

**HENRY COUNTY BOARD  
OF EDUCATION  
ANNUAL FINANCIAL REPORT  
FOR THE  
FISCAL YEAR ENDED JUNE 30, 2018**

**Prepared by:  
Finance Department**

**33 North Zack Hinton Parkway  
McDonough, Georgia 30253**

**HENRY COUNTY BOARD OF EDUCATION  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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**To the Superintendent and Members of the  
Henry County Board of Education  
McDonough, Georgia**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Henry County Board of Education** as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Henry County Board of Education'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 the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Henry County Board of Education as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund, Special Revenue Fund and Debt Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 10 and Note 14, the Henry County Board of Education implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, as of July 1, 2017. This standard significantly changed the accounting for the Henry County Board of Education net other post-employment benefits (OPEB) liability and the related disclosures. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 12), the schedules of proportionate share of the net pension liability, the schedules of pension contributions, the schedules of proportionate share of the net OPEB liability, and the schedules of OPEB contributions on pages 61 through 71 be presented to supplement the basic financial elements. 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 Henry County Board of Education's 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 not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-121, and is also not a required part of the basic financial statements.

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The schedule of expenditures of federal awards and the schedule of expenditures of special purpose local option sales tax proceeds (collectively “the supplementary information”) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2019, on our consideration of the Henry County Board of Education’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Henry County Board of Education’s internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
April 3, 2019

**HENRY COUNTY SCHOOL SYSTEM**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**INTRODUCTION**

Our discussion and analysis of the Henry County School District’s (the “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 notes to the basic financial statements and financial statements to enhance their understanding of the School District’s financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2018 are as follows:

- On the government-wide financial statements, the assets and deferred outflows of resources of the School District exceeded liabilities and deferred inflows of resources by \$46.4 million.
- Total revenues for governmental funds increased from \$466.9 million in 2017 to \$486.1 million in 2018, an increase of \$19.2 million.
- Total expenditures of governmental funds increased from \$518.6 million in 2017 to \$594.2 million in 2018, an increase of \$75.6 million.
- The 2018 total fund balance for the General Fund (\$39.1 million) shows a \$5.3 million decrease from the prior fiscal year amount (\$44.4 million).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts; management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the government-wide and fund financial statements.

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

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



**HENRY COUNTY SCHOOL SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

County School District, the General Fund, Capital Projects Fund, Debt Service Fund, and Special Revenue Fund are reported as major funds.

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

**Government-Wide Statements**

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

The two government-wide statements report the School District's net position and how they have changed. Net position, the difference between the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School District, additional non-financial factors, such as changes in the property tax base, community support for education and student achievement, should be considered.

The Statement of Net Position and the Statement of Activities reflects the School District's governmental activities.

**Fund Financial Statements**

The School District uses many funds to account for a multitude of financial transactions during the fiscal year. However, the fund financial statements presented in this report provide separate columns of detailed information about only the School District's major funds.

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the **modified accrual method of accounting** which measures cash and all other financial assets that can be readily 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.

**HENRY COUNTY SCHOOL SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

Fiduciary Funds – The School District is the trustee, or fiduciary, for assets that belong to clubs, organizations and others 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.

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

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

	<b>Governmental Activities</b>	
	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b> <sup>(1)</sup>
<b>Assets</b>		
Current and Other Assets	\$ 241,015,629	\$ 334,257,714
Capital Assets, Net	812,333,974	731,573,372
<b>Total Assets</b>	<b>\$ 1,053,349,603</b>	<b>\$ 1,065,831,086</b>
<b>Deferred Outflows of Resources</b>		
Deferred Charge on Refund	\$ 92,709,861	\$ 100,785,091
<b>Liabilities</b>		
Current and Other Liabilities	81,444,691	67,202,034
Long-Term Liabilities	982,490,990	750,537,979
<b>Total Liabilities</b>	<b>\$ 1,063,935,681</b>	<b>\$ 817,740,013</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 35,766,785</b>	<b>\$ 7,115,650</b>
<b>Net Position</b>		
Invested in Capital Assets, Net of Debt	\$ 505,860,673	\$ 367,403,517
Restricted	36,995,158	26,289,857
Unrestricted	(496,498,833)	(51,932,860)
<b>Total Net Position</b>	<b>\$ 46,356,998</b>	<b>\$ 341,760,514</b>

(1) Fiscal Year 2017 balances do not reflect the effects on the Restatement of Net Position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

**HENRY COUNTY SCHOOL SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Table 2  
Changes in Net Position

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 9,482,885	\$ 10,372,703
Operating Grants and Contributions	246,182,430	233,086,493
Capital Grants and Contributions	1,777,452	6,089,354
<b>Total Program Revenues</b>	<b>257,442,767</b>	<b>249,548,550</b>
General Revenues:		
Property Taxes	157,001,792	148,479,274
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Service	35,564,476	33,741,025
Other Taxes	4,171,946	4,477,930
Grants and Contributions not Restricted to Specific Programs	19,858,289	18,576,312
Investment Earnings	2,659,272	1,598,608
Local School Activity	9,614,513	10,089,191
Total General Revenues	228,870,288	216,962,340
<b>Total Revenues</b>	<b>486,313,055</b>	<b>466,510,890</b>
<b>Program Expenses</b>		
Instruction	320,338,625	307,664,772
Support Services		
Pupil Services	16,480,801	13,492,979
Improvement of Instructional Services	10,852,901	17,055,138
Instructional Staff Training	3,622,817	
Educational Media Services	6,040,408	5,622,143
General Administration	3,358,907	3,111,558
School Administration	28,314,697	25,081,905
Business services	1,870,087	1,583,474
Maintenance and Operation of Plant	33,717,886	32,813,239
Student Transportation Services	20,755,701	20,448,447
Central Support Services	2,106,651	1,939,365
Other Support Services	3,274,490	3,257,887
Operations of Non-Instructional Services		
Community Services	3,077,700	2,924,070
School Nutrition	17,706,614	17,694,856
Interest on Short-Term and Long-Term Debt	9,451,111	10,628,060
<b>Total Expenses</b>	<b>480,969,396</b>	<b>463,317,893</b>
<b>Increase in Net Position</b>	<b>\$ 5,343,659</b>	<b>\$ 3,192,997</b>

**HENRY COUNTY SCHOOL SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity as compared to the prior fiscal year.

**Table 3**  
**Cost of Services**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
Instruction	\$ 320,338,625	\$ 307,664,772	\$ 108,863,663	\$ 106,197,707
Support Services				
Pupil Services	16,480,801	13,492,979	13,981,914	11,266,005
Improvement of Instructional Services	10,852,901	17,055,138	10,137,818	12,267,879
Improvement of instructional Staff Training	3,622,817	-	487,048	-
Educational Media Services	6,040,408	5,622,143	6,040,408	5,622,143
General Administration	3,358,907	3,111,558	(1,685,854)	(1,005,506)
School Administration	28,314,697	25,081,905	28,314,697	25,081,905
Business Services	1,870,087	1,583,474	1,863,672	1,576,798
Maintenance and Operations	33,717,886	32,813,239	22,756,625	21,802,957
Student Transportation	20,755,701	20,448,447	18,611,703	17,925,404
Central Support Services	2,106,651	1,939,365	2,082,811	1,915,294
Other Support Services	3,274,490	3,257,887	3,273,630	3,154,246
Operations of Non-Instructional Services				
Enterprise Operations	-	-	(169,425)	(148,173)
Community Services	3,077,700	2,924,070	(1,034,957)	(2,354,941)
School Nutrition	17,706,614	17,694,856	551,765	(160,435)
Interest on Long-Term Debt	9,451,111	10,628,060	9,451,111	10,628,060
<b>Total Expenses</b>	<b>\$ 480,969,396</b>	<b>\$ 463,317,893</b>	<b>\$ 223,526,629</b>	<b>\$ 213,769,343</b>

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$486.1 million and total expenditures of \$594.2 million. Included in the expenditures of \$594.2 million were approximately \$50.9 million of debt service expenditures.

**HENRY COUNTY SCHOOL SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Major Funds:**

**General Fund**

The General Fund is the operating fund of the School District. Revenue from state and federal sources accounted for 62% of the School District's revenue. The other 38% is from local sources, primarily ad valorem taxes. In fiscal year 2018, state and federal funding increased by \$12.7 million. This was the result of a smaller state "austerity" cut and student enrollment growth. Local revenues increased by \$8.8 million. This was the result of growth in the property tax digest. The School District's maintenance and operation millage is 20.00 mills.

