

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

**Prepared by:
Business Services Department**

**237 Jackson Street
Newnan, Georgia 30263**

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

TABLE OF CONTENTS

FINANCIAL SECTION

	<u>Page</u>
Independent Auditor’s Report	1 – 3
Management’s Discussion and Analysis	4 – 13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	20
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	21
Notes to Financial Statements	22 – 60
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability – Teachers Retirement System of Georgia	61
Schedule of Contributions – Teachers Retirement System of Georgia.....	62
Notes to Required Supplementary Information – Teachers Retirement System of Georgia	63
Schedule of Proportionate Share of the Net Pension Liability – Public School Employees’ Retirement System	64
Notes to Required Supplementary Information – Public School Employees’ Retirement System	65
Schedule of Proportionate Share of the Net Pension Liability – Employees’ Retirement System	66
Schedule of Contributions – Employees’ Retirement System	67
Notes to Required Supplementary Information – Employees’ Retirement System	68

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

TABLE OF CONTENTS

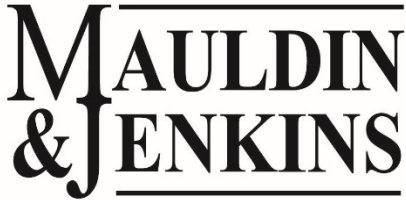
FINANCIAL SECTION (CONTINUED)

	<u>Page</u>
Required Supplementary Information (Continued):	
Schedule of the Proportionate Share of Net OPEB Liability.....	69
Schedule of OPEB Contributions	70
Notes to Required Supplementary Information – School OPEB Fund	71
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds – SPLOST IV.....	72
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds – SPLOST V	73
Combining Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	74

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75 and 76
Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required By the Uniform Guidance	77 – 79
Schedule of Expenditures of Federal Awards	80
Notes to Schedule of Expenditures of Federal Awards	81
Schedule of Findings and Questioned Costs	82 and 83
Schedule of Prior Year Findings	84

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of the
Coweta County Board of Education
Newnan, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Coweta County Board of Education** as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Coweta County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

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

Emphasis of Matter

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

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 13), the schedules of proportionate share of the net pension liabilities, the schedules of pension contributions, the schedule of proportionate share of the other post-employment benefit (OPEB) net liability, and the schedule of OPEB contributions 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 Coweta County Board of Education's basic financial statements. The schedule of expenditures of federal awards, 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 the schedules of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, as listed in the table of contents, are also presented for purposes of additional analysis and are also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the Coweta County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Coweta County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coweta County Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 21, 2018

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

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

Financial Highlights

Key financial highlights for 2018 are as follows:

In total, net position decreased \$162.6 million which represents a 75.1 percent decrease from 2017. This total increase was due to governmental activities since the Board has no business-type activities and is related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*.

- ❑ General revenues accounted for \$116.4 million in revenue or 46.6 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$133.3 million or 53.4 percent of total revenues of \$249.7 million.
- ❑ The Board had \$237.8 million in expenses related to governmental activities; only \$133.3 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$116.4 million were adequate to provide for these programs.
- ❑ Among major funds, the General Fund had \$224.5 million in revenues and \$222.1 million in expenditures. The general fund's fund balance increased to \$29.6 million from \$27.7 million.
- ❑ Due to the financial condition of the State of Georgia, the State again reduced the Board's funding. The current reduction is \$1.8 million, which follows a \$1.5 million reduction in 2017. The reductions in fiscal year 2016 and prior fiscal years are listed below:
 - 2016: \$5.4 million
 - 2015: \$8.9 million
 - 2014: \$22.3 million
 - 2013: \$26.4 million
 - 2012: \$15.3 million
 - 2011: \$14.8 million
 - 2010: \$19.1 million
 - 2009: \$7.0 million
 - 2008: \$1.8 million
 - 2007: \$2.1 million
 - 2006: \$3.9 million
 - 2005: \$3.9 million
 - 2004: \$3.3 million
 - 2003: \$1.6 million

For fiscal year 2019, there will be no reduction in state funding.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The fund financial statements reflect the School District's most significant funds. For the year ended June 30, 2018, the general fund and the capital projects fund represent the most significant funds.

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

Government-wide Statements

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

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, are one way to measure the School District's overall financial health or position. Over time, increases or decreases in net position are an indication of whether its financial health is improving or deteriorating. Changes may be the result of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

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

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

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

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required by State law and some by bond requirements. The School District's major governmental funds are the general fund and the capital projects fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled to the financial statements.

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2018 and 2017.

**Table 1
Net Position**

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017
Assets		
Current and Other Assets	\$ 119,719,762	\$ 109,349,863
Capital Assets, Net	<u>320,076,749</u>	<u>311,322,507</u>
Total Assets	<u>439,796,511</u>	<u>420,672,370</u>
Deferred outflows of resources	<u>44,080,682</u>	<u>52,301,908</u>
Liabilities		
Current and Other Liabilities	41,374,362	38,245,810
Long-term Liabilities	<u>366,386,811</u>	<u>213,771,100</u>
Total Liabilities	<u>407,761,173</u>	<u>252,016,910</u>
Deferred inflows of resources	<u>22,128,635</u>	<u>4,386,738</u>
Net Position		
Net investment in capital assets	320,076,749	311,322,507
Restricted	56,655,638	32,621,291
Unrestricted	<u>(322,745,002)</u>	<u>(127,373,168)</u>
Total Net Position	<u>\$ 53,987,385</u>	<u>\$ 216,570,630</u>

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

Total Assets and Deferred Outflows of Resources decreased by \$10.9 million. There was an increase in investments and in capital assets, and there was a decrease in Deferred Outflows of Resources. The increase in Capital Assets is due to the ongoing construction projects related to the renovation of facilities throughout the School District and the acquisition of equipment. The decrease in the Deferred Outflows of Resources is in connection with the School District's proportionate share of the net pension liability for the Teachers Retirement System of Georgia and the Employees Retirement System of Georgia and the School District's proportionate share of the net OPEB liability for the School OPEB Fund.

