

**Franklin County Board of Education  
Audited Financial Statements  
June 30, 2020**

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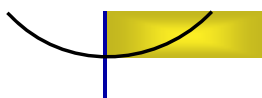
# Franklin County Board of Education

## Table of Contents

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### Table of Contents

	Page(s)
Report of Independent Auditors.....	1-2
Management's Discussion and Analysis.....	3-8
<u>Basic Financial Statements</u>	
Statement of Net Position.....	9
Statement of Activities.....	10
Balance Sheet – Governmental Funds.....	11
Reconciliation of Balance Sheet – Governmental Funds with the Statement of Net Position.....	12
Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances with the Statement of Activities.....	14
Statement of Net Position - Fiduciary Funds.....	15
Statement of Changes in Net Position - Fiduciary Funds.....	16
Notes to the Financial Statements.....	17-46
<u>Required Supplementary Information</u>	
Schedule of Proportionate Share of the Net Pension Liability- Teachers' Retirement System of Georgia, Employees' Retirement System of Georgia, Public School Employees' Retirement System of Georgia and School District OPEB Fund – Georgia School District Personnel Post-Employment Health Benefit Fund.....	47-50
Schedule of Contributions - Teachers' Retirement System of Georgia, Employees' Retirement System of Georgia and School District OPEB Fund – Georgia School District Personnel Post-Employment Health Benefit Fund.....	51-53
Notes to the required supplementary information .....	54-55
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	56
Schedule of Expenditures of Federal .....	57-58
Schedule of State Revenue.....	59
Schedule of Approved Local Option Sales tax Projects.....	60
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.....	61-62
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance .....	63-64
Schedule of Findings and Response.....	65



## INDEPENDENT AUDITORS' REPORT

To the Superintendent and Members of the  
Franklin County Board of Education  
Carnesville, 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 Franklin County Board of Education as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure 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 opinion.

### Opinion

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 Franklin County Board of Education as of June 30, 2020 and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

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

**Other Information**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2021 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering School District's internal control over financial reporting and compliance.

*Bambo Sonaike CPA, LLC*

March 15, 2021

# Franklin County Board of Education

## Management Discussion and Analysis

### As of June 30, 2020

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#### **Introduction**

As management of Franklin County Board of Education (the School District), we offer readers of the School District's financial statement this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2020 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School District's financial activities, (c) identify changes in the School District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transaction, events, and conditions, it should be considered in conjunction with the Basic Financial Statements.

#### **Financial highlights**

- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$4,457,235.
- The School District's assets exceeded liabilities at the close of the most recent fiscal year by \$13,794,981 (net position).

#### **Overview of the financial statements**

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the School District's asset and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by District, state, and federal funding (governmental activities). Basic instructions, School District administration, and food services are examples of the School District's governmental activities.

Franklin County Board of Education  
Management Discussion and Analysis  
As of June 30, 2020

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The government-wide financial statements include only the District itself. Comparison of the condensed statement of net position and the statement of activities are provided below.

	<b>Governmental Activities</b>		
	<b>Fiscal Year</b>		
	<b>2020</b>	<b>2019</b>	<b>Variance</b>
<b>ASSETS</b>			
Current and other assets	\$ 16,637,672	\$ 16,835,822	\$ (198,150)
Capital assets	73,385,077	70,934,236	2,450,841
Total assets	90,022,748	87,770,058	2,252,691
<b>DEFERRED OUTFLOW OF RESOURCES</b>	14,228,054	8,891,747	5,336,307
Total assets and deferred outflow of resources	104,250,802	96,661,805	7,588,998
<b>LIABILITIES</b>			
Current and other liabilities	8,853,207	9,667,590	(814,383)
Long term liabilities	72,905,830	65,354,058	7,551,773
Total liabilities	81,759,037	75,021,648	6,737,389
<b>DEFERRED INFLOW OF RESOURCES</b>	8,696,784	7,133,404	1,563,380
Total liabilities and deferred inflow of resources	90,455,821	82,155,052	8,300,769
<b>NET POSITION</b>			
Investment in capital assets <sup>(net)</sup>	67,790,093	65,627,441	2,162,652
Restricted	3,604,074	3,454,218	149,856
Unrestricted (deficit)	(57,599,185)	(54,574,906)	(3,024,280)
Total net position (deficit)	\$ 13,794,981	\$ 14,506,753	\$ (711,772)

Franklin County Board of Education  
Management Discussion and Analysis  
As of June 30, 2020

	Governmental Activities		
	2020	2019	Variance
<b>REVENUES</b>			
Program Revenues:			
Charges for services	\$ 463,099	\$ 528,706	\$ (65,607)
Operating grants and contributions	28,315,861	25,795,977	2,519,884
Capital grants and contributions	512,230	154,440	357,790
Total program revenues	29,291,190	26,479,122	2,812,068
General Revenues			
Taxes			
Property taxes			
For maintenance and operations	12,116,499	10,278,058	1,838,440
Railroad cars	12,994	13,594	(600)
Special purpose local option sales tax (SPLOST)			
For debt services	4,111,530	4,118,491	(6,961)
Other taxes	234,794	213,852	20,943
Grants and contributions not restricted to specific programs	2,867,732	2,877,913	(10,181)
Investment earnings	148,404	259,767	(111,363)
Miscellaneous	1,672,297	1,277,129	395,169
Total general revenues	21,164,250	19,038,804	2,125,447
Total revenues	50,455,440	45,517,926	4,937,514
<b>PROGRAM EXPENSES</b>			
Basic instruction	32,199,566	27,230,143	4,969,423
Support services			
Pupil services	1,588,276	1,636,832	(48,556)
Improvement of instructional services	2,305,182	2,225,906	79,276
Education media services	738,077	663,350	74,727
General administration	957,152	654,615	302,537
School administration	2,770,854	2,295,455	475,399
Business administration	331,548	297,446	34,102
Maintenance and operations	2,883,069	2,533,088	349,981
Student transportation services	3,698,588	3,097,533	601,055
Other support services	305,309	263,773	41,536
Operations of non-instructional services			
Enterprise operations	792,686	687,191	105,495
Food services	2,280,407	1,929,921	350,486
Interest on short-term and long-term debt	316,498	218,777	97,721
Total program expenses	51,167,212	43,734,032	7,433,180
<b>CHANGE IN NET POSITION</b>	\$ (711,772)	\$ 1,783,894	\$ (2,495,666)

# Franklin County Board of Education

## Management Discussion and Analysis

### As of June 30, 2020

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#### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the operations of the School District are presented in governmental funds only.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both of the governmental fund financial statements provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School District maintains individual government funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, which is considered to be the School District's only major fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

#### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position. In the case of the School District, assets exceeded liabilities by \$13,794,981 for the year ended June 30, 2020.

A portion of the School District's net position reflects its investment in capital assets (e.g., furniture, fixtures and equipment, and leasehold improvements), less any related debt used to acquire those assets that are still outstanding. The School District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### **Financial analysis of the Government's Funds**

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a



# Franklin County Board of Education

## Management Discussion and Analysis

### As of June 30, 2020

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useful measure of a School District's net resources available for spending at the end of the fiscal year. The general fund is the main operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,457,235.