**Capital Projects Fund**

The Capital Projects Fund is used to account for school construction and improvement projects. The Capital Projects Fund expenditures were made primarily with funds from a \$214.3 million General Obligation Bond Referendum in 2016. The School District purchased school buses and land, improved technology, continued construction on a new middle school and a new high school, renovated, repaired, and improved existing facilities in 2018. Those expenditures totaled \$124 million.

**Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources and payments of principal and interest for general obligation bond issues of the School District. Special Purpose Local Option Sales Tax (SPLOST) collections accounted for 60% of the Debt Service Fund revenue. The other 40% is from ad valorem taxes. For fiscal year 2018, the debt service millage rate was 3.628 mills.

**General Fund Budgeting Highlights**

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

The School District budget is adopted at the aggregate level and maintained at the program, function, object, and site levels to facilitate budgetary control. The budgeting systems are designed to control the total budget, but provide flexibility to meet the ongoing programmatic needs. The budgeting systems are also designed to control total site budgets but provide flexibility for site management.

For the General Fund, actual revenues of \$373.2 million were 101.4% of the final budgeted amount of \$367.9 million. The final actual expenditures of \$378.7 million were 99.8% of the final budgeted amount of \$379.4 million. The School District's actual results for the General Fund for the fiscal year show that expenditures exceeded revenues by \$5.6 million. The School District had planned to use \$12 million of reserves to balance the 2018 budget. However, revenues exceeded projections and expenditures were less than projected.

**HENRY COUNTY SCHOOL SYSTEM**  
**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 \$793.7 million invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation as compared to the prior fiscal year.

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

	<b>Governmental Activities</b>	
	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>
Land	\$ 43,256,086	\$ 42,194,009
Construction in Progress	85,131,520	33,593,649
Buildings and Improvements	643,716,685	638,797,706
Land Improvements	9,972,251	5,605,036
Infrastructure	2,528,942	2,616,396
Equipment	27,728,490	8,766,576
<b>Total</b>	<b>\$ 812,333,974</b>	<b>\$ 731,573,372</b>

**HENRY COUNTY SCHOOL SYSTEM**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Debt**

At fiscal year ended June 30, 2018, the School District had \$982.5 million in long-term liabilities outstanding. Table 5 summarizes the School District’s liabilities as compared to the prior fiscal year.

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

	<b>Governmental Activities</b>	
	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>
Bonds Payable	\$ 329,558,595	\$ 370,826,723
Compensated Absences	1,681,620	1,395,378
Workers Compensation Claims Payable	2,302,600	1,563,128
Net Pension Liability	350,461,838	376,752,750
Net OPEB Liability	298,486,337	-
<b>Total</b>	<b>\$ 982,490,990</b>	<b>\$ 750,537,979</b>

At June 30, 2018, the School District’s assigned bond ratings were ‘Aa2’ and ‘AA’ as determined by Moody’s Investor Services, Inc. and Standard and Poor’s Rating Services.

**ECONOMIC CONDITIONS AFFECTING THE SCHOOL SYSTEM**

The fiscal year 2019 budget was presented to the public and tentatively adopted by the Board of Education on April 9, 2018 with the final adoption on May 14, 2018. The budget represents an investment plan for the School District, its students, employees, and the community as a whole. The budget is tied directly to the strategic vision and direction of the Board of Education.

The budget for the General Fund for FY 2019 is \$384 million, representing an increase of 1.1% from the FY 2018 General Fund budget.

The state revenue “austerity” cuts made to the Quality Basic Education (QBE) funding formula were eliminated in FY 2019. The cuts began in FY 2003 and the cumulative effect of these reductions on the School District over the 16-year period is a loss of approximately \$220.9 million. The School District does not expect an “austerity” reduction in FY 2020.

**HENRY COUNTY SCHOOL SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The millage rate to support the School District's operating budget is projected to remain unchanged from the previous year rate of 20.00 mills. Also, positively impacting revenue estimates is projected growth in the local property tax digest. The value of the ad valorem tax digest increased by 6.07% in FY 2018 and 8.72% in FY 2019. This indicates that existing property values have stabilized and new construction is being added to the digest.

With property tax revenue stabilizing and continuing to grow, and austerity cuts in state funding declining, the School District was able to continue its efforts in offering a competitive compensation package. The School District and the school communities know supportive, safe and secure learning environments are essential to student achievement. Financial resources are aligned to the Board's core beliefs and commitments.

The School District plans capital improvements as future capital needs arise due to increased student population, facility repair, and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues, collections from Education Special Purpose Local Option Sales Tax (ESPLOST), 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.

ESPLOST collections in calendar year 2018 were \$36.5 million (7.24% increase compared to 2017). On March 1, 2016, the citizens of Henry County approved a referendum to continue collecting the sales tax for education for another five years beginning January 1, 2018 and ending on December 31, 2022.

On March 1, 2016, qualified voters of Henry County approved the School District to issue up to \$325,000,000 in aggregate principal amount of General Obligation Bonds. On May 19, 2016, the School District issued \$214,255,000 General Obligation Bonds, Series 2016. Collections from the ESPLOST beginning January 1, 2018, and bond millage tax revenue will be used to retire the 15-year bond debt. The funds will be used to construct a new high school, middle school, and performing arts center, renovate and repair existing facilities, improve technology, purchase buses and land. Expenditure of the funds began in FY 2018. On December 11, 2018, the School District issued \$110,745,000 General Obligation Bonds, Series 2018, to be used to complete the aforementioned projects.

**CONTACTING THE SCHOOL SYSTEM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's taxpayers, investors and creditors with a general overview of the School District's finances and to show the School System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mrs. Christy Willis, Chief Financial Officer, Henry County Board of Education, 33 North Zack Hinton Parkway, McDonough Georgia, 30253. You may also email your questions to Mrs. Willis at [christy.willis@henry.k12.ga.us](mailto:christy.willis@henry.k12.ga.us).



## **BASIC FINANCIAL STATEMENTS**

# HENRY COUNTY BOARD OF EDUCATION

## STATEMENT OF NET POSITION JUNE 30, 2018

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 38,708,037
Investments	159,503,976
Intergovernmental receivables	42,179,787
Inventories	623,829
Capital assets, nondepreciable	128,387,606
Capital assets, depreciable (net of accumulated depreciation)	683,946,368
Total assets	1,053,349,603
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	72,130,540
Other post-employment benefits	20,074,766
Deferred charge on refunding	504,555
Total deferred outflows of resources	92,709,861
<b>LIABILITIES</b>	
Accounts payable	11,627,838
Accrued interest	5,240,334
Accrued payroll and payroll withholdings	48,481,720
Contracts payable	10,495,584
Retainage payable	5,599,215
Workers' compensation claims payable due within one year	1,738,516
Workers' compensation claims payable due in more than one year	564,084
Compensated absences due within one year	827,186
Compensated absences due in more than one year	854,434
Net pension liability, due in more than one year	350,461,838
Net other post-employment benefit liability, due in more than one year	298,486,337
General obligation bonds due within one year	9,914,000
General obligation bonds due in more than one year, net of unamortized premium	319,644,595
Total liabilities	1,063,935,681
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	6,767,313
Other post-employment benefits	28,999,472
Total deferred inflows of resources	35,766,785
<b>NET POSITION</b>	
Net investment in capital assets	505,860,673
Restricted for debt service	32,600,947
Restricted for program activities	4,394,211
Unrestricted	(496,498,833)
Total net position	\$ 46,356,998

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

# HENRY COUNTY BOARD OF EDUCATION

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Revenues and Changes</u> <u>in Net Position</u> <u>Governmental</u> <u>Activities</u>
Governmental activities:					
Instruction	\$ 320,338,625	\$ 1,641,718	\$ 208,210,431	\$ 1,622,813	\$ (108,863,663)
Pupil services	16,480,801	-	2,498,887	-	(13,981,914)
Improvement of instructional services	10,852,901	-	715,083	-	(10,137,818)
Instructional staff training	3,622,817	-	3,135,769	-	(487,048)
Educational media services	6,040,408	-	-	-	(6,040,408)
General administration	3,358,907	-	5,044,761	-	1,685,854
School administration	28,314,697	-	-	-	(28,314,697)
Business services	1,870,087	-	6,415	-	(1,863,672)
Maintenance and operations	33,717,886	-	10,961,261	-	(22,756,625)
Student transportation	20,755,701	-	1,989,359	154,639	(18,611,703)
Central support services	2,106,651	-	23,840	-	(2,082,811)
Other support services	3,274,490	-	860	-	(3,273,630)
School nutrition	17,706,614	3,559,085	13,595,764	-	(551,765)
Enterprise operations	-	169,425	-	-	169,425
Community services	3,077,700	4,112,657	-	-	1,034,957
Interest on long-term debt	9,451,111	-	-	-	(9,451,111)
Total governmental activities	\$ 480,969,396	\$ 9,482,885	\$ 246,182,430	\$ 1,777,452	(223,526,629)
General revenues:					
Property taxes					157,001,792
Sales taxes					35,564,476
Other taxes					4,171,946
Grants and contributions not restricted to specific programs					19,858,289
Local school activity					9,614,513
Unrestricted investment earnings					2,659,272
Total general revenues					228,870,288
Change in net position					5,343,659
Net position, beginning of year, as restated					41,013,339
Net position, end of year					\$ 46,356,998