Total Liabilities and Deferred Inflows of Resources increased by \$173.5 million, primarily due to an increase in the Net Pension Liability and the restatement to reflect the Net OPEB liability.

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

Table 2 shows the changes in net position for fiscal years ending June 30, 2018 and June 30, 2017.

**Table 2
Change in Net Position**

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 4,126,439	\$ 4,093,762
Operating Grants and Contributions	127,035,054	120,932,686
Capital Grants and Contributions	2,179,640	367,721
Total Program Revenues	<u>133,341,133</u>	<u>125,394,169</u>
General Revenues:		
Taxes		
Property Taxes		
for Maintenance and Operations	86,408,821	80,436,688
Sales Taxes		
Special Purpose Local Option Sales Tax	22,701,009	21,290,341
Other Sales Tax	2,269,405	2,262,411
Other Taxes	130,507	61,317
Local School Activity	3,328,614	3,491,948
Investment Earnings	581,439	515,260
Miscellaneous	965,578	0
Loss on disposal of capital assets	-	-614,851
Total General Revenues	<u>116,385,373</u>	<u>107,443,114</u>
Total Revenues	<u>249,726,506</u>	<u>232,837,283</u>
Program Expenses:		
Instruction	152,822,349	150,453,063
Support Services		
Pupil Services	8,670,102	8,601,606
Improvement of Instructional Services	4,624,582	4,771,898
Educational Media Services	3,346,176	3,359,837
General Administration	741,961	1,007,025
School Administration	16,301,070	15,518,610
Business Administration	1,709,654	1,726,459
Maintenance and Operation of Plant	19,181,417	17,766,336
Student Transportation Services	13,327,300	11,078,495
Central Support Services	1,973,281	1,775,710
Other Support Services	1,941,055	1,235,297
Operations of Non-Instructional Services		
Enterprise operations	965,483	878,344
Community services	1,434,446	1,499,429
Food Services	10,768,345	10,688,269
Total Expenses	<u>237,807,221</u>	<u>230,360,378</u>
Increase (decrease) in Net Position	<u>\$ 11,919,285</u>	<u>\$ 2,476,905</u>

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

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

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions increased \$7.9 million for governmental activities. This increase is largely due to an increase in state funding for state grants and appropriations.

General revenues increased by \$8.9 million during fiscal year 2018, due to an increase in Property Tax Revenues and an increase in sales tax revenue associated with the School District's Education Special Purpose Local Option Sales Tax (ESPLOST).

Governmental Activities

Governmental program expenses are comprised of the following: Instruction 64.3 percent, Support Services 30.2 percent, and Operations of Non-Instructional Services 5.5 percent.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services comparing fiscal year 2018 with fiscal year 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
Program Expenses:				
Instruction	\$ 152,822,349	\$ 150,453,063	\$ (44,200,819)	\$ (58,125,907)
Support Services				
Pupil Services	8,670,102	8,601,606	(8,168,773)	(7,466,830)
Improvement of Instructional Services	4,624,582	4,771,898	(2,222,747)	(2,014,435)
Educational Media Services	3,346,176	3,359,837	(3,345,854)	(1,051,830)
General Administration	741,961	1,007,025	2,076,614	1,399,061
School Administration	16,301,070	15,518,610	(16,266,571)	(10,917,010)
Business Administration	1,709,654	1,726,459	(1,694,226)	(1,710,202)
Maintenance and Operation of Plant	19,181,417	17,766,336	(13,500,521)	(12,107,126)
Student Transportation Services	13,327,300	11,078,495	(10,282,717)	(7,987,306)
Central Support Services	1,973,281	1,775,710	(1,949,668)	(1,751,168)
Other Support Services	1,941,055	1,235,297	(1,736,455)	(1,022,797)
Operations of Non-Instructional Services				
Enterprise Operations	965,483	878,344	(965,483)	(461,148)
Community Services	1,434,446	1,499,429	(2,054,654)	(239,709)
Food Services	10,768,345	10,688,269	(154,214)	(1,509,802)
Total Expenses	\$ 237,807,221	\$ 230,360,378	\$ (104,466,088)	\$ (104,966,209)

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

Although program revenues make up a majority of the revenues, the Board is still dependent upon tax revenues for governmental activities. Taxes and other general revenues support 28.9 percent of instructional activities; for all governmental activities general revenue support is 43.9 percent.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$250.3 million and expenditures and other financing uses of \$242.9 million. The net change in fund balance in the Capital Projects fund was an increase of \$5.6 million primarily due to an increase in SPLOST revenue in fiscal year 2018 and a decrease in expenses due to the completion of several renovation projects throughout the School District, including but not limited to Newnan High, Western Elementary, and Canongate Elementary. The School District continues its construction and renovation program.

