund to pay bond administration fees, (2) move ESPLOST proceeds collected by the capital projects fund to the debt service fund to pay principal and interest on bonds, and (3) move advanced ESPLOST funds to the general fund to (a) pay for bond equipment approved for purchase in ESPLOST and (b) repay funds advanced by the general fund for capital construction projects.

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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, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
General Obligation (G.O.) Bonds	\$ 98,590,000.00	\$ -	\$ 3,960,000.00	\$ 94,630,000.00	\$ 4,140,000.00
Unamortized Bond Premiums	11,438,700.67	-	185,956.11	11,252,744.56	194,235.46
Capital Leases	443,159.62	-	141,945.52	301,214.10	139,448.08
Compensated Absences	313,570.29	1,017,752.96	985,312.29	346,010.96	3,824.22
	<u>\$ 110,785,430.58</u>	<u>\$ 1,017,752.96</u>	<u>\$ 5,273,213.92</u>	<u>\$ 106,529,969.62</u>	<u>\$ 4,477,507.76</u>

**GENERAL OBLIGATION DEBT OUTSTANDING**

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

General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2008	3.00% - 5.00%	8/1/2008	2/1/2018	\$ 62,500,000.00	\$ 4,090,000.00
General Government - Refunding - Series 2014	2.00% - 5.00%	10/23/2014	2/1/2033	90,640,000.00	90,540,000.00
				<u>\$ 153,140,000.00</u>	<u>\$ 94,630,000.00</u>

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

Fiscal Year Ended June 30:	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
2018	\$ 4,140,000.00	\$ 4,052,800.50	\$ 194,235.46
2019	4,335,000.00	3,887,700.00	529,767.23
2020	4,455,000.00	3,757,650.00	544,432.07
2021	4,665,000.00	3,534,900.00	570,095.54
2022	4,885,000.00	3,301,650.00	596,981.07
2023 - 2027	28,445,000.00	12,597,750.00	3,476,177.37
2028 - 2032	35,740,000.00	5,614,262.50	4,367,677.26
2033	7,965,000.00	299,362.50	973,378.56
Total Principal and Interest	<u>\$ 94,630,000.00</u>	<u>\$ 37,046,075.50</u>	<u>\$ 11,252,744.56</u>

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### CAPITAL LEASE

The School District has acquired custodial equipment under the provisions of a long-term lease agreement classified as a capital lease for accounting purposes because it provides for a bargain purchase option or a transfer of ownership by the end of the lease term.

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

	Governmental Activities
Equipment	\$ 331,562.75
Less: Accumulated Depreciation	41,256.19
	<u>\$ 290,306.56</u>

Capital lease currently outstanding is as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Custodial Equipment, Aramark	5.00%	7/1/2015	6/30/2020	\$ 541,987.41	\$ 301,214.10

The following is a schedule of total capital lease payments:

Fiscal Year Ended June 30:	Principal	Interest
2018	\$ 139,448.08	\$ 16,353.92
2019	143,782.03	8,563.82
2020	<u>17,983.99</u>	<u>946.53</u>
Total Principal and Interest	<u>\$ 301,214.10</u>	<u>\$ 25,864.27</u>

### COMPENSATED ABSENCES

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

### NOTE 8: RISK MANAGEMENT

#### INSURANCE

##### Commercial Insurance

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

### Georgia School Boards Association Risk and Insurance Management System

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

### WORKERS' COMPENSATION

#### Georgia School Boards Association Workers' Compensation Fund

The School District participates in the Georgia School Boards Association Workers' Compensation Fund (the Fund), a public entity risk pool organized on July 1, 1992, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to \$2.0 million. In addition to the \$550,000.00 per occurrence retention, the Fund also retains an additional \$200,000.00 per year corridor retention.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2016	\$ 106,570.04	\$ (45,698.66)	\$ 7,491.38	\$ 53,380.00
2017	\$ 53,380.00	\$ 194,254.96	\$ 52,132.77	\$ 195,502.19

### 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.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2016	\$ -	\$ 8,186.00	\$ 8,186.00	\$ -
2017	\$ -	\$ 6,975.00	\$ 6,975.00	\$ -

### SURETY BOND

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

Position Covered	Amount
Superintendent	\$ 250,000.00

### NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2017:

Nonspendable			
Interfund Advances Receivable	\$ 9,065,548.11		
Inventories	438,946.20		
Prepaid Assets	566,707.84	\$	10,071,202.15
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Restricted			
Continuation of Federal Programs	\$ 6,087,303.95		
Debt Service	1,010,675.94		7,097,979.89
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Assigned			
School Activity Accounts			1,544,566.44
Unassigned			32,061,831.91
<hr/>			
Fund Balance, June 30, 2017		\$	50,775,580.39
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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.