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

# HENRY COUNTY BOARD OF EDUCATION

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

ASSETS	General	Debt Service	Special Revenue	Capital Projects	Total Governmental Funds
Cash	\$ 27,525,545	\$ 1,684,302	\$ 6,950,732	\$ 2,547,458	\$ 38,708,037
Investments	33,753,421	27,694,791	-	98,055,764	159,503,976
Due from other governments	36,133,707	3,526,931	2,519,149	-	42,179,787
Due from other funds	1,021,716	-	1,315,578	-	2,337,294
Inventories	-	-	623,829	-	623,829
Total assets	<u>\$ 98,434,389</u>	<u>\$ 32,906,024</u>	<u>\$ 11,409,288</u>	<u>\$ 100,603,222</u>	<u>\$ 243,352,923</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 10,471,246	\$ -	\$ 312,568	\$ 844,024	\$ 11,627,838
Contracts payable	-	-	-	10,495,584	10,495,584
Retainage payable	-	-	-	5,599,215	5,599,215
Due to other funds	1,315,578	-	1,021,716	-	2,337,294
Accrued payroll and payroll withholdings	45,860,818	-	2,620,902	-	48,481,720
Total liabilities	<u>57,647,642</u>	<u>-</u>	<u>3,955,186</u>	<u>16,938,823</u>	<u>78,541,651</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	1,666,067	305,077	-	-	1,971,144
Total deferred inflows of resources	<u>1,666,067</u>	<u>305,077</u>	<u>-</u>	<u>-</u>	<u>1,971,144</u>
<b>FUND BALANCES</b>					
Fund balances:					
Nonspendable for inventories	-	-	623,829	-	623,829
Restricted for:					
Program activities	-	-	3,770,382	-	3,770,382
Debt service	-	32,600,947	-	-	32,600,947
Capital projects	-	-	-	83,664,399	83,664,399
Committed to school activity funds	-	-	2,690,230	-	2,690,230
Assigned:					
Program activities	-	-	369,661	-	369,661
Unassigned	39,120,680	-	-	-	39,120,680
Total fund balances	<u>39,120,680</u>	<u>32,600,947</u>	<u>7,454,102</u>	<u>83,664,399</u>	<u>162,840,128</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 98,434,389</u>	<u>\$ 32,906,024</u>	<u>\$ 11,409,288</u>	<u>\$ 100,603,222</u>	<u>\$ 243,352,923</u>

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

# HENRY COUNTY BOARD OF EDUCATION

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2018

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

Fund balances - total governmental funds	\$ 162,840,128
Capital assets	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of the assets	1,061,473,023
Accumulated depreciation	(249,139,049)
Revenues	
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.	1,971,144
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Long-term liabilities at year-end consist of the following:	
Bonds payable	(294,003,000)
Accrued interest payable	(5,240,334)
Unamortized premium	(35,555,595)
Unamortized deferred charge on refunding	504,555
Compensated absences	(1,681,620)
Workers' compensation claims payable	(2,302,600)
Net pension liability	(350,461,838)
Deferred outflows of resources - pensions	72,130,540
Deferred inflows of resources - pensions	(6,767,313)
Net OPEB liability	(298,486,337)
Deferred outflows of resources - OPEB	20,074,766
Deferred inflows of resources - OPEB	(28,999,472)
Net position - governmental activities.	<u>\$ 46,356,998</u>

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

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

	<b>General</b>	<b>Debt Service</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local sources	\$ 141,031,293	\$ 58,794,680	\$ 17,304,334	\$ -	\$ 217,130,307
State sources	233,289,385	-	1,091,498	1,622,813	236,003,696
Federal sources	2,011,304	-	28,292,205	-	30,303,509
Interest income	617,314	242,994	237	1,798,727	2,659,272
Total revenues	<u>376,949,296</u>	<u>59,037,674</u>	<u>46,688,274</u>	<u>3,421,540</u>	<u>486,096,784</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	262,630,506	-	18,091,891	-	280,722,397
Pupil services	13,685,495	-	2,548,334	-	16,233,829
Improvement of instructional services	8,306,106	-	2,333,321	-	10,639,427
Instructional staff training	426,217	-	3,135,769	-	3,561,986
Educational media services	5,907,881	-	-	-	5,907,881
General administration	3,107,122	-	222,128	-	3,329,250
School administration	27,595,435	-	-	-	27,595,435
Business services	1,850,579	1,300	-	-	1,851,879
Maintenance and operations	33,557,256	-	-	-	33,557,256
Student transportation	19,412,023	-	23,302	-	19,435,325
Central support services	2,043,666	-	15,361	-	2,059,027
Other support services	3,274,783	-	-	-	3,274,783
School nutrition	108,416	-	17,112,712	-	17,221,128
Community service	-	-	3,068,937	-	3,068,937
Capital outlay	-	-	-	114,817,632	114,817,632
Debt service:					
Principal retirement	-	37,541,000	-	-	37,541,000
Interest and fiscal charges	-	4,202,940	-	9,162,900	13,365,840
Total expenditures	<u>381,905,485</u>	<u>41,745,240</u>	<u>46,551,755</u>	<u>123,980,532</u>	<u>594,183,012</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,956,189)</u>	<u>17,292,434</u>	<u>136,519</u>	<u>(120,558,992)</u>	<u>(108,086,228)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	57,861	-	418,592	6,554,479	7,030,932
Transfers out	(418,592)	(6,554,479)	(57,861)	-	(7,030,932)
Total other financing sources (uses)	<u>(360,731)</u>	<u>(6,554,479)</u>	<u>360,731</u>	<u>6,554,479</u>	<u>-</u>
Net change in fund balances	(5,316,920)	10,737,955	497,250	(114,004,513)	(108,086,228)
<b>FUND BALANCE, beginning of year</b>	<u>44,437,600</u>	<u>21,862,992</u>	<u>6,956,852</u>	<u>197,668,912</u>	<u>270,926,356</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 39,120,680</u>	<u>\$ 32,600,947</u>	<u>\$ 7,454,102</u>	<u>\$ 83,664,399</u>	<u>\$ 162,840,128</u>

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

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

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

Net change in fund balances - total governmental funds. \$ (108,086,228)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Total capital outlay	104,097,267
Total depreciation	(23,188,981)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position. (147,684)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 334,070

The issuance of long-term debt provides current financial resources to governmental funds, and thus contributes to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position. The amount of the items that make up these differences in the treatment of long-term debt and related items are as follows:

Principal repayments on general obligation bonds	37,541,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The adjustments for these items are as follows:

Change in compensated absences	(286,242)
Change in accrued interest on general obligation bonds	267,416
Change in workers' compensation claim liability	(739,472)
Adjustment to record pension expense and related revenue for pension special funding situation, net of fund level amounts	(117,799)
Change in net pension liability and deferred inflows and outflows related to pension activity	(1,313,133)
Change in net OPEB liability and deferred inflows and outflows related to OPEB activity	(6,663,868)
Amortization of premium on general obligation bonds	3,727,128
Amortization of deferred loss on refunding	(79,815)

Change in net position - governmental activities.	\$ 5,343,659
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**The accompanying notes are an integral part of these financial statements.**