#### General Fund Budgetary Highlights

The School District's actual revenues were higher than budget revenues by \$2,787,351 mainly due to the School District's QBE funding and supplemental revenue being higher than budgeted. Actual expenditures were above budgeted expenditures by \$2,886,682 due mainly to the School District's overall operating expenses being higher than budgeted.

#### Capital Asset

The School District's net investment in capital assets for its governmental type activities as of June 30, 2020 amounts to \$67,790,093. Details and analysis of the School District's asset by class net of accumulated depreciation including current year increase, decrease and depreciation are as follows:

	<u>Governmental Activities</u>			
	Fiscal Year	Fiscal Year	Current Year	
	2020	2019	Additions (Disposal)	Current Year Depreciation
Land	\$ 1,338,157	\$ 1,338,157	\$ -	\$ -
Construction in progress	7,748,704	8,380,090	(631,386)	-
Building and improvements	54,921,368	52,182,487	3,610,143	(871,262)
Equipment	2,225,129	2,091,245	591,757	(457,873)
Land improvements	7,025,349	6,746,378	443,107	(164,137)
Intangible assets	126,369	195,878	-	(69,509)
Total	<u>\$73,385,077</u>	<u>\$ 70,934,236</u>	<u>\$4,013,622</u>	<u>\$(1,562,781)</u>

#### Long term debt

At June 30, 2020, the School District long term debt (bonds payable) and amounts due within one year are summarized below:

	<u>Governmental Activities</u>		
	Fiscal Year	Fiscal Year	Fiscal Year 2020
	2020	2019	Due within one year
Bonds payable	\$ 7,920,000	\$ 6,035,000	\$ 2,675,000
Unamortized bond premiums	-	-	-
Total	<u>\$ 7,920,000</u>	<u>\$ 6,035,000</u>	<u>\$ 2,675,000</u>

Franklin County Board of Education  
Management Discussion and Analysis  
As of June 30, 2020

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**Contacting the School District's financial management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chez Maxwell at the Franklin County Board of Education, 280 Busha Road, Carnesville, GA 30521. You may also email your questions to [chez.maxwell@franklin.k12.ga.us](mailto:chez.maxwell@franklin.k12.ga.us).

Franklin County Board of Education  
Statement of Net Position  
As of June 30, 2020

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	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,968,137
Receivables <sup>(net)</sup>	
Taxes	814,412
State Government	4,163,639
Federal Government	616,443
Local	17,889
Other	179
Inventories	49,492
Prepaid items	7,481
Capital assets, non depreciable	9,086,861
Capital assets, depreciable <sup>(net of accumulated depreciation)</sup>	64,298,215
Total assets	90,022,748
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Related to defined benefit pension plans	11,072,825
Related to defined benefit OPEB plans	3,155,229
Total deferred outflow of resources	14,228,054
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	1,335,513
Salaries and benefits payable	4,669,666
Interest payable	57,654
Retainages payable	11,507
Net pension liability	36,951,136
Net OPEB liability	30,709,694
Long-term liabilities	
Due within one year	2,778,867
Due in more than one year	5,245,000
Total liabilities	81,759,037
<b>DEFERRED INFLOW OF RESOURCES</b>	
Related to defined benefit pension plans	1,026,792
Related to defined benefit OPEB plans	7,669,992
Total deferred inflow of resources	8,696,784
<b>NET POSITION</b>	
Net investment in capital assets	67,790,093
Restricted	
Continuation of federal programs	150,422
Debt service	3,453,652
Capital projects	-
Unrestricted (deficit)	(57,599,185)
Total net position (deficit)	\$ 13,794,981

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

Franklin County Board of Education  
Statement of Activities  
For the period ended June 30, 2020

Governmental Activities	Expenses	Program revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Basic instruction	32,199,566	\$ 158,923	\$ 21,300,688	\$ 432,575	\$ (10,307,379)
Support services					
Pupil services	1,588,276	-	170,905	-	(1,417,371)
Improvement of instructional services	2,305,182	-	844,271	-	(1,460,911)
Education media services	738,077	-	459,524	-	(278,553)
General administration	957,152	-	813,798	5,676	(137,677)
School administration	2,770,854	-	1,086,779	13,784	(1,670,291)
Business administration	331,548	-	8,375	2,635	(320,538)
Maintenance and operations	2,883,069	6,000	1,085,322	26,284	(1,765,463)
Student transportation services	3,698,588	10,826	754,563	-	(2,933,199)
Central services	-	-	35,410	-	35,410
Other support services	305,309	-	-	-	(305,309)
Operations of non-instructional services					
Enterprise operations	792,686	-	-	-	(792,686)
Food services	2,280,407	286,357	1,756,225	31,276	(206,549)
Community services	-	992	-	-	992
Interest on short-term and long-term debt	316,498	-	-	-	(316,498)
Total governmental activities	\$ 51,167,212	\$ 463,099	\$ 28,315,861	\$ 512,230	\$ (21,876,022)

General revenues:

Taxes

Property taxes	
Maintenance and operations	12,116,499
Railroad cars	12,994
Sales taxes - SPLOST - debt services	4,111,530
Other sales tax	234,794
Grants and contributions not restricted to specific programs	2,867,732
Investment earnings	148,404
Miscellaneous	1,672,297
Total general revenues	21,164,250
Change in net position	(711,772)
Net position - beginning of year	14,506,753
Net position - end of the year	\$ 13,794,981

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

Franklin County Board of Education  
Balance Sheet - Governmental Funds  
As of June 30, 2020

	General Fund	Capital Project Fund	Debt Service Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,035,121	\$ 1,811,004	\$ 3,122,012	\$ 10,968,137
Receivables, net				
Taxes	425,119	-	389,294	814,412
State Government	4,163,639	-	-	4,163,639
Federal Government	616,443	-	-	616,443
Local	17,889	-	-	17,889
Other	179	-	-	179
Inventories	49,492	-	-	49,492
Prepaid Items	7,481	-	-	7,481
Total assets	11,315,362	1,811,004	3,511,306	16,637,672
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	1,335,513	-	-	1,335,513
Salaries and benefits payable	4,669,666	-	-	4,669,666
Payroll withholdings payable	-	-	-	-
Retainages payable	-	11,507	-	11,507
Total liabilities	6,005,179	11,507	-	6,016,686
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	76,703	-	-	76,703
Total deferred inflows of resources	76,703	-	-	76,703
<b>FUND BALANCES</b>				
Non-spendable	56,973	-	-	56,973
Restricted	150,422	1,799,497	3,511,306	5,461,224
Assigned	568,849	-	-	568,849
Unassigned	4,457,235	-	-	4,457,235
Total fund balances	5,233,480	1,799,497	3,511,306	10,544,283
Total liabilities, deferred Inflows of resources, and fund balances	\$ 11,315,362	\$ 1,811,004	\$ 3,511,306	\$ 16,637,672

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

# Franklin County Board of Education

## Reconciliation of Balance Sheet – Governmental Funds with Statement of Net Position

As of June 30, 2020

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Total Fund balances - Governmental funds	\$ 10,544,283
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The amounts reported for governmental activities in the statement of net position are different because:

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

Land	1,338,157
Construction In progress	7,748,704
Buildings and improvements	68,768,666
Equipment	7,750,229
Land improvements	8,831,308
Intangible assets	488,530
Accumulated depreciation	(21,540,519)
Total capital assets	<u>73,385,077</u>

Some liabilities, including related accrued interest, net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	(7,920,000)
Accrued interest payable	(57,654)
Capital leases payable	(103,867)
Net pension liability	(36,951,136)
Net OPEB liability	(30,709,694)
Total	<u>(75,742,351)</u>

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds

Deferred outflows of resources - pension	11,072,825
Deferred inflows of resources - pension	(1,026,792)
Deferred outflows of resources - OPEB	3,155,229
Deferred inflows of resources - OPEB	(7,669,992)
Net flow of resources	<u>5,531,270</u>

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

	<u>76,703</u>
Total	76,703

Total Net position (deficit) - Governmental activities	<u><u>\$ 13,794,981</u></u>
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The accompanying notes are an integral part to these financial statements.