The net change in fund balance in the General Fund was an increase of \$1.8 million. The increase in the general fund for the year is due to a combination of an increase in state revenue and effective budgeting of expenses in the General Fund.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the Board amended its general fund budget as needed. The Board uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budgeted revenues of \$228.0 million exceeded the original budgeted amount of \$216.8 million by \$11.2 million. This difference was due to an increase in miscellaneous revenues of \$7.0 million, an increase in state revenues of \$1.5 million (for on-behalf payments), an increase in Federal revenues of \$0.7 million, and an increase in property taxes revenue of \$2.0 million. The miscellaneous revenues budgeted increased due to the inclusion of the principals' accounts in our financial statements, the state revenues increased due to the inclusion of the on-behalf payments, and the Federal revenues increased due to an increase in the Federal grants. Property taxes revenue increased due to the inclusion of Title Ad Valorem Tax Revenues. The final budgeted revenues of \$228.0 million exceeded the actual revenues by \$3.5 million.

The final budgeted expenditures of \$228.9 million exceeded the original budgeted amount of \$218.5 million by \$10.4 million. The majority of this difference was due to a large increase in instruction, which included a \$5.5 million increase due to the inclusion of the principals' accounts in our financial statements. Enterprise activities increased by \$1.5 million due to the inclusion of the principals' accounts in our financial statements. The budgeted ending fund balance decreased \$0.9 million. The actual expenditures of \$222.1 million was \$6.8 million less than budgeted.

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

General Fund revenues and other financing sources exceeded expenses and other financing uses by \$1.8 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2018 the Board had \$320.1 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2018 balances compared with fiscal year 2017 balances.

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

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2018	2017
Land	\$ 11,511,038	\$ 11,443,803
Construction in Progress	6,587,439	19,453,324
Buildings and Improvements	254,819,475	238,073,070
Equipment	18,297,075	18,753,841
Land Improvements	28,861,722	23,598,469
Total	\$ 320,076,749	\$ 311,322,507

Construction in progress decreased primarily due to the completion of the construction projects at Canongate Elementary, Newnan High, Western Elementary, and the new transportation facility. Buildings and Building Improvements increased primarily due to the completion of these projects. The land value increased due to the intergovernmental agreement between Coweta County and the School District to transfer the Madras Complex facility for land near Madras Middle.

Debt

At June 30, 2018, the School District's Long Term Liabilities consisted of compensated absences outstanding of \$0.8 million and a workers compensation liability of \$1.6 million. Of these amounts, the amount of debt that is considered due within one year is \$0.7 million for compensated absences and \$0.7 million of workers compensation.

Current Issues

Coweta County's economic outlook remained strong through 2017 and the end of the school system's 2018 fiscal year. The county's continued population growth, new housing, commercial and industrial investment, overall economic growth and employment, and an improving tax base are significant factors for the Coweta County School System's overall outlook.

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

U.S. Census estimates placed Coweta County's population at 143,114 residents in the summer of 2018, up from 140,526 the year before and 127,317 in 2010. New housing starts and a continuation of strong housing sales suggested continued growth throughout 2018. Coweta's population growth and median price points for homes have increased. Prices for Newnan homes increased 10.1% in the past year to reach a median price of \$207,500, according to Zillow.com, a real estate data website, which also predicts prices will rise another 6.6% into 2019. Newnan's market compares well to surrounding cities that range from 17.8% growth in the Griffin's market, where median prices are \$112,000, to 11% in the Carrollton market, where the median is \$144,000. LaGrange-area home prices increased 9.2% to \$109,200 during the same period, while media prices in the Peachtree City-area increased 8.9%, to \$279,700.

Commensurate with residential growth indicators, Coweta County School System student enrollment continued a third year of increases after years of stagnation or slight decline earlier in the decade, with 22,660 students enrolled in the spring of 2018, compared with 22,366 enrolled in 2016, and 22,184 enrolled in 2015.

Recent enrollment growth was in line with school system projections – made in collaboration with local officials and consultants – of a rise in student enrollment following previous years of flat student enrollment. Flat growth was the result of lower local birth rates, lower rates of net county in-migration, and new home growth at higher price-points. In 2017, the Coweta County School System retained Education Planners, LLC – a demographic consulting firm – to continue projections of school enrollment growth and advise the system on future facilities plans. Working with local planning and officials and state and national demographic studies, the firm has noted a rebound in live birth rates in the county and an increase in housing permits. For example, the number of new housing permits issued by Coweta County ranged between 1,279 and 2,157 in the years 2000 through 2007, dropped to between 314 and 503 in the post-recession years of 2008 and 2012, and increased to a range between 745 and 981 in the years 2013 and 2016. These trends suggest a return of both higher family growth and a return of higher levels of residential in-migration.

The average rate of enrollment for the system in the period 1991-2008 was approximately 4%, with increases of 500 to 1,200 students annually during that period. Following 2009 - when school system enrollment moved beyond 22,000 students, and when the most significant effects of the recession were experienced - Coweta County School System student enrollment remained relatively flat, with small increases or decreases of enrollment in the system in a range with a high of roughly 22,650 and a low of 22,250 students. Enrollment is expected to continue to rise during the beginning of the 2018-19 school year (starting August, 2018) to over 22,700 students.

In the county as a whole, fiscal year 2018 saw a continuation of recent economic trends that represent continued economic growth. Jobs in construction, manufacturing, and retail were added in the Coweta County economy in 2018, and health care continued to provide a strong employment sector for Coweta County despite a slowdown in jobs growth during the period.