**HENRY COUNTY BOARD OF EDUCATION**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 137,329,627	\$ 137,329,627	\$ 141,031,293	\$ 3,701,666
State sources	228,345,342	228,345,342	229,497,624	1,152,282
Federal sources	2,106,000	2,106,000	2,011,304	(94,696)
Interest income	120,000	120,000	617,314	497,314
Total revenues	<u>367,900,969</u>	<u>367,900,969</u>	<u>373,157,535</u>	<u>5,256,566</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	263,588,738	263,588,738	260,524,529	3,064,209
Pupil services	12,978,004	12,978,004	13,575,754	(597,750)
Improvement of instructional services	8,588,724	8,588,724	8,306,106	282,618
Instructional staff training	-	-	426,217	(426,217)
Educational media services	5,769,438	5,769,438	5,860,507	(91,069)
General administration	3,026,977	3,026,977	3,102,542	(75,565)
School administration	26,803,114	26,803,114	27,374,153	(571,039)
Business services	1,885,489	1,885,489	1,842,320	43,169
Maintenance and operations	33,358,015	33,358,015	33,411,055	(53,040)
Student transportation	19,012,804	19,012,804	19,008,162	4,642
Central support services	2,086,558	2,086,558	2,032,750	53,808
Other support services	2,301,087	2,301,087	3,273,676	(972,589)
Total expenditures	<u>379,398,948</u>	<u>379,398,948</u>	<u>378,737,771</u>	<u>661,177</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,497,979)</u>	<u>(11,497,979)</u>	<u>(5,580,236)</u>	<u>5,917,743</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	57,861	57,861
Transfers out	-	-	(418,592)	(418,592)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(360,731)</u>	<u>(360,731)</u>
Net change in fund balances	<u>\$ (11,497,979)</u>	<u>\$ (11,497,979)</u>	<u>\$ (5,940,967)</u>	<u>\$ 5,557,012</u>

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



**HENRY COUNTY BOARD OF EDUCATION**  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b>Budget</b>		<b>Actual</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Local sources	\$ 56,686,615	\$ 56,686,615	\$ 58,794,680	\$ 2,108,065
Interest income	175,000	175,000	242,994	67,994
Total revenues	<u>56,861,615</u>	<u>56,861,615</u>	<u>59,037,674</u>	<u>2,176,059</u>
<b>EXPENDITURES</b>				
Current:				
Business services	-	-	1,300	(1,300)
Debt service:				
Principal retirement	37,541,000	37,541,000	37,541,000	-
Interest and fiscal charges	4,206,300	4,206,300	4,202,940	3,360
Total expenditures	<u>41,747,300</u>	<u>41,747,300</u>	<u>41,745,240</u>	<u>2,060</u>
Excess of revenues over expenditures	<u>15,114,315</u>	<u>15,114,315</u>	<u>17,292,434</u>	<u>2,178,119</u>
<b>OTHER FINANCING USES</b>				
Transfers out	-	-	(6,554,479)	(6,554,479)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(6,554,479)</u>	<u>(6,554,479)</u>
Net change in fund balances	<u>\$ 15,114,315</u>	<u>\$ 15,114,315</u>	<u>\$ 10,737,955</u>	<u>\$ (4,376,360)</u>

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

**HENRY COUNTY BOARD OF EDUCATION**  
**SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources	\$ 16,830,000	\$ 16,830,000	\$ 17,304,334	\$ 474,334
State sources	824,748	824,748	1,091,498	266,750
Federal sources	30,295,967	30,295,967	28,292,205	(2,003,762)
Interest income	-	-	237	237
Total revenues	<u>47,950,715</u>	<u>47,950,715</u>	<u>46,688,274</u>	<u>(1,262,441)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	19,452,496	19,452,496	18,088,667	1,363,829
Pupil services	2,576,927	2,576,927	2,547,880	29,047
Improvement of instructional services	5,012,758	5,012,758	2,332,905	2,679,853
Instructional staff training	-	-	3,135,769	(3,135,769)
General administration	192,020	192,020	222,128	(30,108)
Student transportation	39,667	39,667	23,302	16,365
Central support services	14,000	14,000	15,361	(1,361)
Other support services	15,938	15,938	-	15,938
School nutrition	18,781,000	18,781,000	17,109,664	1,671,336
Community service	3,880,968	3,880,968	3,068,937	812,031
Total expenditures	<u>49,965,774</u>	<u>49,965,774</u>	<u>46,544,613</u>	<u>3,421,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,015,059)</u>	<u>(2,015,059)</u>	<u>143,661</u>	<u>2,158,720</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	418,592	418,592
Transfers out	-	-	(57,861)	(57,861)
Total other financing sources	<u>-</u>	<u>-</u>	<u>360,731</u>	<u>360,731</u>
Net change in fund balances	<u>\$ (2,015,059)</u>	<u>\$ (2,015,059)</u>	<u>\$ 504,392</u>	<u>\$ 2,519,451</u>

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

**HENRY COUNTY BOARD OF EDUCATION**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**JUNE 30, 2018**

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	<u>Agency Fund</u> <u>Student</u> <u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 484,512
<b>LIABILITIES</b>	
Due to others	\$ 484,512

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

# HENRY COUNTY BOARD OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Henry County Board of Education (the "School System") operates under a Board/Superintendent form of government. The five-member Board is elected by the public and the Board appoints the superintendent. These five elected members have decision making authority, the power to designate management, and the ability to significantly influence operations. The Board determines the millage rate at which school taxes are levied and may incur bonded indebtedness with voter approval.

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## NOTES TO FINANCIAL STATEMENTS

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the School System considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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 12-month contract period, typically, September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued, as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in 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 System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

## NOTES TO FINANCIAL STATEMENTS

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

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

The School System reports the following major governmental funds:

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

The **Special Revenue Fund** accounts for Federal and State funded programs. These grants are awarded to the School System for the purpose of accomplishing specific educational tasks as defined in the grant agreements. These funds also contain several locally funded programs whose expenditures are limited to specific purposes. School Activity Funds are also reported as special revenue funds. The School Activity Funds are used to account for funds collected primarily through the fund raising efforts of the individual school. Each school's principal is responsible, under the authority of the Henry County Board of Education, for collecting, controlling, disbursing, and accounting for his or her school's funds. All resources of the fund, including earnings on invested resources, may be used to support the schools' activities.

The **Debt Service Fund** is used to account for accumulation of property tax and Special Purpose Local Option Sales Tax (SPLOST) proceeds for the payment of debt principal and interest on the various bond issuances of the School System.

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

Additionally, the School System reports the following fund type:

The **Agency Fund** is used to account for student club and class accounts.

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### D. Cash and Investments

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

State statutes authorize the School System to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool (Georgia Fund 1). The investment in Georgia Fund 1, created by O.C.G.A. 36-83-8, represents the School System's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. Treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, banker's acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in Georgia Fund 1 is valued at fair market value.

#### E. Receivables and Payables

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

#### F. On-Behalf Payments

The State of Georgia makes certain pension plan payments on behalf of the School System for its employees. The School System records these payments as both a revenue and expenditure in the General Fund. The total of the on-behalf payments for the fiscal year ended June 30, 2018, was \$527,679.

#### G. Inventories

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

## NOTES TO FINANCIAL STATEMENTS

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

#### H. Non-Monetary Transactions

The School System received from the United States Department of Agriculture through the Georgia Department of Education approximately \$1,192,577 in donated food commodities for its lunchroom programs. The federally assigned value of these commodities is reflected as a revenue and an expenditure in the financial statements.

#### I. Capital Assets

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

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

<u>Asset</u>	<u>Capitalization Threshold</u>	<u>Years</u>
Land	All	N/A
Infrastructure	All	50
Land improvements	\$ 10,000	10-20
Buildings and improvements	\$ 100,000	20-60
Machinery and equipment	\$ 10,000	5-25

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

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

In addition to assets, the statement of financial position/governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Governmental Activities report several types of deferred outflows of resources related to the reporting of the net pension liability and net OPEB liability. See also Note 9 – Retirement Plans and Note 10 – Other Post-Employment Benefits.



## NOTES TO FINANCIAL STATEMENTS

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

#### J. Deferred Outflows/Inflows of Resources (Continued)

In addition to the items related to the changes in the net pension liability and the net OPEB liability, the School System has one other item that qualifies for reporting in this category. That item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

In addition to liabilities, the statement of financial position/governmental funds balance sheet reports a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of resources that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In addition to the items related to changes in the net pension liability and net OPEB liability as discussed below, the School System has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The Governmental Funds report unavailable revenues from two sources: property taxes and grants. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The Governmental Activities report deferred inflows of resources related to the reporting of the net pension liability and net OPEB liability. See also Note 9 – Retirement Plans and Note 10 – Other Post-Employment Benefits.