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**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, 2017, together with funding available:

Project	Unearned Executed Contracts (1)	Payments through June 30, 2017 (2)	Funding Available From State (1)
North Paulding High School Addition	\$ 303,615.47	\$ 2,595,673.16	\$ -
East Paulding High School Renovation	<u>1,944,229.51</u>	<u>3,762,757.97</u>	<u>720,511.56</u>
	<u>\$ 2,247,844.98</u>	<u>\$ 6,358,431.13</u>	<u>\$ 720,511.56</u>

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

(2) Payments include Contracts and Retainages Payable at year-end.

**NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES**

**FEDERAL GRANTS**

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

**LITIGATION**

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to have a material adverse effect on the financial condition of the School District.

**NOTE 12: 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](http://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



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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, 2017:

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

July 1, 2016 – June 30, 2017                      \$945.00 per member per month

For non-certificated school personnel:

July 1, 2016 – December 31, 2016      \$746.20 per member per month

January 1, 2017 – June 30, 2017      \$846.20 per member per month

No additional contribution was required by the Board for fiscal year 2017 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:

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	\$ 27,048,323.54
2016	100%	\$ 25,248,371.89
2015	100%	\$ 24,195,800.69

### **NOTE 13: RETIREMENT PLANS**

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

#### **TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)**

**Plan Description:** All teachers of the School District as defined in O.C.G.A. §47-3-60 and certain other support personnel as defined by O.C.G.A. §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at [www.trsga.com/publications](http://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 2017. The School District's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual School District payroll, of which 14.20% of payroll was required from the School District and 0.07% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$20,964,343.05 and \$119,766.47 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](http://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, 2017 was 24.69% 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 \$19,180.65 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](http://www.ers.ga.gov/formspubs/formspubs).

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

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

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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 \$ 488,471.00.

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

At June 30, 2017, the School District reported a liability of \$262,784,569.00 for its proportionate share of the net pension liability for TRS (\$262,616,970.00) and ERS (167,599.00).

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	\$ 262,616,970.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>2,287,784.00</u>
Total	<u><u>\$ 264,904,754.00</u></u>

The net pension liability for TRS and ERS was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016.

At June 30, 2016, the School District's TRS proportion was 1.272917%, which was an increase of 0.039584% from its proportion measured as of June 30, 2015. At June 30, 2016, the School District's ERS proportion was 0.003543%, which was a decrease of 0.000855% from its proportion measured as of June 30, 2015.

At June 30, 2017, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$2,579,092.00.

The PSERS net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of \$30,359,458.00 for TRS, \$5,108.00 for ERS and \$422,810.00 for PSERS and revenue of \$245,501.00 for TRS and \$422,810.00 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.

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At June 30, 2017, 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	\$ 3,912,285.00	\$ 1,298,643.00	\$ -	\$ 387.00
Changes of assumptions	6,806,669.00	-	1,420.00	-
Net difference between projected and actual earnings on pension plan investments	33,222,128.00	-	17,040.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	7,791,345.00	-	-	34,951.00
School District contributions subsequent to the measurement date	20,964,343.05	-	19,180.65	-
Total	<u>\$ 72,696,770.05</u>	<u>\$ 1,298,643.00</u>	<u>\$ 37,640.65</u>	<u>\$ 35,338.00</u>

The School District contributions subsequent to the measurement date of \$20,964,343.05 for TRS and \$19,180.65 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, 2018. 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
2018	\$ 7,104,712.00	\$ (28,285.00)
2019	\$ 7,104,700.00	\$ (3,476.00)
2020	\$ 21,083,237.00	\$ 9,187.00
2021	\$ 14,377,355.00	\$ 5,696.00
2022	\$ 763,780.00	\$ -

**Actuarial assumptions:** The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

**Teachers Retirement System:**

Inflation	2.75%
Salary increases	3.25% – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries'

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projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

***Employees' Retirement System:***

Inflation	2.75%
Salary increases	3.25% – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP- 2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

***Public School Employees Retirement System:***

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

Asset class	TRS Target allocation	ERS/PSERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	-	5.00%	10.50%
Total	100.00%	100.00%	

\* Rates shown are net of the 2.75% 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	\$ 408,766,554.00	\$ 262,616,970.00	\$ 142,286,879.00
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	\$ 227,127.00	\$ 167,599.00	\$ 116,869.00

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EXHIBIT "H"

***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](http://www.trsga.com/publications) and [www.ers.ga.gov/formspubs/formspubs.html](http://www.ers.ga.gov/formspubs/formspubs.html).