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

The unemployment rate for Coweta, as of August 2018, was 3.2 percent, down from last year's rate of 4.3 percent. The number of initial unemployment claims was 10.2 percent lower the first eight months of 2018. During that period – according to Dr. William Smith, chairman of the University of West Georgia's school of economics - Coweta County's employment increased by more than 2 percent, adding 923 jobs since the year before. Most of those job gains occurred in food, health care, retail trade and administrative support. Retail trade, grew by 10.3 percent, adding 610 jobs. Health care, the second largest employment sector in Coweta, added 258 new jobs and grew by 4.9 percent since last year. Job growth in health care in Coweta County slowed down in in 2017, only growing 1.1 percent and remaining slow into 2018. Nonetheless, Smith noted that unemployment numbers were at a historic low for Georgia and the West Georgia region, and that Coweta County's unemployment rate trended lower than the state average. He said the labor force is trending in an upward direction, and that manufacturing job levels had returned to where they were in 2007 before the Great Recession.

The county's manufacturing base continued to see new development. Vintech Industries, an automotive parts supplier, announced that it would make a significant investment in Coweta County following the purchase of a facility in the South Newnan Industrial Park. Slated to begin production in the first quarter of 2019, the project will initially create approximately 30 jobs. Saddle Creek Logistics Services, a provider of supply chain solutions for retailers, manufacturers, and ecommerce companies, also leased the 1.2 million square-foot industrial building at the Coweta Industrial Park in Newnan and is expected to create 300 new jobs in Coweta in their Southwest 85 Logistics Center. This follows new employer Variety Wholesaler's earlier hiring of 310 positions in 2017, Mingledorff's completed construction on a 26,000 square foot facility in Creekside Industrial Park, and Blickle U.S.A. - a manufacturer and distributor of wheels and casters – construction of its new U.S. headquarters in Coweta County.

In summary, trends in employment, local investment, incomes, home sales and construction have continued to provide an optimistic outlook for Coweta County's tax base and local economy, and improving operations for the county's school system.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact W. Keith Chapman, CPA, Assistant Superintendent for Financial Services at the Coweta County Board of Education, 237 Jackson Street, Newnan, Georgia 30263. You may also email your questions to keith.chapman@cowetaschools.net.

BASIC FINANCIAL STATEMENTS

COWETA COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 11,288,068
Investments	85,225,391
Receivables:	
Taxes	4,268,909
Accounts	14,520
Intergovernmental	18,716,608
Inventories	206,266
Capital assets, nondepreciable	18,098,477
Capital assets, depreciable (net of accumulated depreciation)	<u>301,978,272</u>
Total assets	<u>439,796,511</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	31,768,395
Other post-employment benefits	<u>12,312,287</u>
Total deferred outflows of resources	<u>44,080,682</u>
LIABILITIES	
Accounts payable	1,677,753
Accrued payroll and payroll withholdings	34,290,028
Contracts payable	4,421,876
Retainage payable	590,421
Unearned revenue	394,284
Workers' compensation claims payable due within one year	684,607
Workers' compensation claims payable due in more than one year	950,153
Compensated absences due within one year	689,171
Compensated absences due in more than one year	104,780
Other post-employment benefit obligation	173,804,325
Net pension liability, due in more than one year	<u>190,153,775</u>
Total liabilities	<u>407,761,173</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	5,067,141
Other post-employment benefits	<u>17,061,494</u>
Total deferred inflows of resources	<u>22,128,635</u>
NET POSITION	
Investment in capital assets	320,076,749
Restricted for school activity accounts	1,726,249
Restricted for after school program	398,334
Restricted for self insurance	5,628,213
Restricted for capital projects	48,275,204
Restricted for program activities	627,638
Unrestricted	<u>(322,745,002)</u>
Total net position	<u>\$ 53,987,385</u>

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

COWETA COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenues and Changes in Net Position in Net Position Governmental Activities</u>
Governmental activities:					
Instruction	\$ 152,822,349	\$ 567,270	\$ 105,951,940	\$ 2,102,320	\$ (44,200,819)
Pupil services	8,670,102	-	501,329	-	(8,168,773)
Improvement of instructional services	4,624,582	-	2,401,835	-	(2,222,747)
Educational media services	3,346,176	-	322	-	(3,345,854)
General administration	741,961	-	2,818,575	-	2,076,614
School administration	16,301,070	-	34,499	-	(16,266,571)
Business services	1,709,654	-	15,428	-	(1,694,226)
Maintenance and operations	19,181,417	-	5,680,896	-	(13,500,521)
Student transportation	13,327,300	-	2,967,263	77,320	(10,282,717)
Central support services	1,973,281	-	23,613	-	(1,949,668)
Other support services	1,941,055	-	204,600	-	(1,736,455)
Enterprise operations	965,483	-	-	-	(965,483)
School nutrition	10,768,345	2,278,937	6,434,754	-	(2,054,654)
Community services	1,434,446	1,280,232	-	-	(154,214)
Total governmental activities	<u>\$ 237,807,221</u>	<u>\$ 4,126,439</u>	<u>\$ 127,035,054</u>	<u>\$ 2,179,640</u>	<u>(104,466,088)</u>
General revenues:					
Property taxes					86,408,821
Sales taxes, for capital projects					22,701,009
Other sales taxes					2,269,405
Other taxes					130,507
Local school activity					3,328,614
Unrestricted investment earnings					581,439
Miscellaneous					965,578
Total general revenues					<u>116,385,373</u>
Change in net position					11,919,285
Net position, beginning of year, restated					42,068,100
Net position, end of year					<u>\$ 53,987,385</u>