#### K. Pensions

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

#### L. Long-Term Obligations

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

## NOTES TO FINANCIAL STATEMENTS

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

#### L. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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.

#### M. Compensated Absences

It is the School System's policy to permit employees to accumulate unused vacation and sick pay benefits. Accumulated unpaid sick leave benefits do not vest and, therefore, are not accrued in any fund, but are recognized as expenditures or expenses when incurred. Accumulated unpaid vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

#### N. Other Post-employment Benefits (OPEB):

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

#### O. Fund Equity

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

## NOTES TO FINANCIAL STATEMENTS

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

#### O. Fund Equity (Continued)

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the School System is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

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

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

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

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

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

**Committed:** The Henry County Board of Education is the School System's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

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

## NOTES TO FINANCIAL STATEMENTS

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

#### O. Fund Equity (Continued)

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

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

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

#### P. Use of Estimates

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

#### Q. Tax Abatement Agreements

During the year ended June 30, 2017, the School System implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures. This statement requires the School System to disclose information for any tax abatement agreements, either entered into by the School System, or agreements entered into by other governments that reduce the School System's tax revenues. As of June 30, 2018, the School System did not have any such agreements, either entered into by the School System or by other governments that exceeded the quantitative threshold for disclosure.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School System adopts annual budgets for its General Fund, Debt Service Fund and Special Revenue Fund. The School System does not employ encumbrance accounting and, accordingly, all appropriations lapse at year-end. After the School System has tentatively adopted a budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board members after the advertisement, the budget is revised as necessary and adopted as the final budget. This final budget is then submitted to the Georgia Department of Education in accordance with provisions of the Quality Basic Education Act (QBE). The level of budgetary control (the level at which expenditures may not exceed appropriations) is at the function level.

The Statements of Revenues and Expenditures – Budget (Non-GAAP) to Actual present actual and budget data for the General Fund, Special Revenue Fund and Debt Service Fund. To facilitate comparison with the budget, adjustments have been made to actual revenues and expenditures to reflect actual amounts on the budget basis. The primary differences between the budget basis and accounting principles generally accepted in the United States of America (“GAAP”) are:

- a. State QBE revenue is recorded when received (budget) rather than when susceptible to accrual (GAAP).
- b. Salaries and employee benefits paid to teachers under contract are recorded when paid (budget) rather than when the liability is incurred (GAAP).
- c. Payments made by the State of Georgia for School System employee benefits are recognized as revenues and expenditures under GAAP and are not recognized on the budget basis.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Adjustments necessary to convert the General Fund's net change in fund balance from the GAAP basis to the budgetary basis are as follows:

GAAP basis net change in fund balance	\$ (5,316,920)
Adjustments for:	
State QBE revenue	(3,264,081)
Salaries and employee benefits	2,640,034
State paid employee benefit revenue	(527,679)
State paid employee benefit expenditures	<u>527,679</u>
Budget basis net change in fund balance	<u>\$ (5,940,967)</u>

Adjustments necessary to convert the Special Revenue Fund's net change in fund balance from the GAAP basis to the budgetary basis are as follows:

GAAP basis net change in fund balance	\$ 497,250
Adjustments for salaries and employee benefits	<u>7,142</u>
Budget basis net change in fund balance	<u>\$ 504,392</u>

### NOTE 3. DEPOSITS AND INVESTMENTS

**Credit Risk.** State statutes authorize the School System to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool (Georgia Fund 1). The investment in Georgia Fund 1, created by O.C.G.A. 36-83-8, represents the School System's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. Treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, bankers' acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in Georgia Fund 1 is valued at fair market value.

At June 30, 2018, the School System had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	10-day weighted average	\$ 159,503,976

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

**Custodial Credit Risk – Deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2018, all of the School System's deposits were properly collateralized in accordance with state law and applicable GASB pronouncements.

### NOTE 4. RECEIVABLES

Receivables at June 30, 2018, for the School System's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	<b>General</b>	<b>Debt Service</b>	<b>Special Revenue Fund</b>	<b>Total</b>
Due from other governments	\$ 36,370,445	\$ 3,570,122	\$ 2,519,149	\$ 42,459,716
Less allowance for uncollectible	(236,738)	(43,191)	-	(279,929)
Net total receivable	\$ 36,133,707	\$ 3,526,931	\$ 2,519,149	\$ 42,179,787

Due from other governments consists of grant reimbursements due primarily from the Georgia Department of Education, sales taxes which are collected by the state on the School System's behalf, and property taxes collected by the Henry County Tax Commissioner on the School System's behalf.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5. PROPERTY TAXES

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

Real property taxes were levied on September 9, 2017, billed on September 13, 2017, and payable on or before November 16, 2017. Henry County may place liens on property once the related tax payments become delinquent. The property tax receivable allowance is equal to 10% of outstanding property taxes at June 30, 2018, net of amounts collected within 60 days of year-end.

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



## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 42,194,009	\$ 1,062,077	\$ -	\$ -	\$ 43,256,086
Construction in progress	33,593,649	80,254,217	-	(28,716,346)	85,131,520
Total	<u>75,787,658</u>	<u>81,316,294</u>	<u>-</u>	<u>(28,716,346)</u>	<u>128,387,606</u>
Capital assets, being depreciated:					
Buildings and improvements	821,463,421	-	-	23,412,824	844,876,245
Land improvements	22,410,946	-	-	5,303,522	27,714,468
Infrastructure	3,484,220	-	-	-	3,484,220
Machinery and equipment	35,775,627	22,780,973	(1,546,116)	-	57,010,484
Total	<u>883,134,214</u>	<u>22,780,973</u>	<u>(1,546,116)</u>	<u>28,716,346</u>	<u>933,085,417</u>
Less accumulated depreciation for:					
Buildings and improvements	(182,665,715)	(18,493,845)	-	-	(201,159,560)
Land improvements	(16,805,910)	(936,307)	-	-	(17,742,217)
Infrastructure	(867,824)	(87,454)	-	-	(955,278)
Machinery and equipment	(27,009,051)	(3,671,375)	1,398,432	-	(29,281,994)
Total	<u>(227,348,500)</u>	<u>(23,188,981)</u>	<u>1,398,432</u>	<u>-</u>	<u>(249,139,049)</u>
Total capital assets, being depreciated, net	<u>655,785,714</u>	<u>(408,008)</u>	<u>(147,684)</u>	<u>28,716,346</u>	<u>683,946,368</u>
Governmental activities capital assets, net	<u>\$ 731,573,372</u>	<u>\$ 80,908,286</u>	<u>\$ (147,684)</u>	<u>\$ -</u>	<u>\$ 812,333,974</u>

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

Governmental activities:	
Instruction	\$ 21,658,774
Educational media services	2,554
School administration	88,445
Maintenance and operations	94,299
Student transportation	1,190,011
School nutrition	154,898
Total depreciation expense - governmental activities	<u>\$ 23,188,981</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT

**General Obligation Bonds.** The School System issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School System.

General obligation bonds at June 30, 2018, consisted of the following:

Series	Coupon Rate	Maturities	Balance
2011	2.00% - 5.00%	2013 to 2024	\$ 65,945,000
2015	2.34%	2017 to 2025	13,803,000
2016	3.00% - 5.00%	2024 to 2034	214,255,000
			<u>\$ 294,003,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 9,914,000	\$ 12,336,769	\$ 22,250,769
2020	10,371,000	11,875,554	22,246,554
2021	10,789,000	11,393,781	22,182,781
2022	11,301,000	10,870,499	22,171,499
2023	11,823,000	10,336,320	22,159,320
2024 - 2028	104,075,000	38,017,687	142,092,687
2029 - 2033	110,830,000	16,411,000	127,241,000
2034	24,900,000	498,000	25,398,000
Total	<u>\$ 294,003,000</u>	<u>\$ 111,739,610</u>	<u>\$ 405,742,610</u>

Changes in long-term debt related to governmental activities for the year ended June 30, 2018, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 331,544,000	\$ -	\$ (37,541,000)	\$ 294,003,000	\$ 9,914,000
Plus unamortized premium	39,282,723	-	(3,727,128)	35,555,595	3,258,512
Bonds payable, net	370,826,723	-	(41,268,128)	329,558,595	13,172,512
Workers' compensation claims payable	1,563,128	1,891,508	(1,152,036)	2,302,600	1,738,516
Compensated absences	1,395,378	1,277,649	(991,407)	1,681,620	827,186
Net pension liability	376,752,750	56,961,663	(83,252,575)	350,461,838	-
Net OPEB liability	311,824,297	20,468,135	(33,806,095)	298,486,337	-
Governmental activities Long-term liabilities	<u>\$ 1,062,362,276</u>	<u>\$ 80,598,955</u>	<u>\$ (160,470,241)</u>	<u>\$ 982,490,990</u>	<u>\$ 15,738,214</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

Restricted fund balance of \$32,600,947 is available in the Debt Service Fund to service the general obligation bonds.