**NOTE 14: PRIOR YEAR DEFEASEMENT OF DEBT**

In fiscal year 2015, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements. On February 1, 2017, \$62,500,000.00 of these bonds were redeemed. At June 30, 2017, \$28,705,000.00 of bonds outstanding are considered defeased.

**NOTE 15: TAX ABATEMENTS**

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

For the fiscal year ended June 30, 2017, Paulding County abated property taxes due to the School District that were levied on August 9, 2016 and due on November 15, 2016 totaling \$119,446.15. Included in that amount abated, the following are individual tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 10 percent property tax abatement to a logistics manufacturer for the purpose of increasing employment in Paulding County. The abatement totaled to \$106,686.98.
- A 30 percent property tax abatement to an envelope manufacturer for the purpose of increasing employment in Paulding County. The abatement totaled to \$12,759.17.

**NOTE 16: IMPAIRMENT OF ASSET**

During the current year, the School District has recognized that the following asset qualified as impaired due to fire damage:

Asset Qualifying As Impaired	Historical Cost	Less Accumulated Depreciation	Carrying Value	Restoration Cost Approach Restoration Cost Ratio	Loss (Rounded)
EPHS Gym	\$ 2,164,443.00	\$ (1,128,590.00)	\$ 1,035,853.00	\$ 69.0565%	\$ 715,324.00

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



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PAULDING COUNTY BOARD OF EDUCATION  
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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-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	1.272917%	\$ 262,616,970.00	\$ 2,287,784.00	\$ 264,904,754.00	\$ 140,692,477.88	186.66%	76.06%
2016	1.233333%	\$ 187,762,702.00	\$ 1,666,877.00	\$ 189,429,579.00	\$ 131,294,575.52	143.01%	81.44%
2015	1.211199%	\$ 153,019,018.00	\$ 1,415,351.00	\$ 154,434,369.00	\$ 123,475,844.00	123.93%	84.03%

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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-employee 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>
2017	0.003543%	\$ 167,599.00	\$ 82,381.24	203.44%	72.34%
2016	0.004398%	\$ 178,180.00	\$ 100,545.67	177.21%	76.20%
2015	0.005877%	\$ 220,424.00	\$ 125,534.00	175.59%	77.99%

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SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA  
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SCHEDULE "3"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.00%	\$ -	\$ 2,579,092.00	\$ 2,579,092.00	\$ 6,573,133.30	N/A	81.00%
2016	0.00%	\$ -	\$ 2,149,951.00	\$ 2,149,951.00	\$ 9,817,620.76	N/A	87.00%
2015	0.00%	\$ -	\$ 2,066,777.00	\$ 2,066,777.00	\$ 9,475,042.07	N/A	88.29%

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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
TEACHERS 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
2017	\$ 20,964,343.05	\$ 20,964,343.05	\$ -	\$ 147,679,049.00	14.20%
2016	\$ 19,903,701.40	\$ 19,903,701.40	\$ -	\$ 140,692,477.88	14.15%
2015	\$ 17,111,863.27	\$ 17,111,863.27	\$ -	\$ 131,294,575.52	13.03%
2014 (1)	\$ 15,162,833.64	\$ 15,162,833.64	\$ -	\$ 123,475,843.97	12.28%
2013 (1)	\$ 13,852,585.04	\$ 13,852,585.04	\$ -	\$ 121,407,406.13	11.41%
2012 (1)	\$ 12,471,991.66	\$ 12,471,991.66	\$ -	\$ 121,322,876.07	10.28%

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

PAULDING COUNTY BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA  
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SCHEDULE "5"

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
2017	\$ 19,180.65	\$ 19,180.65	\$ -	\$ 77,310.20	24.81%
2016	\$ 20,364.63	\$ 20,364.63	\$ -	\$ 82,381.24	24.72%
2015	\$ 22,079.83	\$ 22,079.83	\$ -	\$ 100,545.67	21.96%
2014	\$ 23,173.66	\$ 23,173.66	\$ -	\$ 125,534.45	18.46%
2013	\$ 11,038.10	\$ 11,038.10	\$ -	\$ 74,081.21	14.90%
2012	\$ 5,557.86	\$ 5,557.86	\$ -	\$ 47,788.99	11.63%

