



CARROLL COUNTY BOARD OF EDUCATION CARROLLTON, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

(Including Independent Auditor's Reports)



CARROLL COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL



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

July 18, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Carroll County Board of Education

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll County Board of Education (School District), as of and for the year ended June 30, 2018, 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 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, 2018, 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 2018, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. The School District restated beginning net position for the effect of GASB Statement No. 75. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2019 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 written in a cursive style with a horizontal line at the end.

Greg S. Griffin
State Auditor

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

INTRODUCTION

Our discussion and analysis of the Carroll County School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Comparative data is provided for fiscal year 2018 and fiscal year 2017.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 are as follows:

- In total, net position decreased \$101.8 million which represents an 87.2 percent decrease from 2017. This decrease was due to governmental activities since the School District has no business type activities and is related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which was adopted by the School District for fiscal year 2018.
- The School District had \$158.1 million in expenses relating to governmental activities compared to \$153.7 million last year. The increase in overall expenses from last year was impacted by all functions of expense. For this year, \$103.4 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$64.1 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$64.1 million or 38.3 percent of all revenues totaling \$167.5 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the remainder.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Carroll County School District as a financial whole, or as an entire operating entity. Each statement type is explained below:

Government-Wide Financials

The government-wide financial statements include the *Statement of Net Position* and *Statement of Activities*. These statements provide information about the activities of the School District presenting both *short-term* and *long-term* information about the School District's overall financial status. The government-wide financial statements are basically a consolidation of all of the School District's operating funds into one total called *governmental activities*. In reviewing the government-wide financial statements, a reader might ask the question, "How did we do financially in 2018?" The Statement of Net Position and the Statement of Activities provides the basis for answering this question. These financial statements include all the School District's *assets*, *deferred outflows*, *deferred inflows*, and *liabilities* and use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

These two statements report the School District's *net position* and any changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

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

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

Fund Financial Statements

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

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

Fiduciary Funds: These statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for assets that belong to others, such as school clubs and organizations within the principals' accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

The largest portion of the School District's net position is its investment in capital assets (e.g., land and improvements, building and building improvements, vehicles, furniture, equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding.

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017 (1)
Assets		
Current and Other Assets	\$ 48,806,363	\$ 47,763,011
Capital Assets, Net	258,045,089	261,509,063
Total Assets	306,851,452	309,272,074
Deferred Outflows of Resources	25,571,112	32,398,500
Liabilities		
Current and Other Liabilities	26,598,148	32,113,238
Long-Term Liabilities	278,189,146	187,841,017
Total Liabilities	304,787,294	219,954,255
Deferred Inflows of Resources	12,628,948	4,870,259
Net Position		
Net Investment in Capital Assets	201,048,691	194,072,929
Restricted	7,914,189	7,674,808
Unrestricted (Deficit)	(193,956,558)	(84,901,677)
Total Net Position	\$ 15,006,322	\$ 116,846,060

(1) Fiscal year 2017 balances do not reflect the effect of the restatement of net position.

See Note 16 in the Notes to the Basic Financial Statements for more information.

Total net position decreased \$101.8 million in fiscal year 2018. This decrease is primarily due to implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which was adopted by the School District for fiscal year 2018.

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table 2 shows the changes in net position for fiscal year 2018 compared to the changes in net position for fiscal year 2017.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017 (1)
Revenues		
Program Revenues:		
Charges for Services	\$ 4,910,559	\$ 5,080,412
Operating Grants and Contributions	98,015,896	93,834,348
Capital Grants and Contributions	491,006	2,297,568
Total Program Revenues	103,417,461	101,212,328
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	35,191,900	34,218,889
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	13,013,569	12,150,340
Intangible Recording Tax	1,390,209	1,184,432
Grants and Contributions not		
Restricted to Specific Programs	12,257,251	11,025,136
Investment Earnings	46,291	61,525
Miscellaneous	2,229,541	1,486,996
Total General Revenues	64,128,761	60,127,318
Total Revenues	167,546,222	161,339,646
Program Expenses		
Instruction	103,241,333	98,468,118
Support Services		
Pupil Services	4,656,955	4,699,857
Improvement of Instructional Services	2,253,436	2,899,215
Educational Media Services	2,413,644	2,268,654
Instructional Staff Training	729,094	-
Federal Grant Administration	495,323	503,635
General Administration	1,740,208	1,667,671
School Administration	10,307,619	9,932,580
Business Administration	962,358	1,295,391
Maintenance and Operation of Plant	10,182,547	10,885,021
Student Transportation Services	8,474,829	8,161,810
Central Support Services	780,419	762,084
Other Support Services	720,545	642,384
Operations of Non-Instructional Services		
Community Services	457,817	455,213
Food Services	9,506,190	9,384,468
Interest on Long-Term Debt	1,144,939	1,640,079
Total Expenses	158,067,256	153,666,180
Change in Net Position	\$ 9,478,966	\$ 7,673,466

(1) Fiscal year 2017 balances do not reflect the effect of the restatement of net position.
See Note 16 in the Notes to the Basic Financial Statements for more information.

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Governmental Activities

Governmental program expenses are comprised of the following: Instruction 65.3 percent, Support Services 27.7 percent and Operations of Non-Instructional Services and Interest 7.0 percent. Table 3 shows a year to year comparison, for governmental activities, the total cost of services and the net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs) of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2018	Fiscal Year 2017 (1)	Fiscal Year 2018	Fiscal Year 2017 (1)
Instruction	\$ 103,241,333	\$ 98,468,118	\$ 26,282,458	\$ 23,845,921
Support Services				
Pupil Services	4,656,955	4,699,857	3,761,002	3,766,608
Improvement of Instructional Services	2,253,436	2,899,215	338,040	974,671
Educational Media Services	2,413,644	2,268,654	543,439	478,407
Instructional Staff Training	729,094	-	729,094	-
Federal Grant Administration	495,323	503,635	495,323	503,635
General Administration	1,740,208	1,667,671	(636,694)	(369,512)
School Administration	10,307,619	9,932,580	6,273,280	6,037,647
Business Administration	962,358	1,295,391	953,421	1,286,934
Maintenance and Operation of Plant	10,182,547	10,885,021	5,808,875	6,514,583
Student Transportation Services	8,474,829	8,161,810	6,570,297	6,059,732
Central Support Services	780,419	762,084	778,472	756,188
Other Support Services	720,545	642,384	712,888	641,427
Operations of Non-Instructional Services				
Community Services	457,817	455,213	(21,690)	(215,318)
Food Services	9,506,190	9,384,468	916,651	532,850
Interest on Long-Term Debt	1,144,939	1,640,079	1,144,939	1,640,079
Total Expenses	\$ 158,067,256	\$ 153,666,180	\$ 54,649,795	\$ 52,453,852

(1) Fiscal year 2017 balances do not reflect the effect of the restatement of net position.
See Note 16 in the Notes to the Basic Financial Statements for more information.

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Taxes and other general revenues support 25.5 percent of instructional activities; for all governmental activities general revenue support is 34.6 percent.

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year. The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of \$168.6 million and total expenditures and other financing uses of \$165.5 million. General fund balance increased by \$3.5 million during the year. The increase to general fund was primarily from a midterm QBE funding increase due to enrollment growth and increased property tax collections. The capital projects fund balance decreased by \$356 thousand, resulting in fund balance at June 30, 2018 of \$1.1 million, which will be used in the continuing construction/renovation of school facilities. The decrease to the capital projects fund was due to expenditures for construction/renovation in progress.

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 2018, the School District amended its general fund budget as needed in particular due to student growth and facility safety needs.

For the general fund, the actual revenues of \$154.2 million were over the final budgeted amounts of \$147.6 million by \$6.6 million. This difference (actual vs. final budget) was due to a state midterm QBE adjustment due to enrollment growth and on behalf payments not budgeted; delay in federal funding of \$1.4 million caused from a difference in federal fiscal year start dates differing from our fiscal year; and not budgeting other revenue from principals' accounts.

The actual expenditures of \$150.8 million were over the final budgeted amount of \$148.3 million by \$2.5 million. Most of this variance is due to not budgeting expenditures from principals' accounts.