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

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2018, is as follows:

Due to/from other funds:

Due To	Due From		Total
	Special Revenue Fund	General Fund	
General Fund	\$ 1,021,716	\$ -	\$ 1,021,716
Special Revenue Fund	-	1,315,578	1,315,578
	\$ 1,021,716	\$ 1,315,578	\$ 2,337,294

These balances resulted from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers:

Transfers In	Transfers Out			Total
	General Fund	Debt Service Fund	Special Revenue Fund	
General Fund	\$ -	\$ -	\$ 57,861	\$ 57,861
Special Revenue Fund	418,592	-	-	418,592
Capital Projects Fund	-	6,554,479	-	6,554,479
	\$ 418,592	\$ 6,554,479	\$ 57,861	\$ 7,030,932

Transfers are used to: 1) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the Capital Projects Fund once annual debt service payments are made, and 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. RETIREMENT PLANS

#### Teachers Retirement System (TRS)

##### **Plan Description**

All teachers of the School System 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 the web address listed below:

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

##### **Benefits Provided**

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

##### **Contributions**

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2018.

The School System's contractually required contribution rate for the year ended June 30, 2018, was 16.81% of annual School System payroll. School System contributions to TRS were \$38,395,165 for the year ended June 30, 2018.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. RETIREMENT PLANS (CONTINUED)

#### Teachers Retirement System (TRS) (Continued)

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

At June 30, 2018, the School System reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the School System by the State of Georgia for certain public school support personnel. The amounts recognized by the School System as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School System were as follows:

School System's proportionate share of the net pension liability	\$ 350,179,169
State of Georgia's proportionate share of the net pension liability associated with the School System	<u>1,689,404</u>
Total	<u><u>\$ 351,868,573</u></u>

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 System'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 System's proportion was 1.884172%, which was an increase of 0.059668% from its proportion measured as of June 30, 2016.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. RETIREMENT PLANS (CONTINUED)

#### Teachers Retirement System (TRS) (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 System recognized pension expense of \$39,913,970 and revenue of (\$209,384) for support provided by the State of Georgia for certain support personnel. At June 30, 2017, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 13,098,858	\$ 1,321,539
Changes of assumptions	7,676,362	-
Net difference between projected and actual earnings on pension plan investments	-	2,409,818
Changes in proportion and differences between School System contributions and proportionate share of contributions	12,912,726	3,017,189
School System contributions subsequent to the measurement date	38,395,165	-
<b>Total</b>	<b>\$ 72,083,111</b>	<b>\$ 6,748,546</b>

School System contributions, subsequent to the measurement date, of \$38,395,165 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

#### **Year ending June 30:**

2019	\$ (866,014)
2020	21,173,553
2021	12,876,638
2022	(6,658,800)
2023	414,023

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. RETIREMENT PLANS (CONTINUED)

#### Teachers Retirement System (TRS) (Continued)

##### **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	3.75% - 9.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries projection scale BB (set forward one year for males) for service 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. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. RETIREMENT PLANS (CONTINUED)

#### Teachers Retirement System (TRS) (Continued)

##### Actuarial Assumptions

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 rate of return (%)*</u>
Fixed income	30.00	(0.50)
Domestic large equities	39.80	9.00
Domestic mid equities	3.70	12.00
Domestic small equities	1.50	13.50
International developed market equities	19.40	8.00
International emerging market equities	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.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. RETIREMENT PLANS (CONTINUED)

#### Teachers Retirement System (TRS) (Continued)

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

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

	<b>1.00% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1.00% Increase (8.50%)</b>
School System's proportionate share of the net pension liability	\$ 574,685,103	\$ 350,179,169	\$ 165,236,741

#### **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 the web address listed below:

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

#### **Public School Employees Retirement System (PSERS)**

##### **Plan Description**

Public School Employees Retirement System ("PSERS") is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the TRS 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 the web address listed below:

[www.ers.ga.gov/formspubs/formspubs.html](http://www.ers.ga.gov/formspubs/formspubs.html)

##### **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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. RETIREMENT PLANS (CONTINUED)

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

##### **Benefits Provided (Continued)**

Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

##### **Contributions**

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

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

##### **Pension Liabilities and Pension Expense**

At June 30, 2018, the School System 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 System is as follows:

State of Georgia's proportionate share of the Net Pension Liability associated with the School System	<u>\$ 2,385,224</u>
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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 System 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 System recognized pension expense and revenue of \$480,716 for support provided by the State of Georgia.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. RETIREMENT PLANS (CONTINUED)

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

##### 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 three years for males and two years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward five years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the School 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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. RETIREMENT PLANS (CONTINUED)

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

#### Actuarial Assumptions (Continued)

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

<u>Asset class</u>	<u>Target allocation (%)</u>	<u>Long-term expected real rate of return (%)*</u>
Fixed income	30.00	(0.5)
Domestic large equities	37.20	9.00
Domestic mid equities	3.40	12.00
Domestic small equities	1.40	13.50
International developed market equities	17.80	8.00
International emerging market equities	5.20	12.00
Alternatives	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 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. RETIREMENT PLANS (CONTINUED)

#### Employees Retirement System (ERS)

##### **Plan Description**

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

[www.ers.ga.gov/formspubs/formspubs.html](http://www.ers.ga.gov/formspubs/formspubs.html)

##### **Benefits Provided**

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. RETIREMENT PLANS (CONTINUED)

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

##### **Contributions**

Member contributions under the Old Plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the New Plan and GSEPS are 1.25% of annual compensation. The School System's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2018, was 24.69% of annual covered payroll for Old and New Plan members and 21.69% for GSEPS members. The School System's contributions to ERS totaled \$43,688 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.

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

At June 30, 2018, the School System reported a liability for its proportionate share of the net pension liability in the amount of \$282,669. 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 System'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 employer's proportion was 0.006960%, which was a decrease of 0.000169% from its proportion measured as of June 30, 2016.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. RETIREMENT PLANS (CONTINUED)

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

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

For the year ended June 30, 2018, the School System recognized pension expense of (\$44,185). At June 30, 2018, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,097	\$ 2
Changes of assumptions	644	-
Net difference between projected and actual earnings on pension plan investments	-	704
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	18,061
Employer contributions subsequent to the measurement date	43,688	-
Total	\$ 47,429	\$ 18,767

School System contributions subsequent to the measurement date of \$43,688 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

#### **Year ending June 30:**

2019	\$ (19,733)
2020	9,548
2021	3,173
2022	(8,014)

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. RETIREMENT PLANS (CONTINUED)

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

##### 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%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 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.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. RETIREMENT PLANS (CONTINUED)

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

#### Actuarial Assumptions (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	(0.5)
Domestic large equities	37.20	9.00
Domestic mid equities	3.40	12.00
Domestic small equities	1.40	13.50
International developed market equities	17.80	8.00
International emerging market equities	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 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 System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1.00% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1.00% Increase (8.50%)</u>
Employer's proportionate share of the net pension liability	\$ 398,973	\$ 282,669	\$ 183,458

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. RETIREMENT PLANS (CONTINUED)

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

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report which is publically available at the web address listed below:

[www.ers.ga.gov/formspubs/forms\\_pubs.html](http://www.ers.ga.gov/formspubs/forms_pubs.html)

### NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

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

##### **Plan Description**

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

<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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### State of Georgia School Employees Post-employment 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 System were \$11,151,110 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

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

Effective July 1, 2017, the School System implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, which significantly changed the School System'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 System reported a liability of \$298,486,337 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 System's proportion of the net OPEB liability was actuarially determined based on employer contributions to the School OPEB Fund during the fiscal year ended June 30, 2017. At June 30 2017, the School System's proportion was 2.124464%, which was an increase of 0.020427% from its proportion measured as of June 30, 2016.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

For the year ended June 30, 2018, the School System recognized OPEB expense of \$17,814,978. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ 22,728,973
Net difference between projected and actual earnings on OPEB plan investments	87,302	-
Changes in proportion and differences between School System contributions and proportionate share of contributions	8,836,354	6,270,499
School System contributions subsequent to the measurement date	11,151,110	-
Total	\$ 20,074,766	\$ 28,999,472

School System contributions subsequent to the measurement date of \$11,151,110 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 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:

<b>Year ending June 30:</b>	
2019	\$ (1,477,288)
2020	(1,477,288)
2021	(1,477,288)
2022	(1,477,288)
2023	(1,488,514)
2024	(833,571)

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

##### 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 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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

##### **Actuarial Assumptions (Continued)**

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

Additionally, there was a change 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.