Franklin County Board of Education  
Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Governmental Funds  
For the period ended June 30, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Total
<b>REVENUES</b>				
Property taxes	\$ 12,129,492	\$ -	\$ -	\$ 12,129,492
Sales taxes	234,794	-	4,111,530	4,346,325
State funds	27,974,190	-	-	27,974,190
Federal funds	3,672,548	-	-	3,672,548
Charges for services	463,099	-	-	463,099
Investment earnings	8,140	-	140,264	148,404
Miscellaneous	1,672,297	-	-	1,672,297
Total revenues	46,154,560	-	4,251,794	50,406,354
<b>EXPENDITURES</b>				
Current				
Basic instruction	29,521,043	-	-	29,521,043
Support services				
Pupil services	1,509,404	-	-	1,509,404
Improvement of instructional services	2,205,861	-	-	2,205,861
Education media services	684,729	-	-	684,729
General administration	934,869	-	-	934,869
School administration	2,585,345	-	-	2,585,345
Business administration	323,511	-	-	323,511
Maintenance and operations	2,796,395	-	-	2,796,395
Student transportation services	3,397,659	-	-	3,397,659
Other support services	291,733	-	-	291,733
Enterprise operations	665,655	-	-	665,655
Food services	2,280,407	-	-	2,280,407
Capital outlay	-	4,013,622	-	4,013,622
Debt services				
Principal	-	103,867	2,615,000	2,718,867
Dues and fees	-	53,668	-	53,668
Interests	-	-	205,176	205,176
Total expenditures	47,196,611	4,171,156	2,820,176	54,187,944
Revenues over (under) expenditures	(1,042,051)	(4,171,156)	1,431,618	(3,781,589)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of bonds	-	4,500,000	-	4,500,000
Transfers in	590,291	-	-	590,291
Transfers out	-	(590,291)	-	(590,291)
Total other financing sources (uses)	590,291	3,909,709	-	4,500,000
Net change in fund balances	(451,760)	(261,447)	1,431,618	718,411
Fund balances at beginning of the year	5,685,241	2,060,944	2,079,687	9,825,872
Fund balances at end of the year	\$ 5,233,480	\$ 1,799,497	\$ 3,511,306	\$ 10,544,283

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

# Franklin County Board of Education

## Reconciliation of the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances to the Statement of Activities For the period ended June 30, 2020

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	<b>2020</b>
Total net change in fund balances- Government funds	\$ 718,411
The amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	4,013,622
Depreciation expense	(1,562,781)
Total	<u>2,450,841</u>
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.	
General obligation bonds issued, including a premium of \$0.00	(4,500,000)
Bond principal retirement	2,615,000
Capital lease payments	103,867
Total	<u>(1,781,133)</u>
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pension/OPEB, is reported in the Statement of Activities.	
Pension expense	(1,924,525)
OPEB expense	(117,712)
Total	<u>(2,042,237)</u>
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Accrued interest on issuance of bonds	(57,653)
Total change in net position- Governmental activities	<u><u>\$ (711,772)</u></u>

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



Franklin County Board of Education  
Statement of Net Position - Fiduciary Funds  
As of June 30, 2020

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**ASSETS**

Cash and cash equivalents	\$ 128,709
Investments	21,954
Total assets	<u>150,663</u>

**LIABILITIES**

Accounts payable	<u>933</u>
Total liabilities	933

**NET POSITION**

Restricted	
Individuals, organizations, and other governments	149,730
Total net position	<u>\$ 149,730</u>

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

Franklin County Board of Education  
Statement of Changes in Net Position - Fiduciary Funds  
For the period ended June 30, 2020

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**ADDITIONS**

Contributions - donors	\$ 85,158
Miscellaneous	207,380
Total additions	<u>292,538</u>

**DEDUCTIONS**

Other deductions	<u>304,512</u>
Total deductions	<u>304,512</u>
Changes in net position	(11,974)
Net position - beginning	<u>161,704</u>
Net position - ending	<u>\$ 149,730</u>

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

# Franklin County Board of Education

## Notes to the Financial Statements

June 30, 2020

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### 1. Organization

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

### 2. Significant accounting policies

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

#### **Basis of presentation**

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

#### Government-wide Financial Statements

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

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

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

# Franklin County Board of Education

## Notes to the Financial Statements

June 30, 2020

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

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

### Fund Financial Statements

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund types:

- Custodial funds, primarily the student activity funds, are used to report resources held by the School District in a purely custodial capacity.

### **Basis of accounting**

The basis of accounting determines when transactions are reported on the financial statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the

# Franklin County Board of Education

## Notes to the Financial Statements

### June 30, 2020

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School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

#### **New accounting pronouncements**

In fiscal year 2020, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in statements and Implementation Guides that first became effective or are scheduled to become effective for period beginning after June 15, 2018, and later. The School District delayed the adoption of GASB Statement No. 84 and No. 90 statement.

#### **Cash and cash equivalents**

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

# Franklin County Board of Education

## Notes to the Financial Statements

June 30, 2020

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### **Receivables**

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables. Due to other funds and due from other funds consist of activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year.

### **Inventories**

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

### **Prepaid items**

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

### **Capital assets**

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

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

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

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

Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

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	Capitalization Policy	Estimated Useful Life (years)
Land	\$ -	N/A
Land Improvements	\$ 10,000	20 to 80 years
Buildings and Improvements	\$ 20,000	25 to 80 years
Equipment	\$ 5,000	5 to 50 Years
Intangible Assets	\$ 20,000	Estimated Life

**Deferred outflows / inflows of resources**

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then.

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

**Pensions**

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

**Postemployment benefits other than pension (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 District Employees Postemployment Benefit Fund (School District OPEB Fund) and additions to/deductions from School District OPEB Fund fiduciary net position have been determined on the same basis as they are reported by School District 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.

**Fund Balances**

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

# Franklin County Board of Education

## Notes to the Financial Statements

June 30, 2020

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

Non-spendable consists of resources that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

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

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

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

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

### **Use of estimates**

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

### **Taxes – property and sales taxes**

#### **Property taxes**

The Franklin County Board of Commissioners adopted the property tax levy for the 2020 tax digest calendar year on August 11, 2020 (levy date) based on property values as of January 1, 2020. Property taxes were due on November 15, 2020 (lien date). Property taxes collected within the current fiscal year or within 60 days after year-end on the 2020 tax digest are reported as revenue in the governmental funds for fiscal year 2020. The Franklin County Board of Commissioners bills and collects the property taxes for the School District, withholds 2.50% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District.