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

COWETA COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash	\$ 9,962,935	\$ 1,325,133	\$ 11,288,068
Investments	35,259,088	49,966,303	85,225,391
Receivables:			
Taxes	2,196,033	2,072,876	4,268,909
Accounts	14,520	-	14,520
Intergovernmental	18,716,608	-	18,716,608
Inventories	206,266	-	206,266
	<u>\$ 66,355,450</u>	<u>\$ 53,364,312</u>	<u>\$ 119,719,762</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,179,570	\$ 498,183	\$ 1,677,753
Contracts payable	-	4,421,876	4,421,876
Retainage payable	-	590,421	590,421
Accrued payroll and payroll withholdings	34,290,028	-	34,290,028
Unearned revenue	394,284	-	394,284
	<u>35,863,882</u>	<u>5,510,480</u>	<u>41,374,362</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	939,682	-	939,682
	<u>939,682</u>	<u>-</u>	<u>939,682</u>
FUND BALANCES			
Fund balances:			
Nonspendable for inventories	206,266	-	206,266
Restricted for:			
Continuation of federal programs	421,372	-	421,372
Capital projects	-	37,986,390	37,986,390
Committed:			
Self-insurance	5,628,213	-	5,628,213
School activity accounts	1,726,249	-	1,726,249
Assigned:			
Local capital outlay projects	-	9,867,442	9,867,442
After school program	398,334	-	398,334
Unassigned	21,171,452	-	21,171,452
	<u>29,551,886</u>	<u>47,853,832</u>	<u>77,405,718</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 66,355,450</u>	<u>\$ 53,364,312</u>	<u>\$ 119,719,762</u>

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

COWETA COUNTY BOARD OF EDUCATION

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

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

Fund balances - total governmental funds	\$ 77,405,718
Capital assets	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of the assets	421,089,716
Accumulated depreciation	(101,012,967)
Revenues	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	939,682
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Long-term liabilities at year-end consist of the following:	
Deferred outflows - pensions	31,768,395
Deferred outflows - OPEB	12,312,287
Deferred inflows - pensions	(5,067,141)
Deferred inflows - OPEB	(17,061,494)
Net pension liability	(190,153,775)
OPEB obligation	(173,804,325)
Workers' compensation claims payable	(1,634,760)
Compensated absences payable	(793,951)
Net position - governmental activities.	<u>\$ 53,987,385</u>

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

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

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 97,395,163	\$ 22,701,009	\$ 120,096,172
State sources	112,164,855	2,102,320	114,267,175
Federal sources	14,899,891	-	14,899,891
Interest income	691	580,748	581,439
Total revenues	<u>224,460,600</u>	<u>25,384,077</u>	<u>249,844,677</u>
EXPENDITURES			
Current:			
Instruction	144,041,580	-	144,041,580
Pupil services	8,587,576	-	8,587,576
Improvement of instructional services	4,589,773	-	4,589,773
Educational media services	3,056,917	-	3,056,917
General administration	714,154	-	714,154
School administration	16,029,042	-	16,029,042
Business services	1,655,040	-	1,655,040
Maintenance and operations	16,547,110	-	16,547,110
Student transportation	11,582,018	-	11,582,018
Central support services	1,924,361	-	1,924,361
Other support services	1,137,588	-	1,137,588
Other non-instructional services	965,483	-	965,483
School nutrition	9,873,851	-	9,873,851
Community service	1,434,446	-	1,434,446
Capital outlay	-	20,310,979	20,310,979
Total expenditures	<u>222,138,939</u>	<u>20,310,979</u>	<u>242,449,918</u>
Excess of revenues over expenditures	<u>2,321,661</u>	<u>5,073,098</u>	<u>7,394,759</u>
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	12,387	-	12,387
Transfers in	-	500,000	500,000
Transfers out	(500,000)	-	(500,000)
Total other financing sources	<u>(487,613)</u>	<u>500,000</u>	<u>12,387</u>
Net change in fund balances	1,834,048	5,573,098	7,407,146
FUND BALANCE, beginning of year	<u>27,717,838</u>	<u>42,280,734</u>	<u>69,998,572</u>
FUND BALANCE, end of year	<u>\$ 29,551,886</u>	<u>\$ 47,853,832</u>	<u>\$ 77,405,718</u>

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

COWETA COUNTY BOARD OF EDUCATION

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

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

Net change in fund balances - total governmental funds.	\$	7,407,146
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Total capital outlay		17,789,259
Total depreciation		(8,646,969)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(388,048)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(165,799)
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resources and, therefore, are not reported as expenditures in governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The adjustments for these items are as follows:

Adjustment to record pension expense and related revenue for pension special funding situation, net of fund level amounts		47,628
Change in net pension liability and deferred inflows and outflows related to pension activity		853,516
Change in workers' compensation claim liability		(879,086)
Change in compensated absences liability		(47,360)
Change in OPEB obligation		(4,051,002)

Change in net position - governmental activities	\$	<u>11,919,285</u>
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The accompanying notes are an integral part of these financial statements.