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2018, the School District had \$258.0 million invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation from fiscal year 2017 to fiscal year 2018.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal	Fiscal
	Year 2018	Year 2017
Land	\$ 9,654,713	\$ 9,503,191
Construction In Progress	417,299	20,147,966
Land Improvements	12,347,639	10,571,321
Building and Improvements	230,441,002	216,124,370
Equipment	4,804,015	4,629,625
Software	380,421	532,590
 Total	 \$ 258,045,089	 \$ 261,509,063

Due to the ongoing needs in the County, the School District has numerous construction projects including new buildings, additions and renovations, resulting in an increase of our capital assets. The majority of construction in progress began during fiscal year 2017 and was completed early during fiscal year 2018, which was funded primarily from our Special Purpose Local Option Sales Tax (SPLOST) bond.

The most significant construction project completed in fiscal year 2018 was the construction of a Performing Arts Center.

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Long-Term Liabilities

At fiscal year ended June 30, 2018, the School District had \$55.4 million in bonds payable and premium, and \$2.0 million in other long-term debt. Table 5 summarizes the School District's long-term liabilities which includes general obligation bonds and compensated absences outstanding.

**Table 5
Long-Term Liabilities at June 30**

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017
Bonds Payable	\$ 47,500,000	\$ 57,065,000
Unamortized Bond Premium	7,876,544	9,381,581
License Agreement	350,556	496,505
Capital Leases	1,011,022	1,181,831
Compensated Absences	649,744	581,640
Total	\$ 57,387,866	\$ 68,706,557

At June 30, 2018, the School Districts assigned bond rating was "Aa3" Enhanced as determined by Moody's Investors Services.

CURRENT ISSUES

Carroll County's economic outlook is showing signs of improvement through the summer of 2018. The overall rate of net population growth has remained relatively flat over the past few years, however, some new investment, economic growth and employment, and an improving tax base are significant factors for the County and the Carroll County School District's overall outlook. School District enrollment remained relatively steady as it has for the previous five-year period.

Community economic indicators continued to remain stable or show uptrends in 2017 and into 2018. In 2018, the Carroll County Georgia Board of Tax Assessors began a cyclical reassessment process, which reflected an increase in 2018 tax digest values.

U.S. Census estimates placed Carroll County's population at 117,812 residents in 2017, up from 116,261 in 2016. Carroll's growth has remained consistent in recent years. Carroll County School District student enrollment remained consistent as well, with 14,893 students enrolled during the spring of 2018, compared with 14,898 enrolled during spring of 2017 and 14,850 students during the same time the year before. This remains consistent with School District projections – made in collaboration with local officials and consultants – of relatively flat student enrollment as a result of lower local birth rates, lower rates of net county in-migration, and limited inventory of homes at price-points likely to be purchased by young families.

Economic Slowdown – State austerity reductions for education funding have placed additional pressures on local education funding for the last several years. The state austerity reduction remained flat at \$1.5 million for the fiscal year ending June 30, 2018; however, it was eliminated for fiscal year ending June 30, 2019. The current millage rate is 17.998 mills with a maximum of 20 mills. Currently,

CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

a mill of tax in Carroll County generates approximately \$1.6 million. The Carroll County School District is strong financially and we remain optimistic about the ability of the School District to maximize all of the financial resources to provide a quality education to our students.

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Delene Strickland, Assistant Superintendent of Finance for the Carroll County School District, 164 Independence Drive, Carrollton, Georgia 30117. You may also email your questions to Ms. Strickland at delene.strickland@carrollcountyschools.com.

CARROLL COUNTY BOARD OF EDUCATION

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "A"

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 29,798,880
Receivables:	
Taxes	3,031,927
Intergovernmental:	
State	12,170,208
Federal	1,615,942
Other	486,449
Restricted:	
Cash and cash equivalents	1,103,573
Prepaid items	219,675
Inventory	379,709
Capital assets (nondepreciable)	10,072,012
Capital assets (depreciable, net of accumulated depreciation)	<u>247,973,077</u>
 Total assets	 <u>306,851,452</u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB related items	5,400,651
Pension related items	<u>20,170,461</u>
 Total deferred outflows of resources	 <u>25,571,112</u>
LIABILITIES	
Accounts payable	968,525
Salaries and benefits payable	16,448,869
Accrued interest payable	564,322
Contracts and retainage payable	52,798
Bonds payable due within one year	8,112,081
Bonds payable due in more than one year	47,264,463
Capital lease due within one year	175,548
Capital lease due in more than one year	835,474
Compensated absences due in less than one year	51,269
Compensated absences due in more than one year	598,475
License agreements due in less than one year	224,736
License agreements due in more than one year	125,820
Net OPEB liability	110,816,247
Net pension liability	<u>118,548,667</u>
 Total liabilities	 <u>304,787,294</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB related items	8,438,375
Pension related items	<u>4,190,573</u>
 Total deferred inflows of resources	 <u>12,628,948</u>
NET POSITION	
Net investment in capital assets	201,048,691
Restricted for:	
Debt service	6,107,001
Capital outlay	1,286,019
Continuation of federal programs	521,169
Unrestricted (Deficit)	<u>(193,956,558)</u>
 Total net position	 <u>\$ 15,006,322</u>

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "B"

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 103,241,333	\$ 2,757,955	\$ 73,912,750	\$ 288,170	\$ (26,282,458)
Support services:					
Pupil services	4,656,955	-	895,953	-	(3,761,002)
Improvement of instructional services	2,253,436	-	1,915,396	-	(338,040)
Educational media services	2,413,644	-	1,861,452	8,753	(543,439)
Instructional staff training	729,094	-	-	-	(729,094)
Federal grant administration	495,323	-	-	-	(495,323)
General administration	1,740,208	-	2,375,552	1,350	636,694
School administration	10,307,619	-	4,034,339	-	(6,273,280)
Business administration	962,358	-	4,224	4,713	(953,421)
Maintenance and operation of facilities	10,182,547	22,516	4,349,754	1,402	(5,808,875)
Student transportation services	8,474,829	-	1,749,893	154,639	(6,570,297)
Central support services	780,419	-	1,947	-	(778,472)
Other support services	720,545	-	2,520	5,137	(712,888)
Operations of Non-Instructional Services					
Food services operation	9,506,190	1,650,581	6,912,116	26,842	(916,651)
Community service operation	457,817	479,507	-	-	21,690
Interest on long-term debt	1,144,939	-	-	-	(1,144,939)
Total governmental activities	\$ 158,067,256	\$ 4,910,559	\$ 98,015,896	\$ 491,006	(54,649,795)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					35,191,900
Sales taxes:					
For debt service					13,013,569
Intangible taxes					1,390,209
Grants and contributions not restricted to specific programs					12,257,251
Unrestricted investment earnings					46,291
Other					2,229,541
Total general revenues					64,128,761
Change in net position					9,478,966
Net position, beginning of year, as restated					5,527,356
Net position, end of year					\$ 15,006,322

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "C"