# Franklin County Board of Education

## Notes to the Financial Statements

### June 30, 2020

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Tax millage rates levied for the 2020 tax calendar year for the School District were as follows (a mill equals \$1 per thousand dollars of assessed value):

School operations	<u>17.000</u>	mills
	<u>17.000</u>	mills

#### **Sales taxes**

Education Special Purpose Local Option Sales Tax (ESPLOST) is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

The amount of property and sales taxes recorded at the fund reporting level during the fiscal year ended June 30, 2020 is as follows:

<u>Property taxes</u>	
Maintenance and operations	\$ 10,948,327
Railroad cars	12,994
Other sales tax	234,794
Title Ad-valorem taxes	<u>1,168,172</u>
Total property taxes	12,364,287
<u>Sales taxes</u>	
Special Purpose	
Local Option	
Sales Tax	4,111,530
(SPLOST)	
Total revenue from taxes	<u>\$ 16,475,817</u>

### **3. Budgetary Data**

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

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. After approval of this tentative budget

# Franklin County Board of Education

## Notes to the Financial Statements

June 30, 2020

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by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

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

#### **4. Deposits, cash equivalents and investments collateralization of deposits**

##### **Collateralization of deposits**

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

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

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

# Franklin County Board of Education

## Notes to the Financial Statements

### June 30, 2020

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#### **Categorization of deposits**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2020, the School District had deposits with a carrying amount of \$2,222,526, and a bank balance of \$3,380,350. The bank balances insured by Federal depository insurance were \$750,000 and the bank balances collateralized with securities held by the pledging financial institution in the School District's name were \$356,876. The bank balances included in the State's Secure Deposit Program (SDP) were \$2,017,177.

At June 30, 2020, \$234,307 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Uninsured with collateral held by the pledging financial institution		-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School district's name		234,307
Total	\$	<u>234,307</u>

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

Cash and cash equivalents	
Statement of net position	\$ 10,817,474
Statement of fiduciary net position	<u>150,663</u>
Total cash and cash equivalents	10,968,137
Add:	
Deposits with original maturity of three months or more reported as investments	21,954
Less:	
Cash on hand	-
Investment pools reported as cash and cash equivalents	
Georgia fund 1	<u>8,767,565</u>
Total carrying value of deposits - June 30, 2020	<u>\$ 2,222,526</u>

#### **Categorization of Cash Equivalents**

The School District reported cash equivalents of \$8,767,565 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAaF rated investment pool by Standard and Poor's. The weighted average maturity of Georgia

# Franklin County Board of Education

## Notes to the Financial Statements

### June 30, 2020

Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2020, was 38 days.

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

#### 5. Capital assets

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

	7/1/2019	Additions	Disposal	6/30/2020
Governmental activities				
Capital Assets, not being depreciated:				
Land	\$ 1,338,157	\$ -	\$ -	\$ 1,338,157
Construction in progress	8,380,090	-	631,386	7,748,704
Total capital assets not being depreciated	9,718,247	-	631,386	9,086,861
Capital assets being depreciated				
Buildings and improvements	65,158,523	3,610,143	-	68,768,666
Equipment	7,158,472	591,757	-	7,750,229
Land improvements	8,388,201	443,107	-	8,831,308
Intangible assets	488,530	-	-	488,530
Total capital assets being depreciated	81,193,726	4,645,008	-	85,838,734
Less accumulated depreciation for:				
Buildings and improvements	(12,976,036)	(871,262)	-	(13,847,298)
Equipment	(5,067,227)	(457,873)	-	(5,525,100)
Land improvements	(1,641,823)	(164,137)	-	(1,805,960)
Intangible assets	(292,652)	(69,509)	-	(362,161)
Total accumulated depreciation	(19,977,738)	(1,562,781)	-	(21,540,519)
Total capital assets, being depreciated, net	61,215,988	3,082,227	-	64,298,215
Governmental activities capital assets, net	\$ 70,934,236	\$ 3,082,227	\$ 631,386	\$ 73,385,077

Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

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Current year depreciation expense by function is as follows:

<u>Depreciation expense:</u>	
Basic instruction	\$ 1,069,444
Support services	
Education media services	17,319
School administration	42,052
Business administration	8,037
Maintenance and operation of plant	80,189
Student transportation services	250,315
Food services	95,425
Total	<u>\$ 1,562,781</u>

**6. Inter-fund transfers**

Inter-fund transfers for the year ended June 30, 2020, consisted of the following:

Transfers to:	Transfers from		
	Capital Projects Fund	General Fund	Debt Service Fund
General Fund	\$ 590,291	\$ -	\$ -
Capital Projects Fund	-	(590,291)	-
Debt Service Fund	-	-	-
Total	<u>\$ 590,291</u>	<u>\$ (590,291)</u>	<u>\$ -</u>

Transfers are used as follows:

- To move sales tax revenues collected by the debt service fund to the capital projects fund.
- To move funds to the general fund to provide funding for capital construction projects.
- To move funds in capital projects fund to the debt service fund as needed for repayment of bond principal and interest.

Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

**7. Long-term liabilities**

The changes in long-term liabilities during the fiscal year ended June 30, 2020 for governmental activities were as follows:

	Governmental Activities				Due within one year
	7/1/2019	Additions	Deductions	6/30/2020	
General obligation bonds series 2018	\$ 6,035,000	\$ -	\$ 2,615,000	\$ 3,420,000	\$ 1,110,000
General obligation bonds series 2019	-	4,500,000	-	4,500,000	1,565,000
Capital Leases	207,733	-	103,867	103,867	103,867
	<u>\$ 6,242,733</u>	<u>\$ 4,500,000</u>	<u>\$ 2,718,867</u>	<u>\$ 8,023,867</u>	<u>\$ 2,778,867</u>

The School District's outstanding notes from direct borrowings and direct placements related to governmental activities contain a provision that in an event of default or if the School District is unable to make payment, outstanding amounts become immediately due.

**General obligation debt outstanding**

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

During the current year, the School District issued general obligation bonds totaling \$4,500,000 to primarily pay for acquiring or constructing capital facilities.

Of the total amount originally authorized, \$310,000 remains unissued as of fiscal year ended June 30, 2020. General obligation bonds currently outstanding are as follows:

Description	Interest rates	Issue dates	Maturity dates	Amount issued	Amount outstanding
General obligation bonds series 2018	2.61%	4/26/2018	3/1/2023	\$ 8,585,000	\$ 3,420,000
General obligation bonds series 2019	1.86%	7/18/2019	3/1/2023	4,500,000	4,500,000
			Total	<u>\$ 13,085,000</u>	<u>\$ 7,920,000</u>

Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

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

Year ended June 30:	General obligation debt		
	Principal	Interest	Total
2021	\$ 2,675,000	\$ 172,962	\$2,847,962
2022	2,740,000	114,882	2,854,882
2023	2,505,000	55,368	2,560,368
Thereafter	-	-	-
Total	\$ 7,920,000	\$ 343,212	\$8,263,212

**Capital leases**

The School District has acquired computer equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term. The following assets were acquired through capital leases and are reflected in the capital asset note at fiscal year-end:

	Governmental Activities
Computer equipment	\$ 311,600
Total	\$ 311,600

Capital leases currently outstanding as of fiscal year ended June 30, 2020 are as follows:

Purpose	Interest rates	Issue dates	Maturity dates	Amount issued	Amount outstanding
Computer equipment	0.00%	6/10/2019	6/10/2021	\$ 311,600	\$ 103,867

The following is a schedule of total capital lease payments as of fiscal year ended June 30, 2020:

Year ended June 30:	Principal
2021	\$ 103,867
Thereafter	-
Total	\$ 103,867

## **8. Risk management**

### **Commercial Insurance**

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

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

The School District participates in the Georgia School District Boards Association Risk Management Fund (the Fund), a public entity risk pool organized on August 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, errors and omissions liability, cyber risk and property damage, including safety engineering and other loss prevention and control techniques, and to administer the Fund including the processing and defense of claims brought against members of the Fund. The School District pays an annual contribution to the Fund for coverage. Reinsurance is provided to the Fund through agreements by the Fund with insurance companies according to their specialty for property (including coverage for flood and earthquake), machinery breakdown, general liability, errors and omissions, crime, cyber risk and automobile risks. Reinsurance limits and retentions vary by line of coverage.