**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.

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

**Employees' Retirement System**

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

**Public School Employees Retirement System**

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

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

PAULDING COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2017

SCHEDULE "7"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 68,586,000.00	\$ 68,161,622.71	\$ 68,564,174.02	\$ 402,551.31
Sales Taxes	2,201,000.00	2,201,000.00	2,126,314.43	(74,685.57)
State Funds	171,246,669.50	175,630,429.24	175,077,799.02	(552,630.22)
Federal Funds	16,309,913.34	18,459,696.23	18,367,610.01	(92,086.22)
Charges for Services	6,215,696.11	6,215,696.11	5,822,731.57	(392,964.54)
Investment Earnings	30,000.00	30,000.00	221,011.53	191,011.53
Miscellaneous	5,027,448.93	4,658,389.89	4,185,355.27	(473,034.62)
Total Revenues	269,616,727.88	275,356,834.18	274,364,995.85	(991,838.33)
<u>EXPENDITURES</u>				
Current				
Instruction	174,806,953.35	176,965,890.77	176,853,212.06	112,678.71
Support Services				
Pupil Services	9,254,731.95	9,851,129.42	10,178,228.50	(327,099.08)
Improvement of Instructional Services	11,774,999.28	12,462,193.56	13,090,834.56	(628,641.00)
Educational Media Services	4,387,914.74	4,398,501.13	4,408,449.80	(9,948.67)
General Administration	1,323,598.15	1,395,039.92	1,289,654.44	105,385.48
School Administration	16,483,429.55	16,449,884.02	16,437,203.61	12,680.41
Business Administration	1,450,768.90	1,461,662.56	1,234,911.45	226,751.11
Maintenance and Operation of Plant	17,929,417.33	18,036,235.57	17,343,453.56	692,782.01
Student Transportation Services	15,170,535.24	15,766,856.20	15,834,683.05	(67,826.85)
Central Support Services	1,907,938.10	2,138,162.58	2,124,627.27	13,535.31
Other Support Services	398,225.85	265,869.22	256,050.01	9,819.21
Enterprise Operations	1,390,624.21	1,390,624.21	1,256,938.47	133,685.74
Community Services	4,427.08	4,427.08	-	4,427.08
Food Services Operation	15,323,747.00	15,584,596.44	13,655,705.83	1,928,890.61
Capital Outlay	-	207,677.00	207,564.88	112.12
Debt Service	-	-	166,431.10	(166,431.10)
Total Expenditures	271,607,310.73	276,378,749.68	274,337,948.59	2,040,801.09
Excess of Revenues over (under) Expenditures	(1,990,582.85)	(1,021,915.50)	27,047.26	1,048,962.76
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Sources	1,818,944.00	1,292,248.00	545,730.88	(746,517.12)
Other Uses	(816,651.00)	(1,700,256.98)	(888,605.98)	811,651.00
Total Other Financing Sources (Uses)	1,002,293.00	(408,008.98)	(342,875.10)	65,133.88
Net Change in Fund Balances	(988,289.85)	(1,429,924.48)	(315,827.84)	1,114,096.64
Fund Balances - Beginning	51,390,881.70	52,045,772.04	50,080,732.29	(1,965,039.75)
Adjustments	-	39,055.66	-	(39,055.66)
Fund Balances - Ending	\$ 50,402,591.85	\$ 50,654,903.22	\$ 49,764,904.45	\$ (889,998.77)

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

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



PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017

SCHEDULE "8"