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

ASSETS	General	Capital Projects	Debt Service	Total Governmental Funds																																																
Cash and cash equivalents	\$ 24,295,989	\$ 31,903	\$ 5,470,988	\$ 29,798,880																																																
Receivables:																																																				
Taxes	1,831,594	-	1,200,333	3,031,927																																																
Intergovernmental:																																																				
State	12,019,665	150,543	-	12,170,208																																																
Federal	1,615,942	-	-	1,615,942																																																
Other	486,447	-	2	486,449																																																
Restricted:																																																				
Cash and cash equivalents	-	1,103,573	-	1,103,573																																																
Prepaid items	219,675	-	-	219,675																																																
Inventory	379,709	-	-	379,709																																																
	Total assets	\$ 1,286,019	\$ 6,671,323	\$ 48,806,363																																																
	\$ 40,849,021	\$	\$	\$																																																
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES																																																				
LIABILITIES																																																				
Accounts payable	\$ 968,525	\$ -	\$ -	\$ 968,525																																																
Salaries and benefits payable	16,448,869	-	-	16,448,869																																																
Contracts and retainage payable	37,314	15,484	-	52,798																																																
	Total liabilities	17,454,708	-	17,470,192																																																
	17,454,708	15,484	-	17,470,192																																																
DEFERRED INFLOWS OF RESOURCES																																																				
Unavailable revenue - state grants	-	119,753	-	119,753																																																
Unavailable revenue - property taxes	937,682	-	-	937,682																																																
	Total deferred inflows of resources	119,753	-	1,057,435																																																
	937,682	119,753	-	1,057,435																																																
FUND BALANCES																																																				
Nonspendable:																																																				
Prepaid items	219,675	-	-	219,675																																																
Inventory	379,709	-	-	379,709																																																
Restricted:																																																				
Capital outlay	-	1,150,782	-	1,150,782																																																
Debt service	-	-	6,671,323	6,671,323																																																
Continuation of federal programs	141,460	-	-	141,460																																																
Unassigned	21,715,787	-	-	21,715,787																																																
	Total fund balances	1,150,782	6,671,323	30,278,736																																																
	22,456,631	1,150,782	6,671,323	30,278,736																																																
	\$ 40,849,021	\$ 1,286,019	\$ 6,671,323	\$ 48,806,363																																																
<p>Amounts reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.</p> <table border="0" style="width:100%; margin-left:40px;"> <tr> <td style="width:60%;">Cost</td> <td style="text-align:right;">\$ 334,152,508</td> <td></td> </tr> <tr> <td>Less accumulated depreciation</td> <td style="text-align:right;">(76,107,419)</td> <td style="text-align:right;">258,045,089</td> </tr> </table> <p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.</p> <table border="0" style="width:100%; margin-left:40px;"> <tr> <td style="width:60%;">Property taxes</td> <td style="text-align:right;">\$ 937,682</td> <td></td> </tr> <tr> <td>State grants</td> <td style="text-align:right;">119,753</td> <td style="text-align:right;">1,057,435</td> </tr> </table> <p>The net pension liability, and related balances, are not expected to be paid with current financial resources and are therefore, not reported in governmental funds.</p> <table border="0" style="width:100%; margin-left:40px;"> <tr> <td style="width:60%;">Net pension liability</td> <td style="text-align:right;">\$ (118,548,667)</td> <td></td> </tr> <tr> <td>Deferred inflows of resources - pensions</td> <td style="text-align:right;">(4,190,573)</td> <td></td> </tr> <tr> <td>Deferred outflows of resources - pensions</td> <td style="text-align:right;">20,170,461</td> <td style="text-align:right;">(102,568,779)</td> </tr> </table> <p>The net OPEB liability, and related balances, are not expected to be paid with current financial resources and are therefore, not reported in governmental funds.</p> <table border="0" style="width:100%; margin-left:40px;"> <tr> <td style="width:60%;">Net OPEB liability</td> <td style="text-align:right;">\$ (110,816,247)</td> <td></td> </tr> <tr> <td>Deferred inflows of resources - OPEB</td> <td style="text-align:right;">(8,438,375)</td> <td></td> </tr> <tr> <td>Deferred outflows of resources - OPEB</td> <td style="text-align:right;">5,400,651</td> <td style="text-align:right;">(113,853,971)</td> </tr> </table> <p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p> <table border="0" style="width:100%; margin-left:40px;"> <tr> <td style="width:60%;">Bonds</td> <td style="text-align:right;">\$ (47,500,000)</td> <td></td> </tr> <tr> <td>Bond premium, net of amortization</td> <td style="text-align:right;">(7,876,544)</td> <td></td> </tr> <tr> <td>Capital leases</td> <td style="text-align:right;">(1,011,022)</td> <td></td> </tr> <tr> <td>License agreements</td> <td style="text-align:right;">(350,556)</td> <td></td> </tr> <tr> <td>Accrued interest</td> <td style="text-align:right;">(564,322)</td> <td></td> </tr> <tr> <td>Compensated absences</td> <td style="text-align:right;">(649,744)</td> <td style="text-align:right;">(57,952,188)</td> </tr> </table> <p style="text-align:right; margin-right:40px;">Net position of governmental activities</p> <p style="text-align:right; margin-right:40px;">\$ 15,006,322</p>					Cost	\$ 334,152,508		Less accumulated depreciation	(76,107,419)	258,045,089	Property taxes	\$ 937,682		State grants	119,753	1,057,435	Net pension liability	\$ (118,548,667)		Deferred inflows of resources - pensions	(4,190,573)		Deferred outflows of resources - pensions	20,170,461	(102,568,779)	Net OPEB liability	\$ (110,816,247)		Deferred inflows of resources - OPEB	(8,438,375)		Deferred outflows of resources - OPEB	5,400,651	(113,853,971)	Bonds	\$ (47,500,000)		Bond premium, net of amortization	(7,876,544)		Capital leases	(1,011,022)		License agreements	(350,556)		Accrued interest	(564,322)		Compensated absences	(649,744)	(57,952,188)
Cost	\$ 334,152,508																																																			
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Accrued interest	(564,322)																																																			
Compensated absences	(649,744)	(57,952,188)																																																		

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "D"

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 35,095,624	\$ -	\$ -	\$ 35,095,624
Sales taxes	-	-	13,013,569	13,013,569
Other taxes	1,390,209	-	-	1,390,209
State funds	94,620,730	284,233	-	94,904,963
Federal funds	15,941,905	-	-	15,941,905
Charges for services	4,910,559	-	-	4,910,559
Investment earnings	40,532	5,759	12,371	58,662
Miscellaneous	2,229,541	-	-	2,229,541
Total revenues	<u>154,229,100</u>	<u>289,992</u>	<u>13,025,940</u>	<u>167,545,032</u>
EXPENDITURES				
Current:				
Instruction	96,840,696	473,203	-	97,313,899
Support services:				
Pupil services	4,654,910	-	-	4,654,910
Improvement of instructional services	2,237,051	-	-	2,237,051
Educational media services	2,234,857	-	-	2,234,857
Instructional staff training	729,094	-	-	729,094
Federal grant administration	493,693	-	-	493,693
General administration	1,703,180	-	-	1,703,180
School administration	10,230,562	-	-	10,230,562
Business administration	869,896	-	-	869,896
Maintenance and operation of facilities	10,997,639	-	-	10,997,639
Student transportation services	8,305,983	-	-	8,305,983
Central support services	776,406	-	-	776,406
Other support services	605,990	8,290	-	614,280
Food services operation	8,920,800	-	-	8,920,800
Community services operation	457,817	-	-	457,817
Capital outlay	258,482	1,071,008	-	1,329,490
Debt service:				
Principal retirement	438,771	-	9,565,000	10,003,771
Interest and fiscal charges	47,221	-	2,720,525	2,767,746
Total expenditures	<u>150,803,048</u>	<u>1,552,501</u>	<u>12,285,525</u>	<u>164,641,074</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,426,052</u>	<u>(1,262,509)</u>	<u>740,415</u>	<u>2,903,958</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	906,328	-	906,328
Transfers out	-	-	(906,328)	(906,328)
Long term license agreement	122,013	-	-	122,013
Total other financing sources (uses)	<u>122,013</u>	<u>906,328</u>	<u>(906,328)</u>	<u>122,013</u>
Net change in fund balances	3,548,065	(356,181)	(165,913)	3,025,971
FUND BALANCES, beginning of year	<u>18,908,566</u>	<u>1,506,963</u>	<u>6,837,236</u>	<u>27,252,765</u>
FUND BALANCES, end of year	<u>\$ 22,456,631</u>	<u>\$ 1,150,782</u>	<u>\$ 6,671,323</u>	<u>\$ 30,278,736</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Net change in fund balances - total governmental funds	\$	3,025,971
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year.

Capital outlay	\$ 3,182,972	
Depreciation expense	<u>(6,575,728)</u>	(3,392,756)

In the statement of activities, only the gain or loss on the sale of capital assets is recorded. However, in the governmental funds, proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold. (71,218)

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

Property taxes	\$ 96,276	
Georgia State Financing and Investment Commission	<u>(41,238)</u>	55,038

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.

Principal payments - bonds	\$ 9,565,000	
Principal payments - capital leases	170,809	
Principal payments - license agreement	267,962	
Long term license agreement	<u>(122,013)</u>	9,881,758

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (68,104)	
Amortization of bond premium	1,505,037	
Change in net OPEB liabilities and related deferred outflows and inflows of resources	(2,535,267)	
Change in net pension liabilities and related deferred outflows and inflows of resources	960,737	
Change in accrued interest	<u>117,770</u>	<u>(19,827)</u>

Change in net position - governmental activities	\$	<u><u>9,478,966</u></u>
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STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2018

		<u>Private Purpose Trust</u>	<u>Agency Fund</u>
ASSETS			
Cash		\$ 2,285	\$ 591,740
Investments		38,733	-
Total assets		<u>\$ 41,018</u>	<u>\$ 591,740</u>
LIABILITIES			
Funds held for others		\$ -	<u>\$ 591,740</u>
NET POSITION			
Held in trust for private purposes		<u>\$ 41,018</u>	

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "G"

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	ADDITIONS	<u>Private Purpose Trust</u>
Investment earnings:		
Interest		\$ <u>39</u>
Change in net position		39
Net position, beginning of year		<u>40,979</u>
Net position, end of year		<u>\$ <u>41,018</u></u>

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Statements:

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

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

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements:

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund types:

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

Basis of Accounting

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The adoption of this statement has a significant impact on the School District's financial statements. As noted in the Restatement of Net Position note disclosure, the School District restated beginning net position for the cumulative effect of this accounting change.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of this statement does not have a significant impact on the School District's financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Investments

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

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

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

Property Taxes

The Carroll County Board of Commissioners fixed the property tax levy for the 2017 tax digest year (calendar year) on August 17, 2017 (levy date). Taxes were due on December 1, 2017 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. The Carroll 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, 2018, for maintenance and operations amounted to \$31,276,486.