COWETA COUNTY BOARD OF EDUCATION

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

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 91,822,949	\$ 100,822,949	\$ 97,395,163	\$ (3,427,786)
State sources	109,467,803	110,976,529	112,164,855	1,188,326
Federal sources	15,524,250	16,177,862	14,899,891	(1,277,971)
Interest income	26,250	26,250	691	(25,559)
Total revenues	<u>216,841,252</u>	<u>228,003,590</u>	<u>224,460,600</u>	<u>(3,542,990)</u>
EXPENDITURES				
Current:				
Instruction	141,733,096	148,460,687	144,041,580	4,419,107
Pupil services	8,449,218	8,405,125	8,587,576	(182,451)
Improvement of instructional services	4,865,167	5,161,575	4,589,773	571,802
Educational media services	3,170,374	3,172,883	3,056,917	115,966
General administration	948,329	950,002	714,154	235,848
School administration	15,283,927	15,279,993	16,029,042	(749,049)
Business services	1,427,094	1,439,364	1,655,040	(215,676)
Maintenance and operations	16,350,838	16,527,033	16,547,110	(20,077)
Student transportation	10,875,182	11,352,159	11,582,018	(229,859)
Central support services	2,145,785	2,156,280	1,924,361	231,919
Other support services	1,363,812	1,273,250	1,137,588	135,662
Enterprise operations	-	1,500,000	965,483	534,517
School nutrition	10,282,769	11,579,578	9,873,851	1,705,727
Community services	1,652,715	1,652,715	1,434,446	218,269
Total expenditures	<u>218,548,306</u>	<u>228,910,644</u>	<u>222,138,939</u>	<u>6,771,705</u>
Excess (deficiency) of revenues under expenditures	<u>(1,707,054)</u>	<u>(907,054)</u>	<u>2,321,661</u>	<u>3,228,715</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(500,000)	(500,000)
Proceeds from sale of assets	-	-	12,387	12,387
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(487,613)</u>	<u>(487,613)</u>
Net change in fund balances	(1,707,054)	(907,054)	1,834,048	2,741,102
FUND BALANCE, beginning of year	<u>27,717,838</u>	<u>27,717,838</u>	<u>27,717,838</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 26,010,784</u>	<u>\$ 26,810,784</u>	<u>\$ 29,551,886</u>	<u>\$ 2,741,102</u>

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

COWETA COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018

		<u>Agency Funds</u>
	ASSETS	
Cash		\$ 1,243,332
Investments		<u>223,403</u>
Total assets		<u>\$ 1,466,735</u>
	LIABILITIES	
Due to others		<u>\$ 1,466,735</u>
Total liabilities		<u>\$ 1,466,735</u>

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

COWETA COUNTY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Coweta County Board of Education (the "School System") 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 System 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 System is a primary government and consists of all the organizations that compose its legal entity.

Blended Component Unit - The Central Education Center (the "Charter School") is responsible for the public education of all students attending its school. The Charter School was created through a contract between the School System and the Charter School whereby all State funding associated with the students attending the Charter School and certain specified local funds are turned over to the Charter School to cover the costs of its operations. The financial statements of the Charter School have been included with the School System's General Fund.

B. Government-wide and Fund Financial Statements

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The proportionate share of the School System's net pension liability has been allocated to the pension plan based on actual contributions made to the plan during the measurement period to actuarially determine the proportionate share of each participating employer.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the School System considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education ("QBE") Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally, teachers are contracted for the school year (July 1 through June 30) and paid over a 12-month contract period, generally, September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued, as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Governmental Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

The School System reports the following major governmental funds:

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

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

Additionally, the School System reports the following fund types:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Cash and Investments

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

The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the School System's investment in the Georgia Fund 1 is reported at fair value.

E. Receivables and Payables

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

F. On-Behalf Payments

The State of Georgia makes certain pension plan payments on behalf of the School System for its employees. The School System records these payments as both a revenue and expenditure in the General Fund. The total of the on-behalf payments for the fiscal year ended June 30, 2018, was \$529,375.

G. Inventories

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Non-Monetary Transactions

The School System received from the United States Department of Agriculture through the Georgia Department of Education approximately \$634,551 in donated food commodities for its lunchroom programs. The federally assigned value of these commodities is reflected as a revenue and an expenditure in the financial statements.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia ("TRS"), the Employees' Retirement System of Georgia ("ERS"), and the Public School Employees' Retirement System ("PSERS"), and additions to/deductions from TRS/ERS/PSERS' fiduciary net position have been determined on the same basis as they are reported by TRS/ERS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. See also Note 9, Retirement Plans.

J. Capital Assets

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

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

<u>Asset</u>	<u>Capitalization Threshold</u>	<u>Years</u>
Land	All	N/A
Land improvements	\$ 10,000	20 - 80
Buildings and improvements	10,000	25 - 80
Equipment	10,000	10 - 50
Intangible assets	500,000	5 - 80

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources

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

In addition to assets, the statement of financial position/governmental funds balance sheet will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of resources that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Other than the items related to the changes in the net pension liability as discussed below, the School System did not have any items that qualified for reporting in this category for the year ended June 30, 2018.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Compensated Absences

It is the School System's policy to permit employees to accumulate unused vacation and sick pay benefits. Members of the TRS may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual School Systems. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School System's financial statements. Accumulated unpaid vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

N. Other Post-Employment Benefits (OPEB)

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Board of Education is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balances are classified as follows:

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

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

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

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

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

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

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

P. Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. BUDGETARY DATA

The budget is a complete financial plan for the School System's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the General Fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds 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 System's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School System'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 for a detail of any over/under expenditures during the fiscal year under review.