### **Workers compensation - Georgia Education Workers' Compensation Trust**

The School District participates in the Georgia Education Workers' Compensation Trust (the Trust), a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1.0 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2.0 million. The Trust covers the first \$1.0 million of each Employers Liability claim with Safety National providing additional Employers Liability limits up to a \$2.0 million per occurrence maximum. Safety National Casualty Company also provides \$2.0 million in aggregate coverage to the Trust, attaching at 107% of the loss fund and based on the Fund's annual normal premium.

### **Unemployment compensation**

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



Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

---

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

Year	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2019	\$ -	\$ 1,593	\$ (1,593)	\$ -
2020	\$ -	\$ -	\$ -	\$ -

**Surety bond**

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

Position covered	Amount
Superintendent	\$ 100,000

**9. Fund balance classification details**

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2020:

Fund Balances

Nonspendable	
Inventories	\$ 49,492
Prepaid assets	7,481
Total nonspendable	56,973
Restricted	
Continuation of federal programs	150,422
Capital projects	1,799,497
Debt service	3,511,306
Total restricted	5,461,224
Assigned	
School activity accounts	568,849
Total assigned	568,849
Unassigned	4,457,235
Fund Balance, June 30, 2020	<u>\$ 10,544,283</u>

# Franklin County Board of Education

## Notes to the Financial Statements

June 30, 2020

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

### 10. Significant contingent liabilities

#### **Federal grants**

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

#### **Litigation**

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

### 11. Other post-employment benefits (OPEB)

#### **Georgia School District Personnel Post-employment Health Benefit Fund**

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

**Benefits Provided:** The School District OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public School District teachers, including librarians, other certified employees of public School Districts, regional educational service agencies and non-certified public School District 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 District 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 District OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School District OPEB Fund is permitted.

**Contributions:** As established by the Board, the School District OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School District OPEB Fund from the

Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

---

School District were \$839,185 for the year ended June 30, 2020. Active employees are not required to contribute to the School District OPEB Fund.

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

At June 30, 2020, the School District reported a liability of \$30,709,694 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2019. At June 30, 2019, the School District's proportion was 0.250239%, which was an increase (decrease) of 0.006899% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$956,897. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,340,895
Changes of assumptions	1,066,487	4,329,097
Net difference between projected and actual earnings on OPEB plan investments	66,876	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,182,681	-
School District contributions subsequent to the measurement date	839,185	-
Total	<u>\$ 3,155,229</u>	<u>\$ 7,669,992</u>

Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

---

School District contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	OPEB
2021	\$ (1,240,536)
2022	\$ (1,240,536)
2023	\$ (1,243,107)
2024	\$ (1,057,399)
2025	\$ (502,392)
Thereafter	\$ (69,978)

**Actuarial assumptions:** The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

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

# Franklin County Board of Education

## Notes to the Financial Statements

### June 30, 2020

---

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

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. During fiscal year 2018, the School District OPEB fund updated their investment strategy to a more long-term approach. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

Asset Class	OPEB Target Allocation	Long-Term Expected Real Rate of Return (net of inflation)
Fixed income	30.00%	-0.50%
Domestic Stocks - Large Cap	46.20%	8.90%
Domestic Stocks - Small Cap	1.30%	13.20%
International Stock - Developed Mkt	12.40%	8.90%
International Stock - Emerging Mkt	5.10%	10.90%
Alternatives	5.00%	12.00%
Total	100.00%	

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

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

	1% Decrease (2.58%)	Current discount rate (3.58%)	1% Increase (4.58%)
School's proportion of the net OPEB liability	\$ 35,694,801	\$ 30,709,694	\$ 26,654,534

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

Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

---

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School's proportion of the net OPEB liability	\$ 25,869,664	\$ 30,709,694	\$ 36,856,900

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

## 12. Retirement plans

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

### Teachers Retirement System of Georgia (TRS)

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

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

**Contributions:** Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public School District 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



# Franklin County Board of Education

## Notes to the Financial Statements

### June 30, 2020

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during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2020. The School District's contractually required contribution rate for the year ended June 30, 2020 was 21.14% of annual School District payroll, of which 21.01% of payroll was required from the School District and 0.13% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$4,598,360 and \$29,371 from the School District and the State, respectively.

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

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

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

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

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

**Contributions:** Member contributions under the old plan are 4% of annual compensation, up to \$4,200, 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



# Franklin County Board of Education

## Notes to the Financial Statements

### June 30, 2020

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compensation. The School District's required contribution rate for the year ended June 30, 2020 was 24.66% of annual covered payroll for old and new plan members and 21.64% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were \$7,571 for the current fiscal year.

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

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

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

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

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

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$75,903.

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

At June 30, 2020, the School District reported a liability of \$36,951,136 for its proportionate share of the net pension liability for TRS (\$36,901,865) and ERS (\$49,271). The TRS net pension liability reflected a reduction for support provided to the School District by the State of

# Franklin County Board of Education

## Notes to the Financial Statements

### June 30, 2020

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

District's proportionate share of the net pension liability	\$ 36,901,865
State of Georgia's proportionate share of the net pension liability associated with the School District	253,302
Total	<u>\$ 37,155,167</u>

The net pension liability for TRS and ERS was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2019. At June 30, 2019, the School District's TRS proportion was 0.171615%, which was an increase of 0.005391% from its proportion measured as of June 30, 2018. At June 30, 2019, the School District's ERS proportion was 0.001194%, which was an increase of 0.000034% from its proportion measured as of June 30, 2018.

At June 30, 2020, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$491,516.

The PSERS net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$6,525,769 for TRS, \$25,342 for ERS and \$151,577 for PSERS and revenue of \$2,783 for TRS and \$151,577 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,079,977	\$ 10,940	\$ 1,641	\$ -
Changes of assumptions	3,541,215	-	867	-
Net difference between projected and actual earnings on pension plan investments	-	878,746	-	1,534
Changes in proportion and differences between School District contributions and proportionate share of contributions	835,632	135,572	7,562	-
School contributions subsequent to the measurement date	4,598,360	-	7,571	-
Total	<u>\$ 11,055,184</u>	<u>\$ 1,025,258</u>	<u>\$ 17,641</u>	<u>\$ 1,534</u>

The School District contributions subsequent to the measurement date of are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	TRS	ERS
2021	\$ 2,154,359	\$ 9,579
2022	\$ 499,520	\$ (943)
2023	\$ 1,373,061	\$ (302)
2024	\$ 1,404,626	\$ 202
2025	\$ -	\$ -
Thereafter	\$ -	\$ -

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

# Franklin County Board of Education

## Notes to the Financial Statements

June 30, 2020

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### Teachers Retirement System:

Inflation rate	2.50%
Salary increases	3.00 - 8.75%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Post-retirement benefit increase	1.50% semi-annually

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, with the exception of the assumed investment rate of return.