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%	3.88%

##### **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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

##### **Discount rate (Continued)**

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.

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

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

	<b>Decrease (2.58%)</b>	<b>Discount Rate (3.58%)</b>	<b>Increase (4.58%)</b>
School System's proportionate share of the net OPEB liability	\$ 354,399,058	\$ 298,486,337	\$ 254,359,876

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

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

	<b>1% Decrease (4.00% to 6.75%)</b>	<b>Current Discount Rate (5.00% to 7.75%)</b>	<b>1% Increase (6.00% to 8.75%)</b>
School System's proportionate share of the net OPEB liability	\$ 247,411,168	\$ 298,486,337	\$ 364,986,129

## NOTES TO FINANCIAL STATEMENTS

### NOTE 11. RISK MANAGEMENT

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

#### Workers' Compensation

The School System is partially self-insured for workers' compensation claims of its employees. Claims exceeding \$450,000 per occurrence are covered through a private insurance carrier. The School System is liable for any other claims filed. The School System has entered into a contract with a third-party to administer the program. Activity is accounted for in the General Fund.

#### Unemployment Compensation

The School System is self-insured for unemployment compensation claims of its employees. Activity is accounted for in the General Fund.

Changes in the balances of claims liabilities for the years ended June 30, 2017 and June 30, 2018 for which the School System is self-insured are as follows:

<u>Workers' Compensation</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Unpaid claims, beginning of fiscal year	\$ 1,563,128	\$ 2,336,493
Incurred claims (including IBNRs)	1,891,508	454,287
Claim payments and changes in estimates	<u>(1,152,036)</u>	<u>(1,227,652)</u>
Unpaid claims, end of fiscal year	<u>\$ 2,302,600</u>	<u>\$ 1,563,128</u>
<u>Unemployment Compensation</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	(20,834)	(15,810)
Claim payments and changes in estimates	<u>20,834</u>	<u>15,810</u>
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12. COMMITMENTS AND CONTINGENCIES

In addition to the liabilities enumerated in the balance, at June 30, 2018, the School System has contractual commitments on uncompleted contracts of approximately \$97,090,576.

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

The School System participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School System has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018, may be impaired. In the opinion of the School System, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

### NOTE 13. SUBSEQUENT EVENT

In December 2018, the School System issued \$110,745,000 of general obligation bonds. The interest rate on the Series 2018 bonds is 5.00%, with final maturity on August 1, 2033.

### NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE

The School System implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, through which accounting for OPEB plans and the related disclosure requirements were modified. A restatement to the July 1, 2017 beginning net position of governmental activities was required to recognize this change in accounting principle. The resulting adjustment is as follows:

Net position, governmental activities, as previously reported	\$ 341,760,514
Deferred outflows - OPEB	11,077,122
Net OPEB liability	(311,824,297)
Net position, governmental activities, as restated	<u>\$ 41,013,339</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**HENRY COUNTY BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS RETIREMENT SYSTEM OF GEORGIA  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	<b>1.884172%</b>	1.824504%	1.782816%	1.777907%
School System's proportionate share of the net pension liability	<b>\$ 350,179,169</b>	\$ 376,415,518	\$ 271,416,033	\$ 224,615,099
State of Georgia's proportionate share of the net pension liability associated with the School System	<b><u>1,689,404</u></b>	<u>2,663,064</u>	<u>2,226,359</u>	<u>2,054,616</u>
Total	<b><u>\$ 351,868,573</u></b>	<b><u>\$ 379,078,582</u></b>	<b><u>\$ 273,642,392</u></b>	<b><u>\$ 226,669,715</u></b>
School System's covered payroll	<b>\$ 217,402,172</b>	\$ 201,773,455	\$ 188,247,437	\$ 181,381,743
School System's proportionate share of the net pension liability as a percentage of its covered payroll	<b>161.07%</b>	186.55%	144.18%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	<b>79.33%</b>	76.06%	81.44%	84.03%

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

**HENRY COUNTY BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
TEACHERS RETIREMENT SYSTEM OF GEORGIA  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	<b>\$ 38,395,165</b>	\$ 31,023,290	\$ 28,793,072	\$ 24,754,538
Contributions in relation to the contractually required contribution	<u><b>38,395,165</b></u>	<u>31,023,290</u>	<u>28,793,072</u>	<u>24,754,538</u>
Contribution deficiency (excess)	<u><b>\$ -</b></u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered payroll	<b>\$ 228,406,692</b>	\$ 217,402,172	\$ 201,773,455	\$ 188,247,437
Contributions as a percentage of covered payroll	<b>16.81%</b>	14.27%	14.27%	13.15%

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

# HENRY COUNTY BOARD OF EDUCATION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION TEACHERS RETIREMENT SYSTEM OF GEORGIA FOR THE YEAR ENDED JUNE 30, 2018

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### Changes of assumptions

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

On November 15, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to the rates of mortality, retirement, disability, withdrawal, and salary increases. The expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

**HENRY COUNTY BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	<b>0.00%</b>	0.00%	0.00%	0.00%
School System's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net position liability associated with the School System	<b><u>2,385,224</u></b>	<u>3,119,781</u>	<u>2,035,518</u>	<u>1,788,211</u>
Total	<b><u>\$ 2,385,224</u></b>	<b><u>\$ 3,119,781</u></b>	<b><u>\$ 2,035,518</u></b>	<b><u>\$ 1,788,211</u></b>
School System's covered payroll	<b>\$ 9,443,354</b>	\$ 9,265,258	\$ 8,366,835	\$ 7,272,459
School System's proportionate share of the net pension liability as a percentage of its covered payroll	<b>N/A</b>	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	<b>85.69%</b>	81.00%	87.00%	88.29%

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

# HENRY COUNTY BOARD OF EDUCATION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2018

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### Changes of assumptions

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

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

**HENRY COUNTY BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
EMPLOYEES' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	<b>0.006960%</b>	0.007129%	0.009524%	0.011874%
School System's proportionate share of the net pension liability	<b><u>\$ 282,669</u></b>	<u>\$ 337,232</u>	<u>\$ 385,855</u>	<u>\$ 445,348</u>
School System's covered payroll	<b>\$ 162,649</b>	\$ 165,761	\$ 233,297	\$ 267,378
School System's proportionate share of the net pension liability as a percentage of its covered payroll	<b>173.79%</b>	203.45%	165.39%	166.56%
Plan fiduciary net position as a percentage of the total pension liability	<b>76.33%</b>	72.34%	76.20%	77.99%

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



**HENRY COUNTY BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
EMPLOYEES' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 43,688	\$ 40,158	\$ 40,976	\$ 51,232
Contributions in relation to the contractually required contribution	<u>43,688</u>	<u>40,158</u>	<u>40,976</u>	<u>51,232</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered payroll	\$ 176,946	\$ 162,649	\$ 165,761	\$ 233,297
Contributions as a percentage of covered payroll	24.69%	24.69%	24.72%	21.96%

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

# HENRY COUNTY BOARD OF EDUCATION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2018

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### **Changes of assumptions**

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

**HENRY COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 SCHOOL OPEB FUND  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2018</b>
School System's proportion of the net OPEB liability	<b>2.124464%</b>
School System's proportionate share of the net OPEB liability	<b><u>\$ 298,486,337</u></b>
School System's covered-employee payroll	<b>181,077,474</b>
School System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	<b>164.84%</b>
Plan fiduciary net position as a percentage of the total OPEB liability	<b>1.61%</b>

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

**HENRY COUNTY BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
SCHOOL OPEB FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
Contractually required contribution	<b>\$ 11,151,110</b>	\$ 11,077,122
Contributions in relation to the contractually required contribution	<b>11,151,110</b>	11,077,122
Contribution deficiency (excess)	<b>\$ -</b>	\$ -
School System's covered-employee payroll	<b>\$ 192,254,828</b>	\$ 181,077,474
Contributions as a percentage of covered-employee payroll	<b>5.80%</b>	6.12%

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

# HENRY COUNTY BOARD OF EDUCATION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHOOL OPEB FUND FOR THE YEAR ENDED JUNE 30, 2018

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### **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 relating 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.

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.