The tax millage rate levied for the 2017 tax year (calendar year) for the Carroll County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>17.998</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$3,819,138 during the fiscal year ended June 30, 2018.

Sales Taxes

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$13,013,569 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

FOOD INVENTORIES - On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their Federally assigned value and purchased foods inventories are reported at cost (first-in, first-out 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to June 30, 2018, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the government-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated acquisition value on the date donated.

Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

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

No other employees are eligible to earn vacation leave.

Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 25 days for both Classified and Certified Employees.

General Obligation Bonds

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one type of deferred inflow under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and state grants and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

The School District also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the School District's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period. Changes in the School District's proportionate share of the net pension liability and the difference between the School District's actual contributions towards the pension plan and the School District's proportionate share of contributions are also reported as deferred outflows of resources or deferred inflows of resources and are amortized over the expected remaining service lives of plan members. Additionally, any contributions made by the School District to the pension plan before year end but subsequent to the measurement date of the School District's net pension liability are reported as deferred outflows of resources. These contributions will be recognized as a reduction of the net pension liability in the next fiscal year.

Post-employment Benefits Other Than Pensions (OPEB)

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

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

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

Net Position

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

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

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

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

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

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

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

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Note 3: BUDGETARY DATA

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

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

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

See Schedule 12 - General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

Note 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. At June 30, 2018, all deposits were secured by surety bond, insurance or collateral as specified above.

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

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

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.

Note 4: DEPOSITS AND INVESTMENTS (Continued)

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, 2018, School District had deposits with a carrying amount of \$31,535,211, and a bank balance of \$36,744,340. The bank balances insured by Federal depository insurance were \$1,562,348 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 \$12,843,320.

At June 30, 2018, \$22,338,672 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		22,338,672
Total	\$	22,338,672

CATEGORIZATION OF INVESTMENTS

At June 30, 2018, the School District's investments consisted of a certificate of deposit totaling \$38,733. As this certificate of deposit is considered a nonparticipating interest-earning investment contract, it is recorded at cost.

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. For the year ended June 30, 2018, the commodities usage is recorded at their federally assigned value of \$606,492. For additional information, see Note 2 – Inventories.

CARROLL COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

EXHIBIT "H"

Note 6: CAPITAL ASSETS

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

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,503,191	\$ 151,522	\$ -	\$ 9,654,713
Construction in progress	<u>20,147,966</u>	<u>1,633,072</u>	<u>(21,363,739)</u>	<u>417,299</u>
Total capital assets not being depreciated	<u>29,651,157</u>	<u>1,784,594</u>	<u>(21,363,739)</u>	<u>10,072,012</u>
Capital assets, being depreciated:				
Buildings and improvements	265,670,274	19,083,701	-	284,753,975
Equipment	17,541,041	1,103,608	(477,530)	18,167,119
Land improvements	17,975,918	2,574,808	-	20,550,726
Intangible assets	<u>608,676</u>	<u>-</u>	<u>-</u>	<u>608,676</u>
Total capital assets being depreciated	<u>301,795,909</u>	<u>22,762,117</u>	<u>(477,530)</u>	<u>324,080,496</u>
Less accumulated depreciation for:				
Buildings and improvements	(49,545,904)	(4,767,069)	-	(54,312,973)
Equipment	(12,911,416)	(858,000)	406,312	(13,363,104)
Land improvements	(7,404,597)	(798,490)	-	(8,203,087)
Intangible assets	<u>(76,086)</u>	<u>(152,169)</u>	<u>-</u>	<u>(228,255)</u>
Total accumulated depreciation	<u>(69,938,003)</u>	<u>(6,575,728)</u>	<u>406,312</u>	<u>(76,107,419)</u>
Total capital assets, being depreciated, net	<u>231,857,906</u>	<u>16,186,389</u>	<u>(71,218)</u>	<u>247,973,077</u>
Governmental activities capital assets, net	<u>\$ 261,509,063</u>	<u>\$ 17,970,983</u>	<u>\$ (21,434,957)</u>	<u>\$ 258,045,089</u>

CARROLL COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

EXHIBIT "H"

Note 6: CAPITAL ASSETS (Continued)

Capital assets being acquired under capital leases as of June 30, 2018, are as follows:

	Governmental Funds
Building improvements	\$ 1,684,589
Less: Accumulated Depreciation	494,683
	\$ 1,189,906

Current year depreciation expense by function is as follows:

Instruction		\$ 5,141,548
Support Services:		
Educational Media Services	\$ 163,168	
General Administration	25,175	
Business Administration	87,855	
Maintenance and Operation of Facilities	26,146	
Other Support Services	95,766	
Student Transportation Services	535,677	933,787
Food Services Operation		500,393
		\$ 6,575,728

Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfers To	Transfers From Debt Service Fund
Capital Projects Fund	\$ 906,328

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

Note 8: RISK MANAGEMENT

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

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

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2018	\$ -	\$ 7,826	\$ 7,826	\$ -
2017	\$ -	\$ -	\$ -	\$ -

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

The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to \$2 million. In addition to the \$550,000 per occurrence retention, the Fund also retains an additional \$200,000 per year corridor retention.

Note 8: RISK MANAGEMENT (Continued)

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

Position Covered	Amount
Superintendent	\$ 100,000

Note 9: LONG - TERM DEBT

COMPENSATED ABSENCES

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

CAPITAL LEASES

The Carroll County Board of Education has entered into a lease agreement for energy improvements to buildings. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

Fiscal Year Ending June 30:	Governmental Activities
2019	\$ 201,056
2020	201,056
2021	201,056
2022	201,056
2023	201,056
2024	83,773
Total minimum lease payments	1,089,053
Less: amount representing interest	(78,031)
Present value of minimum lease payments	1,011,022
Less: current liabilities	(175,548)
Amount due greater than one year	\$ 835,474

Note 9: LONG - TERM DEBT (Continued)

GENERAL OBLIGATION DEBT OUTSTANDING

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

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2011	3.00% - 5.00%	27,500,000
General Government - Series 2016	2.00% - 5.00%	17,945,000
General Government - Series 2017	3.25%	2,055,000
		\$ 47,500,000

Debt service requirements to maturity on the General Obligations Bonds are as follows:

Fiscal Year Ended June 30	General Obligation Debt		Unamortized Bond Premium
	Principal	Interest	
2019	\$ 7,150,000	\$ 2,257,288	\$ 962,081
2020	9,565,000	1,945,000	1,369,115
2021	9,900,000	1,512,025	1,631,887
2022	10,255,000	1,038,912	1,880,010
2023	10,630,000	529,925	2,033,451
Totals	\$ 47,500,000	\$ 7,283,150	\$ 7,876,544

CARROLL COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

EXHIBIT "H"

Note 9: LONG - TERM DEBT (Continued)

LICENSE AGREEMENTS

The Carroll County Board of Education has entered into various multiyear agreements for software licenses. These agreements are treated like capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The future minimum license obligations and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

Year Ending June 30:	Governmental Activities
2019	\$ 233,536
2020	128,236
Total minimum lease payments	361,772
Less: amount representing interest	(11,216)
Present value of minimum lease payments	350,556
Less: current liabilities	(224,736)
	\$ 125,820

The changes in Long-Term Debt during the fiscal year ended June 30, 2018, were as follows:

	Governmental Activities				
	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
General Obligation (G.O.) Bonds	\$ 57,065,000	\$ -	\$ (9,565,000)	\$ 47,500,000	\$ 7,150,000
Unamortized bond premiums	9,381,581	-	(1,505,037)	7,876,544	962,081
Total bonds payable	66,446,581	-	(11,070,037)	55,376,544	8,112,081
Capital leases	1,181,831	-	(170,809)	1,011,022	175,548
License agreements	496,505	122,013	(267,962)	350,556	224,736
Compensated absences	581,640	557,330	(489,226)	649,744	51,269
Total long-term liabilities	\$ 68,706,557	\$ 679,343	\$ (11,998,034)	\$ 57,387,866	\$ 8,563,634

Note 10: RELATED PARTY TRANSACTIONS

In 2011, the Carroll County Board of Education entered into a related party transaction with Mr. Aaron McWhorter, owner of Sports Turf Company regarding a construction contract to build multiple sports facilities throughout the School District. Mr. Scott Cowart is the Superintendent of the School District and the owner of Sports Turf is his cousin. The Board was aware of his relationship prior to the vote to approve the work. The Board voted to award Sports Turf the contract to build these facilities. During fiscal year 2018, the School District incurred expenses of \$37,616 to Sports Turf Company for construction services.