### Employees' Retirement System:

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, with the exception of the assumed investment of return.

# Franklin County Board of Education

## Notes to the Financial Statements

### June 30, 2020

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#### Public School Employee Retirement System:

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.30%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, with the exception of the assumed investment rate of return.

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

Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

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Asset Class	TRS Target Allocation	ERS/PSERS Target Allocation	Long-term expected real rate of return
Fixed income	30.00%	30.00%	-0.10%
Domestic large equities	51.00%	46.20%	8.90%
Domestic small equities	1.50%	1.30%	13.20%
International developed market equities	12.40%	12.40%	8.90%
International emerging market equities	5.10%	5.10%	10.90%
Alternative	-	5.00%	12.00%
Total	100.00%	100%	

\* Rates shown are net of the assumed rate of inflation.

**Discount rate:** The discount rate used to measure the total TRS pension liability was 7.25%. The discount rate used to measure the total ERS and PSERS pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS, ERS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate:** The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.25% and 7.30%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25% and 6.30%) or 1-percentage-point higher (8.25% and 8.30%) than the current rate:

Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

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Teachers Retirement System:	1% Decrease (6.25%)	Current discount rate (7.25%)	1% Increase (8.25%)
School District's proportion of the net pension liability	\$ 59,902,528	\$ 36,901,865	\$ 17,987,148

Employees' Retirement System:	1% Decrease (6.25%)	Current discount rate (7.25%)	1% Increase (8.25%)
School District's proportion of the net pension liability	\$ 70,018	\$ 49,271	\$ 31,584

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS, ERS and PSERS financial report which is publicly available at [www.trsga.com/publications](http://www.trsga.com/publications) and <http://www.ers.ga.gov/financials>.

**Defined contribution plan**

The School District participates in an employer paid 403(b) annuity plan for the group of employees covered under the Public School District Employees Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The School District selected Lincoln as the provider of this plan. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to the amount contributed by the employee not to exceed \$25 per employee per month.

The employee becomes vested in the plan with 5 years of experience. Employees who had already achieved 5 years of experience at the time the plan was implemented were vested upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and 5 years of service to the Franklin County Board of Education. If an employee terminates employment prior to achieving 5 years of service, funds paid on behalf of the non-vested employee are credited back to the School District.

Franklin County Board of Education  
Notes to the Financial Statements  
June 30, 2020

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

Fiscal Year	Percentage Contribution	Required Contribution
2020	100.00%	\$ 8,525
2019	100.00%	\$ 9,225
2018	100.00%	\$ 12,100
2017	100.00%	\$ 13,025

**13. Tax abatements**

The School District property tax revenues were reduced by \$7,586 under an agreement entered into by the Franklin County Industrial Business Authority with Ross Controls, Inc. starting on May 1, 2017 for a ten-year period. The purpose of this property tax abatement agreement is to provide an incentive for Ross Controls, Inc. to expand their plant instead of relocating to another jurisdiction.

**14. Subsequent events**

On April 3, 2020 the Governor of Georgia issued a statewide stay home order to all residents of Georgia due to a strain of the Covid-19 virus that began to spread worldwide resulting in a severe impact to the organization's operations. The organization's operation has been affected since the date of the order. The extent of this impact is uncertain but is expected to have negative results on financial operations. The impact cannot be reasonably estimated at this time.



Franklin County Board of Education  
Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability  
Teachers Retirement System of Georgia  
For the period ended June 30, 2020

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Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.171615%	\$ 36,901,865	\$ 253,302	\$ 37,155,167	\$ 21,076,167	175.09%	78.56%
2019	0.166224%	\$ 30,854,735	\$ 233,697	\$ 31,088,432	\$ 19,978,659	154.44%	80.27%
2018	0.165730%	\$ 30,801,431	\$ 353,493	\$ 31,154,924	\$ 19,253,342	159.98%	79.33%
2017	0.166626%	\$ 34,376,802	\$ 527,744	\$ 34,904,546	\$ 18,595,862	184.86%	76.06%
2016	0.168496%	\$ 25,651,843	\$ 413,180	\$ 26,065,023	\$ 18,071,345	141.95%	81.44%
2015	0.164905%	\$ 20,833,572	\$ 331,129	\$ 21,164,701	\$ 17,091,045	121.90%	84.03%

Franklin County Board of Education  
Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability  
Employees' Retirement System of Georgia  
For the period ended June 30, 2020

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<u>Year Ended</u>	<u>School District's proportion of the net pension liability</u>	<u>School District's proportionate share of the net pension liability</u>	<u>School District's covered payroll</u>	<u>School District's proportionate share of the net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total pension liability</u>
2020	0.001194%	\$ 49,271	\$ 30,098	163.70%	76.74%
2019	0.001160%	\$ 47,688	\$ 29,596	161.13%	76.68%
2018	0.000432%	\$ 17,545	\$ 8,831	198.67%	76.33%

Franklin County Board of Education  
Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability  
Public School Employees' Retirement System of Georgia  
For the period ended June 30, 2020

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Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.00%	\$ -	\$ 491,516	\$ 491,516	\$ 1,609,524	N/A	85.02%
2019	0.00%	\$ -	\$ 429,508	\$ 429,508	\$ 1,500,461	N/A	85.26%
2018	0.00%	\$ -	\$ 375,754	\$ 375,754	\$ 1,234,178	N/A	85.69%
2017	0.00%	\$ -	\$ 486,621	\$ 486,621	\$ 1,177,357	N/A	81.00%
2016	0.00%	\$ -	\$ 291,284	\$ 291,284	\$ 1,146,940	N/A	87.00%

Franklin County Board of Education  
Required Supplementary Information  
Schedule of Proportionate Share of the Net OPEB Liability  
School District OPEB Fund  
For the period ended June 30, 2020

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Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.250239%	\$ 30,709,694	\$ -	\$ 30,709,694	\$ 20,635,718	148.82%	4.63%
2019	0.243340%	\$ 30,927,768	\$ -	\$ 30,927,768	\$ 19,910,824	155.33%	2.93%
2018	0.241819%	\$ 33,975,472	\$ -	\$ 33,975,472	\$ 18,518,344	183.47%	1.61%

Franklin County Board of Education  
Required Supplementary Information  
Schedule of Contributions  
Teachers Retirement System of Georgia  
For the period ended June 30, 2020

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Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2020	\$ 4,598,360	\$ 4,598,360	\$ -	\$ 21,891,471	21.01%
2019	\$ 4,374,883	\$ 4,374,883	\$ -	\$ 21,076,167	20.76%
2018	\$ 3,332,626	\$ 3,332,626	\$ -	\$ 19,978,659	16.68%
2017	\$ 2,715,973	\$ 2,715,973	\$ -	\$ 19,253,342	14.11%
2016	\$ 2,613,593	\$ 2,613,593	\$ -	\$ 18,595,862	14.05%
2015	\$ 2,338,991	\$ 2,338,991	\$ -	\$ 18,071,345	12.94%