**HENRY COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF**  
**SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2011 ISSUE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years<sup>1</sup></u>	<u>Current Year</u>	<u>Total</u>
Acquisition, construction, and equipping of a new Hampton High School; acquiring school buses and related transportation equipment and acquiring instructional and administrative technology improvements; adding to, renovating, replacing, repairing, improving, and equipping existing school buildings and other buildings and facilities useful or desirable in connection therewith; and acquiring any necessary property therefor, both real and personal, and to the extent funds are available, acquiring, constructing, and equipping one new elementary school and one replacement middle school and acquiring any necessary property therefor, both real and personal; all at a maximum cost of \$225,000,000.	\$ 225,000,000	\$ 225,000,000	\$ 184,631,603	\$ 1,002,683	\$ 185,634,286
Retirement of a portion of the Series 2007A Bonds by paying or making provision for the payment of principal of and interest on such bonds coming due April 1, 2012, in the maximum amount of \$14,000,000.	<u>14,000,000</u>	<u>14,000,000</u>	<u>14,000,000</u>	<u>-</u>	<u>14,000,000</u>
	<u>\$ 239,000,000</u>	<u>\$ 239,000,000</u>	<u>\$ 198,631,603</u>	<u>\$ 1,002,683</u>	<u>\$ 199,634,286</u>

1 Included in the expenditures shown above are expenditures which were funded by grant funds in the amount of \$8,119,794 in 2015, \$3,925,503 in 2016, and \$2,150,809 in 2017

**Note:** Amounts above for prior years have been restated.

**HENRY COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF**  
**SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2016 ISSUE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Original Estimated Cost	Current Estimated Cost	Prior Years <sup>1,2</sup>	Current Year <sup>1,2</sup>	Total
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The cost of acquiring, constructing, and equipping a new McDonough High School, a new McDonough Middle School, a new multipurpose facility at each existing high school, a new performing arts center in the northern region of Henry County, and a new distribution center; adding to, renovating, repairing, improving and equipping existing athletic facilities, including turf fields at existing high schools and athletic field lighting at three existing middle schools; acquiring instructional and administrative technology improvements including necessary software, land for future schools, and school buses and related transportation equipment; acquiring and constructing an access connector between Southern Crescent Technical College and the School District's Academy for Advanced Studies; adding to, renovating, repairing, improving, and equipping existing school buildings, transportation and maintenance buildings, and other buildings and facilities useful or desirable in connection therewith; and acquiring any necessary property therefor, both real and personal; to the extent funds are available, to pay the cost of acquiring, constructing, and equipping one new elementary school and a new central office facility and acquiring any necessary property therefor, both real and personal; to pay capitalized interest incident thereto; and to pay expenses incident to accomplishing the foregoing.

\$ 325,000,000	\$ 365,000,000	\$ 65,579,564	\$ 122,977,849	\$ 188,557,413
\$ 325,000,000	\$ 365,000,000	\$ 65,579,564	\$ 122,977,849	\$ 188,557,413

1 Included in the expenditures shown above are expenditures which were funded by grant funds in the amount of \$3,629,614 in 2017, and \$1,622,813 in 2018 .

2 Included in the expenditures shown above, the School System has incurred interest to provide advanced funding for the above projects. Prior year interest amounts to \$6,414,030. Current year interest is \$9,162,900.

<b>Total expenditures, 2011 Issue</b>	\$ 1,002,683
<b>Total expenditures, 2016 Issue</b>	122,977,849
<b>Total expenditures Capital Projects Fund</b>	\$ 123,980,532

**Note:** Amounts above for prior years have been restated.

## **COMPLIANCE SECTION**





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

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**To the Superintendent and Members of the  
Henry County Board of Education  
McDonough, Georgia**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Henry County Board of Education as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Henry County Board of Education's basic financial statements and have issued our report thereon dated April 3, 2019. Our report includes a reference to a change in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Henry County Board of Education'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 Henry County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Henry County Board of Education's internal control.

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

Our consideration of the 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.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Henry County Board of Education'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
April 3, 2019



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

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**To the Superintendent and Members of the  
Henry County Board of Education  
McDonough, Georgia**

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

We have audited the Henry County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Henry County Board of Education's major federal programs for the year ended June 30, 2018. The Henry County Board of Education'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 the 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 Henry County Board of Education'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 Henry County Board of Education'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 Henry County Board of Education's compliance.

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

In our opinion, the Henry County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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

Management of the Henry County Board of Education 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 Henry County Board of Education'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 Henry County Board of Education'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 the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Mauldin & Jenkins, LLC*

Macon, Georgia  
April 3, 2019

**HENRY COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Award ID Number	Total Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
Passed through Georgia Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	185GA324N1099	\$ 2,970,976
National School Lunch Program	10.555	185GA324N1099	10,078,371
			<u>13,049,347</u>
Total U.S Department of Agriculture			<u>13,049,347</u>
<b>U.S. DEPARTMENT OF DEFENSE:</b>			
Direct Federal Award			
Junior ROTC	12.unknown	N/A	<u>510,906</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>			
Passed through Georgia Department of Education:			
Title I, Part A Cluster	84.010	S010A170010	<u>6,978,506</u>
Title II, Part A - Supporting Effective Instruction State Grants	84.367	S367A170001	<u>495,758</u>
Title III - Limited English Proficient	84.365	S365A170010	<u>67,854</u>
Special Education Cluster:			
IDEA Flowthrough	84.027	H027A170073	7,011,760
High Cost Fund Pool	84.027	H027A170073	36,363
SPED-IDEA Capacity Building Grant	84.027	H027A170073	70,000
IDEA Preschool	84.173	H173A170081	91,126
Total Special Education Cluster			<u>7,209,249</u>
Vocational Education - Basic Grants to States	84.048	V048A170010	<u>291,977</u>
Education for Homeless Children and Youth Cluster	84.196	S010A170010	<u>60,178</u>
Title IV - Student Support & Academic Enrichment	84.424	S424A170011	<u>121,165</u>
Total U.S. Department of Education			<u>15,224,687</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 28,784,940</u></u>

# HENRY COUNTY BOARD OF EDUCATION

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

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

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Henry County Board of Education and is presented on the accrual basis of accounting.

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

### **NOTE 2. DE MINIMIS COST RATE**

The School System elected not to use the 10% de minimis cost rate for the year ended June 30, 2018.

### **NOTE 3. NON-CASH AWARDS**

The School System received non-cash awards under the National School Lunch Program, CFDA 10.555, in the amount of \$1,192,577 for the year ended June 30, 2018.

### **NOTE 4. SUBRECIPIENTS**

The School System did not pass through any funds to subrecipients for the year ended June 30, 2018.

# HENRY COUNTY BOARD OF EDUCATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**A. SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	___ Yes <u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u> X </u> None Reported
Noncompliance material to financial statements noted?	___ Yes <u> X </u> No

**Federal Awards**

Internal Control over major programs: Material weaknesses identified?	___ Yes <u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u> X </u> None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___ Yes <u> X </u> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	U.S. Department of Education: <u>Title I, Part A Cluster:</u> Improving the Academic Achievement of the Disadvantaged
84.027	<u>Special Education Cluster:</u> IDEA Flowthrough
84.027	High Cost Fund Pool
84.027	SPED-IDEA Capacity Building Grant
84.173	IDEA Preschool

Dollar threshold used to distinguish between Type A and Type B programs:	\$863,548
Auditee qualified as low-risk auditee?	___ Yes <u> X </u> No



# **HENRY COUNTY BOARD OF EDUCATION**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**B. FINDINGS: FINANCIAL STATEMENT AUDIT**

None reported.

**C. FINDINGS: FEDERAL PROGRAMS AUDIT**

None reported.

# HENRY COUNTY BOARD OF EDUCATION

## SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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### **2017-001. Recording of Special Revenue and General Fund Accounts Receivable and Revenue**

Criteria: Generally accepted accounting principles require revenues to be recognized in the account period in which they become both measurable and available to finance expenditures of the current period.

Condition: At June 30, 2017, operating losses were noted in the Title I, Part A and Title VI-B funds, which are both reimbursable grants and carry a zero fund balance. Adjustments to accounts receivable and revenue were made to clear the operating losses in the Title I, Part A and Title VI-B funds. The School Nutrition Service fund's accounts receivable and revenue did not agree to the Georgia Department of Education's FY 2017 payment advice report. An adjustment was made to agree the School Nutrition Service fund accounts receivable and revenue balances to the payment advice report. The General Fund accounts receivable and revenue did not agree to the Georgia Department of Education's DE147's. An adjustment was made to accrue accounts receivable and revenue relating to the Preschool Disability Services/Preschool Handicapped State grant.

Auditee Response/Status: Resolved