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$238,645 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
 Paid the Teachers Retirement System (TRS)
 For Teachers Retirement
 In the amount of \$23,890

Office of Treasury and Fiscal Services
 Paid to the Public School Employees Retirement System (PSERS)
 For Public School Employees Retirement Employer's Cost
 In the amount of \$214,755

Note 12: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or other contracts executed by the School District as of June 30, 2018:

Project	Unearned Contracts
Fiber Project	\$ 136,297
Temple High School Agricultural Room	244,403
Beck Janitorial Services	2,619,292
	\$ 2,999,992

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

Note 13: SIGNIFICANT CONTINGENT LIABILITIES

The School District participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies.

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

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

Note 14: RETIREMENT PLANS

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

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00 % of their annual pay during fiscal year 2018. The School District's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual School District payroll, of which 16.78% of payroll was required from the School District and 0.03% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$12,759,460 and \$23,890 from the School District and the State, respectively.

Note 14: RETIREMENT PLANS (Continued)

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

At June 30, 2018, the School District reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School District are summarized in the following table:

School District's proportionate share of the net pension liability	\$	118,462,567
State of Georgia's proportionate share of the net pension liability associated with the School District		310,746
Total	\$	118,773,313

The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2017. At June 30, 2017, the School District's proportion was 0.637399%, which was an increase of 0.002635% from its proportion measured as of June 30, 2016.

Note 14: RETIREMENT PLANS (Continued)

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

For the year ended June 30, 2018, the School District recognized pension expense of \$11,764,238 and revenue of (\$31,690) for support provided by the State of Georgia for certain support personnel. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 815,221
Changes of assumption	2,596,846	-
Differences between expected and actual experience	4,431,230	447,065
Changes in proportion and differences between School District contributions and proportionate share of contributions	366,072	2,928,072
School District contributions subsequent to the measurement date	12,759,460	-
Total	\$ 20,153,608	\$ 4,190,358

Note 14: RETIREMENT PLANS (Continued)

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

School District contributions subsequent to the measurement date of \$12,759,460 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2019	\$ (1,948,632)
2020	5,357,889
2021	2,748,872
2022	(3,034,930)
2023	<u>80,591</u>
Total	<u>\$ 3,203,790</u>

Actuarial assumptions: The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

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
Postretirement benefit increases	1.50% semi-annually

Postretirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four 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 November 18, 2015, the numbers of expected future deaths are 8-11% 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.

Note 14: RETIREMENT PLANS (Continued)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(0.50)%
Domestic large stocks	39.80%	9.00%
Domestic mid stocks	3.70%	12.00%
Domestic small stocks	1.50%	13.50%
International developed market stocks	19.40%	8.00%
International emerging market stocks	5.60%	12.00%
Total	<u>100.00%</u>	

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

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

Note 14: RETIREMENT PLANS (Continued)

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

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:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 194,410,972	\$ 118,462,567	\$ 55,898,152

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

Note 14: RETIREMENT PLANS (Continued)

GENERAL INFORMATION ABOUT THE PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

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

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

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

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$214,755.

At June 30, 2018, the School District did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the School District is as follows:

State of Georgia's proportionate share of the Net Pension Liability associated with the School District	\$ <u>1,074,167</u>
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Note 14: RETIREMENT PLANS (Continued)

Pension Liabilities and Pension Expense

The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 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, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$216,487 and revenue of \$216,487 for support provided by the State of Georgia.

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

Inflation	2.75%
Salary increase	N/A
Investment rate of return	7.50%, 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

Note 14: RETIREMENT PLANS (Continued)

Pension Liabilities and Pension Expense (Continued)

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.50)%
Domestic large stocks	37.20%	9.00%
Domestic mid stocks	3.40%	12.00%
Domestic small stocks	1.40%	13.50%
International developed market stocks	17.80%	8.00%
International emerging market stocks	5.20%	12.00%
Alternatives	5.00%	10.50%
Total	100.00%	

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

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

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

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

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

Note 14: RETIREMENT PLANS (Continued)

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

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

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

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

Contributions: Member contributions under the Old Plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the New Plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2018 was 24.81% of annual covered payroll for the old and new plan members and 21.69% for GSEPS members plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. The School District's contributions to ERS totaled \$14,102 for the year ended June 30, 2018. 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.

Note 14: RETIREMENT PLANS (Continued)

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

At June 30, 2018, the School District reported a liability for its proportionate share of the net pension liability in the amount of \$86,100. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2017. At June 30, 2017, the School District's proportion was 0.002120%, which was an increase of 0.000030% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$1,803. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 214
Changes of assumptions	196	-
Differences between expected and actual experience	943	1
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,612	-
School District contributions subsequent to the measurement date	14,102	-
Total	\$ 16,853	\$ 215

School District contributions subsequent to the measurement date of \$14,102 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown in the table at the top of the following page.

Note 14: RETIREMENT PLANS (Continued)

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

Year ended June 30:	
2019	\$ 309
2020	3,702
2021	967
2022	(2,442)
Total	\$ 2,536

Actuarial assumptions: The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	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 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 2 years for both males and females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (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. These mortality tables utilized represent changes from tables used in the prior valuation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

Note 14: RETIREMENT PLANS (Continued)

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

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

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

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's proportionate share of the net pension liability	\$ 121,526	\$ 86,100	\$ 55,881

Note 14: RETIREMENT PLANS (Continued)

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

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

Note 15: OTHER POSTEMPLOYMENT BENEFITS

GEORGIA SCHOOL EMPLOYEES POSTEMPLOYMENT BENEFIT FUND

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

Benefits: The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies, and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Note 15: POSTEMPLOYMENT BENEFITS (Continued)

GEORGIA SCHOOL EMPLOYEES POSTEMPLOYMENT BENEFIT FUND (Continued)

Contributions. As established by the Board of Community Health, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions required and made to the School OPEB Fund from the School District were \$4,130,093 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

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

Effective July 1, 2017, the School District implemented provisions of GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the School District's accounting for OPEB amounts. The information disclosed in this note is presented in accordance with this new standard.

At June 30, 2018, the School District reported a liability of \$110,816,247 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions to the State OPEB Fund during the fiscal year ended June 30, 2017. At June 30 2017, the School District's proportion was 0.788730%, which was an increase of 0.009857% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$6,665,360. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between District contributions and proportionate share of contributions	\$ 1,238,146	-
Changes in plan assumptions	-	8,438,375
Net difference between projected and actual earnings on OPEB plan investments	32,412	-
District contributions subsequent to the measurement date	4,130,093	-
Total	\$ 5,400,651	\$ 8,438,375

Note 15: POSTEMPLOYMENT BENEFITS (Continued)

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

School District contributions subsequent to the measurement date of \$4,130,093 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2019	\$ (1,286,902)
2020	(1,286,902)
2021	(1,286,902)
2022	(1,286,902)
2023	(1,295,004)
2024	<u>(725,205)</u>
 Total	 <u><u>\$ (7,167,817)</u></u>

Actuarial assumptions:

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.75%
Salary increases	TRS - 3.25 - 9.00%, including inflation
	ERS - 3.25% - 7.00%, including inflation
	PSERS - N/A
Long-term expected rate of return	3.88%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.75%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2022

Note 15: POSTEMPLOYMENT BENEFITS (Continued)

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

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

- For TRS Members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) was used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 2 years for males and four years for females) was used for death after disability retirement.
- For ERS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years or both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement.
- For PSERS Members: 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) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension system, which covered the five-year period ending June 30, 2014.

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

Additionally, there was a change of assumptions that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the School OPEB Fund is based on their current or last employer payroll location. Current and former employees of public school districts, libraries, regional educational service agencies, and community colleges are allocated to the School OPEB Fund irrespective of retirement system affiliation.