Franklin County Board of Education  
Required Supplementary Information  
Schedule of Contributions  
Employees' Retirement System of Georgia  
For the period ended June 30, 2020

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Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2020	\$ 7,571	\$ 7,571	\$ -	\$ 30,700	24.66%
2019	\$ 7,485	\$ 7,485	\$ -	\$ 30,098	24.87%
2018	\$ 7,343	\$ 7,343	\$ -	\$ 29,596	24.81%
2017	\$ 2,191	\$ 2,191	\$ -	\$ 8,831	24.81%

Franklin County Board of Education  
Required Supplementary Information  
Schedule of Contributions  
School District OPEB Fund  
For the period ended June 30, 2020

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Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2020	\$ 839,185	\$ 839,185	\$ -	\$ 20,635,718	4.07%
2019	\$ 1,347,712	\$ 1,347,712	\$ -	\$ 19,462,876	6.92%
2018	\$ 1,261,210	\$ 1,261,210	\$ -	\$ 19,910,824	6.33%
2017	\$ 1,260,865	\$ 1,260,865	\$ -	\$ 18,518,344	6.81%

# Franklin County Board of Education

## Notes to the Required Supplementary Information

### For the period ended June 30, 2020

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#### **Teachers Retirement System**

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

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

On May 15, 2019, the Board adopted recommended changes from the smoothed valuation interest rate methodology that has been in effect since June 30, 2009, to a constant interest rate method. In conjunction with the methodology, the long-term assumed rate of return in assets (discount rate) has been changed from 7.50% to 7.25%, and the assumed annual rate of inflation has been reduced from 2.75% to 2.50%.

#### **Employees' Retirement System**

##### **Changes of benefit terms:**

- A new benefit tier was added for members joining the System on and after July 1, 2009.
- A one-time 3% payment was granted to certain retirees and beneficiaries effective July 2016.
- A one-time 3% payment was granted to certain retirees and beneficiaries effective July 2017.

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

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

#### **Public School District Employees Retirement System**

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



# Franklin County Board of Education

## Notes to the Required Supplementary Information

### June 30, 2020

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

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.

#### **School District OPEB Fund**

**Changes of benefit terms:** There have been no changes in benefit terms.

**Changes in assumptions:** June 30, 2017 valuation: the June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are now assigned to the State OPEB fund based on their last employer payroll location: irrespective of retirement affiliation.

The discount rate was updated from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018. The rate was reduced to 3.58% as of June 30, 2019.

Franklin County Board of Education  
General Fund Schedule of Revenues, Expenditures and Changes in Fund  
Balances - Budget and Actual  
For the period ended June 30, 2020

	Nonappropriated Budgets		Actual Amounts	Variance
	Original (1)	Final (1)		
<b>REVENUES</b>				
Property taxes	\$ 10,269,400	\$ 11,665,276	\$ 12,129,492	\$ 464,216
Sales taxes	-	-	234,794	234,794
State funds	25,489,548	26,648,087	27,974,190	1,326,103
Federal funds	4,422,615	4,474,595	3,672,548	(802,048)
Charges for services	525,250	525,250	463,099	(62,151)
Investment earnings	17,000	14,000	8,140	(5,860)
Miscellaneous	40,000	40,000	1,672,297	1,632,297
Total revenue	40,763,814	43,367,208	46,154,560	2,787,351
<b>EXPENDITURES</b>				
Current				
Basic instruction	28,997,048	28,569,267	29,521,043	(951,776)
Support services				
Pupil services	1,690,571	1,908,068	1,509,404	398,664
Improvement of instructional services	2,670,623	2,358,561	2,205,861	152,700
Education media services	667,128	669,128	684,729	(15,601)
General administration	616,214	575,610	934,869	(359,259)
School administration	2,544,878	2,544,878	2,585,345	(40,467)
Business administration	354,425	301,546	323,511	(21,965)
Maintenance and operations	2,410,767	2,169,336	2,796,395	(627,059)
Student transportation services	3,078,733	3,074,233	3,397,659	(323,425)
Other support services	286,000	286,000	291,733	(5,733)
Enterprise operations	-	-	665,655	(665,655)
Food services	1,853,302	1,853,302	2,280,407	(427,105)
Total expenditures	45,169,689	44,309,929	47,196,611	(2,886,682)
Excess of revenues over (under) expenditures	(4,405,876)	(942,720)	(1,042,051)	5,674,034
<b>Other financing sources</b>				
Other sources	103,000	176,144	-	176,144
Other uses	-	(73,144)	-	(73,144)
Transfer out	-	-	590,291	(590,291)
Net change in fund balances	(4,302,876)	(839,720)	(451,760)	(387,960)
<b>Fund balances at beginning of the year</b>	5,231,260	5,685,241	5,685,241	-
Adjustments	12,778	76,139	-	76,139
<b>Fund balances at end of the year</b>	\$ 941,162	\$ 4,921,659	\$ 5,233,480	\$ (311,821)

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

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are \$884,983 and \$966,673, respectively.

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

Franklin County Board of Education  
Schedule of Expenditure of Federal Awards  
For the period ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Pass- through to Subrecipients
<b>Agriculture, U.S. Department of:</b>				
Child Nutrition Cluster				
Pass-through from Georgia Department of Education:				
Food Services				
School Breakfast Program	10.553	195GA324N1099	\$ 489,609	\$ -
National School Lunch Program	10.555	205GA324N1099	1,406,141	-
Total Child Nutrition Cluster			1,895,749	-
Total U.S. Department of Agriculture			1,895,749	-
<b>Education, U.S. Department of:</b>				
Special Education Cluster				
Pass-through from Georgia Department of Education:				
Special Education				
Grants to States	84.027	H027A190073, H027A180073	847,390	-
Preschool Grants	84.173	H173A190081	34,139	-
Total Special Education Cluster			881,529	-
Other Programs				
Pass-through from Georgia Department of Education:				
Career and Technical Education - Basic Grants to States	84.048	V048A190010	45,468	-
English Language Acquisition State Grants	84.365	S365A200010, S365A190010	10,979	-
Migrant Education - State Grant Program	84.011	S011A200011, S011A190011	17,434	-
Rural Education	84.358	S358B200010, S358B190010	93,740	-
Supporting Effective Instruction State Grants	84.367	S367A200001, S367A190001	119,411	-
Title I Grants to Local Educational Agencies	84.010	S010A200010, S010A190010	1,166,040	-
Total Other Programs			1,453,072	-
Total U.S. Department of Education			2,334,601	-
Total Expenditure of Federal Awards			\$ 4,230,350	\$ -

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

Franklin County Board of Education  
Notes to the Schedule of Expenditure of Federal Awards  
For the period ended June 30, 2020

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Franklin County Board of Education ("School District") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, or changes in net position of the School District.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Indirect Cost Rate**

The School District has not elected to use the 10-percent de minimis cost rate allowed under the Uniform Guidance

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

Franklin County Board of Education  
Schedule of State Revenue  
For the period ended June 30, 2020