FUNDING AGENCY <u>PROGRAM/GRANT</u>	<u>CFDA NUMBER</u>	PASS- THROUGH ENTITY ID <u>NUMBER</u>	<u>EXPENDITURES IN PERIOD</u>
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	17175GA324N1099	\$ 1,706,733.31
National School Lunch Program	10.555	17175GA324N1100	<u>12,364,712.94</u>
Total U. S. Department of Agriculture			<u>14,071,446.25</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	96,691.00
Grants to States	84.027	H027A160073	4,268,120.37
Preschool Grants	84.173	H173A150081	12,984.00
Preschool Grants	84.173	H173A160081	<u>36,699.85</u>
Total Special Education Cluster			<u>4,414,495.22</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A160010	200,757.89
Education for Homeless Children and Youth	84.196	S196A150011	21,737.05
Education for Homeless Children and Youth	84.196	S196A160011	30,733.81
English Language Acquisition Grants	84.365	S365A150010	9,603.00
English Language Acquisition Grants	84.365	S365A160010	57,394.42
Improving Teacher Quality State Grants	84.367	S367A150001	91,599.03
Improving Teacher Quality State Grants	84.367	S367A160001	342,870.10
Mathematics and Science Partnerships	84.366	S366B150011	109,899.32
Mathematics and Science Partnerships	84.366	S366B160011	399,072.86
Title I Grants to Local Educational Agencies	84.010	S010A150010	319,519.69
Title I Grants to Local Educational Agencies	84.010	S010A160010	<u>3,604,693.55</u>
Total Other Programs			<u>5,187,880.72</u>
Total U. S. Department of Education			<u>9,602,375.94</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.UNKNOWN		54,277.00
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		<u>345,026.72</u>
Total U. S. Department of Defense			<u>399,303.72</u>
Total Expenditures of Federal Awards			<u>\$ 24,073,125.91</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Paulding County Board of Education (The "Board") under programs of the federal government for the year ended June 30, 2017. 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.

See notes to the basic financial statements.

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2017

SCHEDULE "9"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		
	GENERAL	CAPITAL	TOTAL
	FUND	PROJECTS FUND	
GRANTS			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 8,033,326.00	\$ -	\$ 8,033,326.00
Kindergarten Program - Early Intervention Program	1,129,638.00	-	1,129,638.00
Primary Grades (1-3) Program	20,336,181.00	-	20,336,181.00
Primary Grades - Early Intervention (1-3) Program	3,201,112.00	-	3,201,112.00
Upper Elementary Grades (4-5) Program	9,940,329.00	-	9,940,329.00
Upper Elementary Grades - Early Intervention (4-5) Program	2,649,682.00	-	2,649,682.00
Middle School (6-8) Program	19,415,922.00	-	19,415,922.00
High School General Education (9-12) Program	17,863,237.00	-	17,863,237.00
Vocational Laboratory (9-12) Program	5,480,588.00	-	5,480,588.00
Students with Disabilities	25,408,745.00	-	25,408,745.00
Gifted Student - Category VI	7,001,600.00	-	7,001,600.00
Remedial Education Program	677,653.00	-	677,653.00
Alternative Education Program	1,422,075.00	-	1,422,075.00
English Speakers of Other Languages (ESOL)	595,038.00	-	595,038.00
Media Center Program	3,270,282.00	-	3,270,282.00
20 Days Additional Instruction	996,446.00	-	996,446.00
Staff and Professional Development	580,372.00	-	580,372.00
Principal Staff and Professional Development	8,923.00	-	8,923.00
Indirect Cost			
Central Administration	2,991,023.00	-	2,991,023.00
School Administration	6,131,975.00	-	6,131,975.00
Facility Maintenance and Operations	7,808,987.00	-	7,808,987.00
Amended Formula Adjustment	(2,183,324.00)	-	(2,183,324.00)
Categorical Grants			
Pupil Transportation			
Regular	1,388,139.00	-	1,388,139.00
Nursing Services	553,490.00	-	553,490.00
Education Equalization Funding Grant	27,943,642.00	-	27,943,642.00
Other State Programs			
Food Services	328,794.00	-	328,794.00
Math and Science Supplements	266,880.50	-	266,880.50
Preschool Disability Services	470,951.00	-	470,951.00
Pupil Transportation - State Bonds	231,648.75	-	231,648.75
Teacher of the Year	507.25	-	507.25
Teachers Retirement	119,766.47	-	119,766.47
Tuition for Multi-Handicapped Children	130,122.00	-	130,122.00
Vocational Education	238,343.80	-	238,343.80
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects	-	4,742,482.84	4,742,482.84
Governor's Office of Student Achievement			
Connections for Classrooms Grant	110,000.00	-	110,000.00
Office of the State Treasurer			
Public School Employees Retirement	488,471.00	-	488,471.00
CONTRACT			
Human Resources, Georgia Department of			
Family Connection	47,233.25	-	47,233.25
	\$ 175,077,799.02	\$ 4,742,482.84	\$ 179,820,281.86

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PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
YEAR ENDED JUNE 30, 2017

SCHEDULE "10"