NOTE 3. DEPOSITS AND INVESTMENTS

Credit Risk. State statutes authorize the School System to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool ("Georgia Fund 1"). The investment in Georgia Fund 1 represents the School System's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. Treasury obligations, securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities, banker's acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in Georgia Fund 1 is valued at fair market value. The regulatory oversight agency for Georgia Fund 1 is the Georgia Office of the State Treasurer. As of June 30, 2018, the School System's investment in Georgia Fund 1 was rated AA+ by Standard & Poor's.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investment	Rating	Fair Value	Less than One Year	1-5 Years	6-10 Years	11-15 Years
Georgia Fund 1	AAAf	\$ 85,225,391	\$ 85,225,391	\$ -	\$ -	\$ -
Certificates of Deposit	N/A	223,403	223,403	-	-	-
		<u>\$ 85,448,794</u>	<u>\$ 85,448,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investments are reported in the following activities:

Governmental	\$ 85,225,391
Fiduciary	<u>223,403</u>
	<u>\$ 85,448,794</u>

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements. The School System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The School System has the following recurring fair value measurements as of June 30, 2018:

Investments not subject to level disclosure:

Georgia Fund 1	\$85,225,391	
Certificates of Deposit	<u>223,403</u>	
Total Investments	<u>\$85,448,794</u>	

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

NOTE 4. RECEIVABLES

Receivables at June 30, 2018, for the School System's individual major funds are as follows:

	General	Capital Projects	Total
Taxes	\$ 2,196,033	\$ 2,072,876	\$ 4,268,909
Accounts	14,520	-	14,520
Intergovernmental	<u>18,716,608</u>	<u>-</u>	<u>18,716,608</u>
Net total receivable	<u>\$ 20,927,161</u>	<u>\$ 2,072,876</u>	<u>\$ 23,000,037</u>

Due from other governments consists of grant reimbursements due primarily from the Georgia Department of Education. Sales taxes are collected by the state on the School System's behalf. Property taxes are collected by the Coweta County Tax Commissioner on the School System's behalf.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PROPERTY TAXES

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

Real property taxes were levied on August 22, 2017 billed on October 1, 2017, and payable on or before December 1, 2017. Coweta County may place liens on property once the related tax payments become delinquent. Liens were placed on delinquent accounts on January 1, 2018.

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

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 11,443,803	\$ 71,435	\$ (4,200)	\$ -	\$ 11,511,038
Construction in progress	19,453,324	16,797,927	-	(29,663,812)	6,587,439
Total	<u>30,897,127</u>	<u>16,869,362</u>	<u>(4,200)</u>	<u>(29,663,812)</u>	<u>18,098,477</u>
Capital assets, being depreciated:					
Buildings and improvements	310,143,990	75,687	(491,036)	22,975,920	332,704,561
Land improvements	34,332,464	63,873	(15,000)	6,401,678	40,783,015
Machinery and equipment	29,527,342	780,337	(1,090,230)	286,214	29,503,663
Total	<u>374,003,796</u>	<u>919,897</u>	<u>(1,596,266)</u>	<u>29,663,812</u>	<u>402,991,239</u>
Less accumulated depreciation for:					
Buildings and improvements	(72,070,920)	(6,219,596)	405,430	-	(77,885,086)
Land improvements	(10,733,995)	(1,202,298)	15,000	-	(11,921,293)
Machinery and equipment	(10,773,501)	(1,225,075)	791,988	-	(11,206,588)
Total	<u>(93,578,416)</u>	<u>(8,646,969)</u>	<u>1,212,418</u>	<u>-</u>	<u>(101,012,967)</u>
Total capital assets, being depreciated, net	<u>280,425,380</u>	<u>(7,727,072)</u>	<u>(383,848)</u>	<u>29,663,812</u>	<u>301,978,272</u>
Governmental activities capital assets, net	<u>\$ 311,322,507</u>	<u>\$ 9,142,290</u>	<u>\$ (388,048)</u>	<u>\$ -</u>	<u>\$ 320,076,749</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

Instruction	\$ 4,662,075
Improvements of instructional services	11,371
Educational media services	265,476
General administration	4,125
School administration	43,324
Business administration	52,528
Maintenance and operations	1,978,087
Student transportation	1,003,343
Central support services	6,961
School nutrition	478,821
Enterprise operations	22,899
Community services operations	117,959
	<u>117,959</u>
Total depreciation expense - governmental activities	<u>\$ 8,646,969</u>

NOTE 7. LONG-TERM DEBT

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Workers' compensation claims	\$ 755,674	\$ 1,565,046	\$ (685,960)	\$ 1,634,760	\$ 684,607
Compensated absences	746,591	736,531	(689,171)	793,951	689,171
Net OPEB liability	180,952,577	12,536,551	(19,684,803)	173,804,325	-
Net pension liability	212,268,835	24,169,180	(46,284,240)	190,153,775	-
Governmental activities:					
Long-term liabilities	<u>\$ 394,723,677</u>	<u>\$ 39,007,308</u>	<u>\$ (67,344,174)</u>	<u>\$ 366,386,811</u>	<u>\$ 1,373,778</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND TRANSFERS

	<u>Transfers Out</u>
	General
<u>Transfers In</u>	<u>Fund</u>
Capital Projects Fund	\$ 500,000

General Fund transfers are for the support of programs that are partially funded by grants but need additional resources to support their operations. The General Fund transfer supported the projects ongoing in the capital projects fund.

NOTE 9. RETIREMENT PLANS

Teachers Retirement System

Plan Description

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

Benefits Provided

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2018. The School System's contractually required contribution rate for the year ended June 30, 2018, was 14.23% of annual School System payroll. School System contributions to TRS were \$16,751,265 for the year ended June 30, 2018.