<u>Agency / Funding</u>	Governmental Fund	
	Type	
	General Fund	
Grants		
Education, Georgia Department of		
Quality Basic Education		
Direct Instructional Cost		
Kindergarten Program	\$	4,771,789
Kindergarten Program - Early Intervention Program		428,049
Primary Grades (1-3) Program		1,884,926
Primary Grades - Early Intervention (1-3) Program		1,466,725
Upper Elementary Grades (4-5) Program		721,626
Upper Elementary Grades - Early Intervention (4-5) Program		1,287,204
Middle School (6-8) Program		2,440,154
High School General Education (9-12) Program		1,718,800
Vocational Laboratory (9-12) Program		736,858
Students with Disabilities		2,983,186
Gifted Student - Category VI		380,728
Remedial Education Program		654,387
Alternative Education Program		157,519
English Speakers of Other Languages (ESOL)		194,666
Media Center Program		406,736
20 Days Additional Instruction		125,195
Staff and Professional Development		81,610
Principal Staff and Professional Development		1,747
Indirect Cost		
Central Administration		720,946
School Administration		961,257
Facility Maintenance and Operations		945,301
Mid-term Adjustment Hold-Harmless		186,436
Categorical Grants		
Pupil Transportation		
Regular		660,361
Nursing Services		77,215
Education Equalization Funding Grant		2,867,732
Other State Programs		
Agriculture Construction Related Equipment - State Bonds		118,874
CTAE Connect Grant Bond Funds		86,079
CTAE Opportunities Equipment Grant		10,875
Food Services		36,588
Hygiene Products in Georgia Schools		2,141
Math and Science Supplements		46,959
Preschool Disability Services		84,172
Teachers Retirement		29,372
Vocational Education		179,186
Vocational Construction Related Equipment - State Bonds		393,356
Vocational Supervisors		14,140
Office of the State Treasurer		
Public School Employees Retirement		75,903
CONTRACTS		
Human Resources, Georgia Department of		
Family Connection		35,391
Total state revenue	\$	27,974,190

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

# Franklin County Board of Education

## Schedule of Approved Local Option Sales Tax Projects

### For the period ended June 30, 2020

Project (SPLOST IV)	Original Estimated Cost (1)	Current Estimated Costs (2)	Amount Expended In Current Year (3)(5)	Amount Expended in Prior Years (3)(4)(5)	Total Completion Cost	Excess Proceeds Not Expended	Estimated Completion Date
i) Acquiring, constructing and equipping replacement school building at Franklin County High School;	\$ 16,300,000	\$ 15,245,082	\$ -	\$ 15,245,082	\$ 15,245,082	\$ -	Completed
ii) adding to, renovating, repairing, improving, acquiring and equipping school buildings and school system facilities;	500,000	3,000,000	-	2,901,092	2,901,092	-	Completed
iii) acquiring miscellaneous new equipment, fixtures and furnishings for the school system, including computer technology equipment, computer software, school buses and other vehicles, transportation and maintenance equipment, and security and safety equipment;	1,300,000	3,500,000	-	3,335,724	3,335,724	-	Completed
iv) acquiring land or improving land for new or existing schools;	100,000	-	-	-	-	-	Completed
v) acquiring textbooks, e-books, and e-book readers for the school system;	400,000	-	-	-	-	-	Completed
vi) paying a portion of the payments, including principal and interest, due on the School District's Series 2006 and 2007 bonds with a maximum payment amount of \$1,700,000.00, with the maximum cost of the projects described in items (i)-(iv) payable from said tax being \$20,000,000.00.	1,700,000	227,098	-	227,098	227,098	-	Completed
<b>Total SPLOST IV</b>	<b>\$ 20,300,000</b>	<b>\$ 21,972,179</b>	<b>\$ -</b>	<b>\$ 21,708,995</b>	<b>\$ 21,708,995</b>	<b>\$ -</b>	
<b>Project (SPLOST V)</b>							
i) Constructing, renovating and equipping a Career Technical and Agricultural Education ("CTAE") career academy on the Franklin County High School campus and constructing and equipping additions to Carnesville Elementary School Intermediate campus;	\$ 11,000,000	\$ 11,000,000	\$ 3,809,368	\$ 7,240,958	\$ -	\$ -	June 30, 2023
ii) adding to, renovating, repairing, improving, acquiring and equipping school buildings and school system facilities;	3,000,000	3,000,000	744,933	4,782	-	-	June 30, 2023
iii) acquiring miscellaneous new equipment, fixtures and furnishings for the school system, including computer technology equipment, computer software, school buses and other vehicles, transportation and maintenance equipment, and security and safety equipment;	3,500,000	3,500,000	891,743	43,300	-	-	June 30, 2023
iv) acquiring land or improving land for new or existing schools;	100,000	100,000	24,976	-	-	-	June 30, 2023
v) acquiring textbooks, e-books, and e-book readers for the school system;	300,000	300,000	-	-	-	-	June 30, 2023
vi) paying any general obligation debt the School District issued in conjunction with the imposition of such sales and use tax.	100,000	100,000	-	-	-	-	June 30, 2023
<b>Total SPLOST V</b>	<b>\$ 18,000,000</b>	<b>\$ 18,000,000</b>	<b>\$ 5,471,020</b>	<b>\$ 7,289,040</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total SPLOST IV and V</b>	<b>\$ 38,300,000</b>	<b>\$ 39,972,179</b>	<b>\$ 5,471,020</b>	<b>\$ 28,998,035</b>	<b>\$ 21,708,995</b>	<b>\$ -</b>	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.

(2) The School District's current estimate of total cost for the projects. Including all cost from project inception to completion.

(3) The voters of Franklin County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

(4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior years	\$ 1,923,787
Current years	205,176
<b>Total</b>	<b>\$ 2,128,963</b>

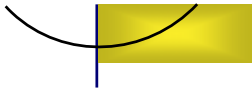
(5) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior years	\$ 437,702
Current years	53,668
<b>Total</b>	<b>\$ 491,369</b>



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

To the Superintendent and Members of the  
Franklin County Board of Education  
Carnesville, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County Board of Education ("the School District"), as of and for the year ended June 30, 2020, and related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 15, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls 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.

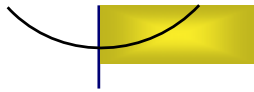
*Bambo Sonaike CPA, LLC*

March 15, 2021





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

To the Superintendent and Members of the  
Franklin County Board of Education  
Carnesville, Georgia

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

We have audited Franklin County Board of Education's (the School District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization'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 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 Organization'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 Organization's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Franklin County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

Management of the Organization 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 Organization'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 Organization's internal control over compliance.

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

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

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

*Bambo Sonaike CPA, LLC*

March 15, 2021

Franklin County Board of Education  
Schedule of Findings and Questioned Costs  
For the period ended June 30, 2020

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**Section I - Summary of Auditor's Result**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Un-modified opinion
<u>Internal control over financial reporting:</u>	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Non-compliance material to financial statements noted?	No

**Federal Awards**

<u>Internal control over major federal programs:</u>	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Un-modified opinion
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200?	No
<u>Identification of major federal programs:</u>	<u>CFDA</u>
	<u>Numbers</u>
Title I Grants to Local Educational Agencies	84.010
Special Education Cluster	
Grants to States	84.027
Preschool Grants	84.173
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as a low risk auditee?	No

**Section II - Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards**

There were no reportable conditions identified to be material weakness.

**Section III - Federal Awards Findings & Questioned Costs**

There were no reportable conditions identified to be material weakness.

–End of Report–