Note 15: POSTEMPLOYMENT BENEFITS (Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Local Government Investment Pool	100%	1.13%

* Rate shown is net of 2.75% assumed rate of inflation

Discount rate:

The discount rate has changed since the prior measurement date from 3.07% to 3.58%. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyer Index). The projection of cash flows used to determine the discount rate assumed that the current sharing of costs between the employer and the member will continue and that contributions from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2115. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2029. Therefore, the long-term expected rate of return on OPEB plan investments was applied to discount projected benefit payments until 2029. The discount rate of 3.58% was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined. The calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 15: POSTEMPLOYMENT BENEFITS (Continued)

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

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

	1% Decrease (2.58%)	Current discount rate (3.58%)	1% Increase (4.58%)
School District's proportionate share of the net OPEB liability	\$ 131,574,443	\$ 110,816,247	\$ 94,433,827

The following presents the School District's proportionate share of the net OPEB liability calculated using the healthcare cost trend rates of 5.00% to 7.75%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00% to 6.75%) or 1-percentage-point higher (6.00% to 8.75%) than the current rates:

	1% Decrease (4.00% to 6.75%)	Current discount rate (5.00% to 7.75%)	1% Increase (6.00% to 8.75%)
School District's proportionate share of the net OPEB liability	\$ 91,854,044	\$ 110,816,247	\$ 135,505,007

Note 16: RESTATEMENTS

The School District has determined a restatement to beginning net position was required in the School District's Governmental Activities for the implementation of GASB Statement No. 75, which requires retroactive reporting of opening balances. The effect of the restatement resulted in a change to beginning net position as follows:

	Governmental Activities
Net position, as previously reported	\$ 116,846,060
Restatement for implementation of GASB Statement No. 75:	
Net OPEB liability as of June 30, 2017	(115,431,205)
Deferred outflows of resources - contributions	4,112,501
Net position, as restated	\$ 5,527,356

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.637399%	0.634764%	0.649976%	0.659656%
School District's proportionate share of the net pension liability	\$ 118,462,567	\$ 130,958,891	\$ 98,952,392	\$ 83,338,835
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>310,746</u>	<u>416,542</u>	<u>313,767</u>	<u>341,109</u>
Total	<u>\$ 118,773,313</u>	<u>\$ 131,375,433</u>	<u>\$ 99,266,159</u>	<u>\$ 83,679,944</u>
School District's covered payroll	\$ 73,485,904	\$ 69,847,647	\$ 69,666,236	\$ 68,777,850
School District's proportionate share of the net pension liability as a percentage of its covered payroll	161.20%	187.49%	142.04%	121.17%
Plan fiduciary net position as a percentage of the total pension liability	79.33%	76.06%	81.44%	84.03%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required contributions	\$ 12,759,460	\$ 10,459,050	\$ 9,935,661	\$ 9,161,110	\$ 8,445,920
Contributions in relation to the contractually required contributions	<u>12,759,460</u>	<u>10,459,050</u>	<u>9,935,661</u>	<u>9,161,110</u>	<u>8,445,920</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 76,050,750	\$ 73,485,904	\$ 69,847,647	\$ 69,666,236	\$ 68,777,850
Contributions as a percentage of covered payroll	16.78%	14.23%	14.22%	13.15%	12.28%
	<u>2013 (1)</u>	<u>2012 (1)</u>	<u>2011 (1)</u>	<u>2010 (1)</u>	<u>2009 (1)</u>
Contractually required contributions	\$ 7,862,272	\$ 7,209,297	\$ 7,431,613	\$ 7,232,354	\$ 7,232,746
Contributions in relation to the contractually required contributions	<u>7,862,272</u>	<u>7,209,297</u>	<u>7,431,613</u>	<u>7,232,354</u>	<u>7,232,746</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	68,906,854	70,129,348	72,291,955	74,254,148	77,939,073
Contributions as a percentage of covered payroll	11.41%	10.28%	10.28%	9.74%	9.28%

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

**Notes to the Required Supplementary Information
Teachers Retirement System of Georgia
For the Fiscal Year Ended June 30, 2018**

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. 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).

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three (3) years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 employer contributions were determined in the June 30, 2015 valuation). The following actuarial methods and assumptions were used to determine the most recent contribution rate reporting that schedule:

Valuation date	June 30, 2015
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28.4 years
Asset valuation method	Five-year smoothed market
Inflation rate	2.75%
Salary increases	3.25 - 9.00%, including inflation.
Post-Retirement Benefit Increases	1.50% semi-annually
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.

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

	2018	2017	2016	2015
School District's proportion of the net pension liability	0.002120%	0.002090%	0.001944%	0.003023%
School District's proportionate share of the net pension liability	\$ 86,100	\$ 98,866	\$ 78,759	\$ 113,381
School District's covered payroll	\$ 52,006	\$ 48,589	\$ 44,442	\$ 64,837
School District's proportionate share of the net pension liability as a percentage of its covered payroll	165.56%	203.47%	177.22%	174.87%
Plan fiduciary net position as a percentage of the total pension liability	76.33%	72.34%	76.20%	77.99%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 14,102	\$ 12,903	\$ 12,011	\$ 9,759	\$ 11,969
Contributions in relation to the contractually required contributions	<u>14,102</u>	<u>12,903</u>	<u>12,011</u>	<u>9,759</u>	<u>11,969</u>
Contribution deficiency (excess)	<u>\$ -</u>				
School District's covered payroll	\$ 56,841	\$ 52,006	\$ 48,589	\$ 44,442	\$ 64,837
Contributions as a percentage of covered payroll	24.81%	24.81%	24.72%	21.96%	18.46%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 24,769	\$ 23,574	\$ 21,315	\$ 22,459	\$ 23,669
Contributions in relation to the contractually required contributions	<u>24,769</u>	<u>23,574</u>	<u>21,315</u>	<u>22,459</u>	<u>23,669</u>
Contribution deficiency (excess)	<u>\$ -</u>				
School District's covered payroll	166,236	202,706	204,753	215,740	227,372
Contributions as a percentage of covered payroll	14.90%	11.63%	10.41%	10.41%	10.41%

**Notes to the Required Supplementary Information
Employees' Retirement System of Georgia
For the Fiscal Year Ended June 30, 2018**

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

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three (3) years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the fiscal year June 30, 2018 reported in that schedule:

Valuation date	June 30, 2015
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	2.75%
Salary increases	5.45 - 9.25%, including inflation.
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%	0.000000%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>1,074,167</u>	<u>1,481,491</u>	<u>953,607</u>	<u>850,673</u>
Total	<u>\$ 1,074,167</u>	<u>\$ 1,481,491</u>	<u>\$ 953,607</u>	<u>\$ 850,673</u>
School District's covered payroll	\$ 3,014,963	\$ 2,906,131	\$ 2,863,749	\$ 2,843,546
School District's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	85.69%	81.00%	87.00%	88.29%

**Notes to the Required Supplementary Information
Public School Employees Retirement System of Georgia
For the Fiscal Year Ended June 30, 2018**

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).

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three (3) years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the fiscal year June 30, 2018 reported in that schedule:

Valuation date	June 30, 2015
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	2.75%
Salary increases	N/A
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.
Cost of living adjustments	1.50% semiannually

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
 OTHER POST-EMPLOYMENT BENEFITS
 FOR THE FISCAL YEAR ENDED JUNE 30

	<u>2018</u>
School District's proportion of the net OPEB liability	0.788730%
School District's proportionate share of the net OPEB liability	\$ 110,816,247
School District's covered payroll	\$ 59,203,218
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	187.18%
Plan fiduciary net position as a percentage of the total OPEB liability	1.61%

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

	2018	2017
Contractually required contributions	\$ 4,130,093	\$ 4,112,501
Contributions in relation to the contractually required contributions	<u>4,130,093</u>	<u>4,112,501</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>
School District's covered payroll	\$ 62,400,929	\$ 59,203,219
Contributions as a percentage of covered payroll	6.62%	6.95%

**Notes to the Required Supplementary Information
Other Post-Employment Benefits
For the Fiscal Year Ended June 30, 2018**

Changes of benefit terms: In the June 30, 2010 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in a Medicare Advantage plan to receive the State subsidy.

Changes of assumptions: In the revised June 30, 2017 actuarial valuation, there was a change to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location. Additionally, there were changes to the discount rate and an increase in the investment rate of return due to a longer-term investment strategy.

In the June 30, 2015 actuarial valuation, decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.