PROJECT (SPLOST IV)	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
<i>As approved by the voters on November 2, 2010</i>							
A special one percent sales and use tax for educational purposes shall be imposed in Paulding County for a period of time not to exceed 20 calendar quarters, commencing upon the expiration of the existing special one percent sales and use tax (beginning on April 2011), and for the raising of not more than \$90,000,000.00 for the purpose of:							
(a) Paying a portion of the principal and interest on the School District's outstanding General Obligation Bonds, Series 1995, Series 2003, Series 2007, and Series 2008 coming due February 1, 2012 through and including August 1, 2016, in the maximum amount of \$54,537,249.50, and	\$ 54,537,249.50	\$ 51,838,362.51	\$ 2,124,650.00	\$ 49,713,712.51	\$ 51,838,362.51	\$ -	Completed
(b)(i) financing capital outlays for the maintenance, renovation, completion, construction, and expansion of new and existing school facilities, and (ii) acquiring any property necessary or desirable therefore, both real and personal, the maximum cost of such projects not to exceed \$35,462,750.50.	35,462,750.50	31,902,549.00	4,612,223.70	27,141,670.36	-	-	6/30/2018
Total SPLOST IV	90,000,000.00	83,740,911.51	6,736,873.70	76,855,382.87	51,838,362.51	-	
<b>PROJECT (SPLOST V) (4)</b>							
<i>As approved by the voters on May 20, 2015</i>							
A one percent sales and use tax for educational purposes shall be imposed in the Paulding County School District for a period of time not to exceed twenty consecutive calendar quarters (beginning April 2016) and for the raising of not more than \$100,000,000.00 for the purpose of:							
(a) paying the principal and interest (during the period the one percent sales and use tax is to be imposed) on Paulding County School District's outstanding General Obligation Bonds, Series 2007 and 2008 in a maximum amount of \$43,396,575.00 and	43,396,575.00	38,912,700.00	6,084,649.85	-	-	-	2/28/2021
(b) funding the following capital outlay projects in a maximum amount of \$56,603,425: acquisition, construction and equipping of facilities and equipment throughout the School District, including renovations, additions and improvements to Shelton Elementary School and North Paulding High School, track and field improvements, HVAC upgrades, roof and gutter replacement, flooring improvements, safety and security upgrades, public address and intercom replacement, plumbing improvements, new technology and band equipment.	26,982,476.00	4,595,071.00		-	-	-	6/30/2023
Maintenance, renovation, addition and improvement							
East Paulding Middle renovation	4,025,994.00	4,025,994.00	2,500.00	-			
Herschel Jones Middle renovation	4,167,490.00	4,167,490.00	4,300.00	-			
East Paulding High renovation	5,716,826.00	5,716,826.00	3,811,098.61	-			
Shelton Elementary addition and renovation	4,447,639.00	4,437,550.13	612,452.29	3,825,097.84	4,437,550.13	-	Completed
North Paulding High addition	3,331,000.00	3,331,000.00	3,153,479.24	26,980.00	-	-	6/30/2018
Track and field improvements	5,982,000.00	5,172,011.38	(242.21)	5,172,253.59	5,172,011.38	-	Completed
Band equipment	1,450,000.00	1,450,000.00	468,558.53	499,402.88	-	-	6/30/2021
Technology	500,000.00	500,000.00	140,259.39	750.00	-	-	6/30/2023
Total SPLOST V	100,000,000.00	72,308,642.51	14,277,055.70	9,524,484.31	9,609,561.51	-	
Total All Projects	\$ 190,000,000.00	\$ 156,049,554.02	\$ 21,013,929.40	\$ 86,379,867.18	\$ 61,447,924.02	\$ -	

- (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 Paulding County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:
- |              |                     |
|--------------|---------------------|
| Prior Years  | \$ 5,615.08         |
| Current Year | <u>86,375.58</u>    |
| Total        | <u>\$ 91,990.66</u> |

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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

February 20, 2018

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

### **REPORT ON 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paulding County Board of Education (School District), as of and for the year ended June 30, 2017, 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 February 20, 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.



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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,

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

February 20, 2018

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

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM 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 the Paulding 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, 2017. 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, 2017.

### **Report on Internal Control over Compliance**

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

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

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

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor

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### SECTION III

#### AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS



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PAULDING COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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## SECTION IV

### FINDINGS AND QUESTIONED COSTS

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PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:  
▪ Material weakness identified? No  
▪ Significant deficiency identified? None Reported

Noncompliance material to financial statements noted: No

**Federal Awards**

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

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

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

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.553, 10.555

Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.