In the June 30, 2012 actuarial valuation, a data audit was performed and data collection procedures and assumptions were changed.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance With Final Budget
	Original (1)	Final (1)		
REVENUES				
Property taxes	\$ 34,071,184	\$ 34,071,184	\$ 35,095,624	\$ 1,024,440
Other taxes	1,000,000	1,000,000	1,390,209	390,209
State funds	91,442,297	93,035,937	94,620,730	1,584,793
Federal funds	12,979,759	17,372,149	15,941,905	(1,430,244)
Charges for services	1,763,049	1,763,049	4,910,559	3,147,510
Investment earnings	-	-	40,532	40,532
Miscellaneous	192,750	370,670	2,229,541	1,858,871
Total revenues	141,449,039	147,612,989	154,229,100	6,616,111
EXPENDITURES				
Current:				
Instruction	89,803,325	94,345,389	96,840,696	(2,495,307)
Support services:				
Pupil services	4,221,743	4,755,872	4,654,910	100,962
Improvement of instructional services	2,602,337	2,379,451	2,237,051	142,400
Educational media services	2,176,214	2,176,214	2,234,857	(58,643)
Instructional staff training	11,735	963,866	729,094	234,772
Federal grant administration	233,898	538,000	493,693	44,307
General administration	976,731	984,375	1,703,180	(718,805)
School administration	10,387,559	10,390,205	10,230,562	159,643
Business administration	1,024,783	1,024,783	869,896	154,887
Maintenance and operation of facilities	10,832,137	11,087,096	10,997,639	89,457
Student transportation services	8,309,891	8,506,011	8,305,983	200,028
Central support services	870,942	870,942	776,406	94,536
Other support services	636,141	636,141	605,990	30,151
Food services operation	9,220,175	9,240,175	8,920,800	319,375
Community services operation	-	-	457,817	(457,817)
Capital outlay	240,387	391,909	258,482	133,427
Debt service:				
Principal retirement	-	-	438,771	(438,771)
Interest and fiscal charges	-	-	47,221	(47,221)
Total expenditures	141,547,998	148,290,429	150,803,048	(2,512,619)
Excess of revenues over expenditures	(98,959)	(677,440)	3,426,052	4,103,492
OTHER FINANCING SOURCES (USES)				
Transfers in	800,000	862,000	-	(862,000)
Transfers out	(800,000)	(862,000)	-	862,000
Long term license agreements	150,000	150,000	122,013	(27,987)
Total other financing sources (uses)	150,000	150,000	122,013	(27,987)
Net change in fund balances	51,041	(527,440)	3,548,065	4,075,505
FUND BALANCE, beginning of year	18,908,566	18,908,566	18,908,566	-
FUND BALANCE, end of year	\$ 18,959,607	\$ 18,381,126	\$ 22,456,631	\$ 4,075,505

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

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

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

CARROLL COUNTY BOARD OF EDUCATION

SCHEDULE "13"

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Funding Agency Program/Grant	CFDA Number	Pass- Through Entity ID Number	Total Expenditures
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	18185GA324N1099	\$ 1,606,379
National School Lunch Program - Cash	10.555	18185GA324N1100	4,231,087
After School Snacks	10.555	18185GA324N1100	153,974
National School Lunch Program - Commodities (1)	10.555	18185GA324N1100	<u>606,492</u>
Total Child Nutrition Cluster			6,597,932
Child Nutrition Discretionary Grants Limited Availability	10.579	185GA350N8103	<u>20,000</u>
Total U. S. Department of Agriculture			<u>6,617,932</u>
Education, U. S. Department of			
Direct			
Investing in Innovation (i3) Fund	84.411	N/A	<u>694,107</u>
Education for Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
Education for Homeless Children and Youth	84.196	S196A160011	23,429
Education for Homeless Children and Youth	84.196	S196A170011	<u>60,268</u>
Total Education for Homeless Children and Youth			<u>83,697</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Title VI-B Flow through	84.027	H027A160073	669,675
Title VI-B Flow through	84.027	H027A170073	2,371,735
High Cost Fund Pool	84.027	H027A170073	15,162
Preschool Grants	84.173	H173A160081	10,681
Preschool Grants	84.173	H173A170081	<u>92,426</u>
Total Special Education Cluster			<u>3,159,679</u>
Title I, Part A			
Pass-Through From Georgia Department of Education			
Title I - Improving the Academic Achievement of the Disadvantaged	84.010	S010A160010	269,907
Title I - Improving the Academic Achievement of the Disadvantaged	84.010	S010A170010	4,243,861
Title I - School Improvement	84.010	S010A170010	<u>63,000</u>
Total Title I, Part A			<u>4,576,768</u>

continued

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Funding Agency Program/Grant	CFDA Number	Pass- Through Entity ID Number	Total Expenditures
Education, U. S. Department of			
Title II			
Pass-Through From Georgia Department of Education			
Title II-A, Improving Teacher Quality	84.367	S367A160001	\$ 89,959
Title II-A, Improving Teacher Quality	84.367	S367A170001	368,207
Title II-A, Advanced Placement Grants	84.367	S367A160001	725
Title II-A, Advanced Placement Grants	84.367	S367A170001	<u>2,500</u>
Total Title II			<u>461,391</u>
Title III			
Pass-Through From Georgia Department of Education			
Title III-A, Limited English Proficient	84.365	S365A160010	1,229
Title III-A, Limited English Proficient	84.365	S365A170010	37,109
Title III-A, Immigrant	84.365	S365A170010	<u>1,688</u>
Total Title III			<u>40,026</u>
Title IV			
Pass-Through From Georgia Department of Education			
Title IV-Part A, Student Support and Academic Achievement	84.424	S424A170011	<u>69,824</u>
Vocational Education - Basic Grants to States			
Pass-Through From Georgia Department of Education			
CTAE - Perkins Plus Reserve	84.048	V048A170010	18,428
CTE - Perkins IV Grants - Program Improvement	84.048	V048A170010	134,511
CTE - Perkins IV Grants	84.048	V048A170010	<u>7,557</u>
Total Vocational Education - Basic Grants to States			<u>160,496</u>
Total U. S. Department of Education			<u>9,245,988</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.Unknown	N/A	<u>62,998</u>
Total Expenditures of Federal Awards			<u>\$ 15,926,918</u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

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

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

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Grants			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 3,778,212	\$ -	\$ 3,778,212
Kindergarten Program - Early Intervention Program	1,521,065	-	1,521,065
Primary Grades (1-3) Program	9,285,971	-	9,285,971
Primary Grades - Early Intervention (1-3) Program	3,702,822	-	3,702,822
Upper Elementary Grades (4-5) Program	4,927,556	-	4,927,556
Upper Elementary Grades - Early Intervention (4-5) Program	2,056,214	-	2,056,214
Middle School (6-8) Program	7,820,661	-	7,820,661
High School General Education (9-12) Program	7,974,260	-	7,974,260
Career Technical and Agricultural Education Program (9-12)	2,790,507	-	2,790,507
Students with Disabilities	14,242,265	-	14,242,265
Gifted Students - Category VI	4,689,044	-	4,689,044
Remedial Education Program	1,056,174	-	1,056,174
Alternative Education Program	623,521	-	623,521
English Speakers of Other Languages (ESOL)	561,351	-	561,351
Media Center Program	1,653,431	-	1,653,431
Twenty Days Additional Instruction	483,933	-	483,933
Staff and Professional Development	303,922	-	303,922
Principal Staff and Professional Development	6,513	-	6,513
Indirect Cost			
Central Administration	2,054,774	-	2,054,774
School Administration	3,560,999	-	3,560,999
Facility Maintenance and Operations	3,819,205	-	3,819,205
Categorical Grants			
Pupil Transportation	1,590,466	-	1,590,466
Nursing Services	294,580	-	294,580
Vocational Supervisors	33,006	-	33,006
Education Equalization Funding Grant	12,257,251	-	12,257,251
Food Services	218,692	-	218,692
Career, Technical, and Agricultural Education	383,115	-	383,115
Amended Formula Adjustment	(1,265,161)	-	(1,265,161)
Preschool Handicapped State Grant	209,766	-	209,766
Teachers Retirement	23,890	-	23,890
Office of Treasury and Fiscal Services			
Public School Employees Retirement	\$ 214,755	\$ -	\$ 214,755
Grants from Pre-K Lottery			
Georgia Pre-Kindergarten Program	2,348,806	-	2,348,806
Other Grants From Georgia Department of Education			
Student Achievement Grant	491,383	-	491,383
Technology To Support Digital Learning Bonds	75,558	-	75,558
Pupil Transportation - State Bonds	154,639	-	154,639
Residential Treatment Center Grants	516,221	-	516,221
Math and Science Supplement	112,356	-	112,356
Georgia Foundation for Public Education Teacher of the Year Grant	507	-	507
Funds From Other State Agencies			
Family Connection - DHR Grants	48,500	-	48,500
Other			
Capital Outlay Grants	-	284,233	284,233
	<u>\$ 94,620,730</u>	<u>\$ 284,233</u>	<u>\$ 94,904,963</u>

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CARROLL COUNTY BOARD OF EDUCATION

SCHEDULE "15"

SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2018

Project	Original Estimated Cost(1)	Current Estimated Costs(2)	Amount Expended In Current Year (3)	Amount Expended In Prior Years (3) (4) (5)	Total Completion Cost	Excess Proceeds Not Expended	Estimated Completion Date
SPLOST 2016							
BOWDON CLUSTER PROJECTS							
BOWDON HIGH SCHOOL - Renovations and modifications of classrooms; multi-purpose addition; tennis court restrooms; turf for football field (Tier II).	\$ 1,435,870	\$ 993,587	\$ 31,497	\$ 462,090	\$ -	\$ -	Fiscal Year 2023
BOWDON MIDDLE SCHOOL - Parking lot repairs and improvements; new tennis courts.	128,150	128,150	-	-	-	-	Fiscal Year 2023
BOWDON ELEMENTARY SCHOOL - Renovations and modifications of classrooms.	852,786	852,786	-	-	-	-	Fiscal Year 2020
OTHER - Technology equipment and upgrades; band, fine arts, and other equipment/improvements.	332,334	332,334	45,341	40,736	-	-	Fiscal Year 2023
CENTRAL CLUSTER PROJECTS							
CENTRAL HIGH SCHOOL - Gymnasium renovations and modifications; stadium renovations and modifications; fieldhouse expansion; turf for football field (Tier II).	2,821,518	2,918,422	91,499	2,826,923	2,918,422	-	Completed
CENTRAL MIDDLE SCHOOL - Car rider canopy; parking lot renovations and improvements; new tennis courts; four classroom addition (Tier II).	941,150	941,150	-	-	-	-	Fiscal Year 2020
CENTRAL ELEMENTARY SCHOOL - New gymnasium and music room.	1,811,615	2,247,154	102,023	2,145,131	2,247,154	-	Completed
ROOPVILLE ELEMENTARY SCHOOL - New gymnasium and with connector hall.	1,700,650	2,171,616	184,395	1,987,221	2,171,616	-	Completed
WHITESBURG ELEMENTARY SCHOOL - Parking lot repairs and improvements.	25,000	25,000	-	-	-	-	Fiscal Year 2023
OTHER - Technology equipment and upgrades; band, fine arts, and other equipment/improvements.	747,268	747,268	118,711	105,365	-	-	Fiscal Year 2023
MOUNT ZION CLUSTER PROJECTS							
MOUNT ZION HIGH SCHOOL - Multi-purpose addition; football field turf (Tier II).	1,055,123	1,380,744	8,400	872,344	-	-	Fiscal Year 2023
MOUNT ZION MIDDLE SCHOOL - Front canopy; parking lot repairs and improvements; interior renovations; new tennis courts.	350,650	350,650	-	-	-	-	Fiscal Year 2020
MOUNT ZION ELEMENTARY SCHOOL - Parking lot repairs and improvements.	25,000	25,000	-	-	-	-	Fiscal Year 2023
OTHER - Technology equipment and upgrades; band, fine arts, and other equipment/improvements.	302,605	302,605	55,509	56,414	-	-	Fiscal Year 2023
TEMPLE CLUSTER PROJECTS							
TEMPLE HIGH SCHOOL - Stadium and field renovations and modifications (turf for football field); renovations and modifications of classrooms.	1,935,000	2,268,984	172,675	1,852,244	-	-	Fiscal Year 2019
TEMPLE MIDDLE SCHOOL - New concession stand; renovations of classrooms; new tennis courts; four classroom addition (Tier II).	866,150	866,150	-	-	-	-	Fiscal Year 2023
TEMPLE ELEMENTARY SCHOOL - Renovations and modifications of classrooms	1,780,880	1,468,060	-	1,468,060	1,468,060	-	Completed
PROVIDENCE ELEMENTARY SCHOOL - Parking lot repair and improvements; four classroom addition (Tier II).	713,000	713,000	-	-	-	-	Fiscal Year 2023
SHARP CREEK ELEMENTARY SCHOOL - Gymnasium modifications and renovations.	175,000	73,228	-	73,228	73,228	-	Completed
OTHER - Technology equipment and upgrades; band, fine arts, and other equipment/improvements.	536,370	536,370	95,895	90,191	-	-	Fiscal Year 2023
VILLA RICA CLUSTER PROJECTS							
VILLA RICA HIGH SCHOOL - Dining room modifications and renovations; front office modifications and renovations; fieldhouse expansion; classroom modifications and renovations; three-classroom addition (Tier II); turf for football field (Tier II).	3,456,414	3,125,410	-	1,542,409	-	-	Fiscal Year 2023
BAY SPRINGS MIDDLE SCHOOL - Band room expansion; renovations of classrooms; new tennis courts.	302,525	302,525	-	-	-	-	Fiscal Year 2022
VILLA RICA MIDDLE SCHOOL - New concession stand; renovations of classrooms; new tennis courts.	178,150	178,150	-	-	-	-	Fiscal Year 2023
GLANTON HINDSMAN ELEMENTARY SCHOOL - Two new connector halls; four classroom addition (Tier II).	837,292	837,292	-	-	-	-	Fiscal Year 2021
ITHICA ELEMENTARY SCHOOL - Parking lot repairs and improvements; four classroom addition (Tier II).	713,000	713,000	-	-	-	-	Fiscal Year 2023
SAND HILL ELEMENTARY SCHOOL - Two classroom addition; dining room addition; four classroom addition (Tier II).	1,376,000	1,376,000	-	-	-	-	Fiscal Year 2021
VILLA RICA ELEMENTARY SCHOOL - Renovations and modifications of classrooms; new connector hall.	1,241,074	1,241,074	-	-	-	-	Fiscal Year 2020
OTHER - Technology equipment and upgrades; band, fine arts, and other equipment/improvements.	999,854	999,854	152,130	154,839	-	-	Fiscal Year 2023
OTHER PROJECTS							
COLLEGE AND CAREER ACADEMY - CCA North-Phase II; CCA technology and equipment.	3,076,345	3,076,345	5,618	324,123	-	-	Fiscal Year 2023
PERFORMING ARTS CENTER - Performing Arts Center Phase II (meeting rooms and office space).	2,984,744	9,199,586	443,248	8,756,338	9,199,586	-	Completed
SYSTEM-WIDE - Replacing, purchasing, upgrading, or supplementing capital equipment to include, but not limited to, school buses, tractors, trucks, furnishings, laboratory, physical education, athletic, band, fine arts, safety, security, or other equipment; books and other instructional equipment; energy efficiency upgrades and acquisition of energy savings project equipment currently being leased; renovations and improvements to facilities and acquisition of land and construction of new schools and facilities as needed:	6,403,733	6,403,733	35,187	80,103	-	-	Fiscal Year 2023
DEBT SERVICE	31,698,750	31,698,750	-	-	-	-	Fiscal Year 2023
BOND/ DEBT SERVICE FEES	1,990,000	1,990,000	2,015	401,320	-	-	Fiscal Year 2023
	<u>\$ 73,794,000</u>	<u>\$ 80,483,977</u>	<u>\$ 1,544,143</u>	<u>\$ 23,239,079</u>	<u>\$ 18,078,066</u>	<u>\$ -</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Carroll County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) The prior year SPLOST schedule included expenditures in the Band Funds project (\$60,642) that are now included in the Central Cluster Other (\$22,909), Mt. Zion Cluster Other (\$13,296), Temple Cluster Other (\$5,497), and the Villa Rica Cluster Other (\$18,940) projects.
- (5) The prior year SPLOST schedule included expenditures in the Debt Service project (\$755) that are now included in the Bond/Debt Service Fees project.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



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

July 18, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Carroll County Board of Education

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

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 Carroll County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated July 18, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 written in a cursive style with a horizontal line at the end.

Greg S. Griffin
State Auditor



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

July 18, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Carroll County Board of Education

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

Report on Compliance for Each Major Federal Program

We have audited the Carroll County Board of Education (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, 2018. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

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, 2018.

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,



Greg S. Griffin
State Auditor

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CARROLL COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

CARROLL COUNTY BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2018

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:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.