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

Effective July 1, 2014, the School System implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which significantly changed the School System's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

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

School System's proportionate share of the net pension liability	\$ 190,004,480
State of Georgia's proportionate share of the net pension liability associated with the School System	<u>208,527</u>
Total	<u>\$ 190,213,007</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

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

The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The School System's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2017. At June 30 2017, the School System's proportion was 1.022337%, which was a decrease of 0.005701% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School System recognized pension expense of \$19,576,150 and revenue of \$60,892 for support provided by the State of Georgia for certain support personnel.

At June 30, 2018, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Differences between expected and actual experience	\$ 7,107,338		\$ 717,057
Changes of assumptions	4,165,134		-
Net difference between projected and actual earnings on pension plan investments	-		1,307,549
Changes in proportion and differences between School System contributions and proportionate share of contributions	-		3,042,162
School System contributions subsequent to the measurement date	<u>20,470,687</u>		<u>-</u>
Total	<u>\$ 31,743,159</u>		<u>\$ 5,066,768</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

School System contributions subsequent to the measurement date of \$20,470,687 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ (2,489,310)
2020	9,020,041
2021	4,666,254
2022	(5,086,904)
2023	95,623

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	3.75 - 9.00% average, including inflation
Investment rate of return	7.50% net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on November 18, 2015, the numbers of expected future deaths are 8-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Actuarial Assumptions (Continued)

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

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

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

Discount Rate

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School System's proportionate share of the net pension liability	\$ 311,819,645	\$ 190,004,480	\$ 89,565,164

Pension Plan Fiduciary Net Position

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

Public School Employees’ Retirement System (PSERS)

Plan Description

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

Benefits Provided

A member may retire and elect to receive normal monthly retirement benefits after completion of 10 years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of 10 years of service.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Continued)

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

Contributions

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

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

Pension Liabilities and Pension Expense

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

State of Georgia's proportionate share of the net pension liability associated with the School System	<u>\$ 2,560,850</u>
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NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

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

Pension Liabilities and Pension Expense (Continued)

The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School System was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2017.

For the year ended June 30, 2018, the School System recognized pension expense of \$516,111 and revenue of \$516,111 for support provided by the State of Georgia.

Actuarial Assumptions

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions (Continued)

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

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

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

Discount Rate

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS)

Plan Description

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

Benefits Provided

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

Contributions

Member contributions under the Old Plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School System's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2018 was 14.23% of annual covered payroll. The School System's contributions to ERS totaled \$63,995 for the year ended June 30, 2018. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

Effective July 1, 2014, the School System implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which significantly changed the School System's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

At June 30, 2018, the School System reported a liability for its proportionate share of the net pension liability of ERS in the amount of \$149,295.

The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The School System's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2017. At June 30, 2017, the School System's proportion was 0.003676%, which was an increase of 0.000016% from its proportion measured as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

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

For the year ended June 30, 2018, the School System recognized pension expense of \$16,192. At June 30, 2018, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,636	\$ 1
Changes of assumptions	340	-
Net difference between projected and actual earnings on pension plan investments	-	372
Changes in proportion and differences between employer contributions and proportionate share of contributions	461	-
Employer contributions subsequent to the measurement date	<u>22,799</u>	<u>-</u>
Total	<u>\$ 25,236</u>	<u>\$ 373</u>

School System contributions subsequent to the measurement date of \$22,799 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2019	\$	(1,446)
2020		6,067
2021		1,676
2022		(4,233)
2023		-
Thereafter		-

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

Actuarial Assumptions

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

Inflation	2.75%
Salary increase	3.25 - 7.00%, including inflation
Investment rate of return	7.50%, net 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 two 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 seven years for males and set forward three years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

Actuarial Assumptions (Continued)

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

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

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

Discount Rate

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 210,722	\$ 149,295	\$ 96,895

Pension Plan Fiduciary Net Position

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

Defined Contribution Plan

Employees of the School System may elect to contribute to a qualifying 403(b) and/or 457 plan by selecting a vendor that has been approved by the School System. The School System does not provide matching funds to supplement the employee contributions. The employee contributions, disbursements, and loans are governed by the Internal Revenue Service rules and regulations and the plan document approved by the School System. The School System selected a third party administrator to assist in the administration of the 403(b) plan and common remitting services for the 457 plan. Contributions to the plan become property of the employee without a vesting period.

The School System also provides a supplemental 403(b) plan option for employees who are not members of the Teachers Retirement System. Employees who are not members of the Teachers Retirement System may elect to contribute to a supplemental 403(b) plan by choosing a vendor that has been approved by the School System. The School System provides matching funds of 50% of the employee's contribution up to a maximum School System contribution of 3% of the employee's contribution. The employee and employer contributions, disbursements, and loans are governed by the Internal Revenue Service rules and regulations and the plan document approved by the School System. The School System selected a third party administrator to assist in the administration of the supplemental 403(b) plan. Employee and employer contributions become property of the employee without a vesting period.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Defined Contribution Plan (Continued)

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2018	100%	\$ 85,757
2017	100%	83,859
2016	100%	72,687

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

State of Georgia School Employees Post-employment Benefit Fund

Plan Description

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Funding Policy

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

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution ("ARC") which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

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

At June 30, 2018, the Board reported a liability of \$173,804,325 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The Board's proportion of the net OPEB liability was actuarially determined based on employer contributions to the School OPEB Fund during the fiscal year ended June 30, 2017. At June 30 2017, the Board's proportion was 1.237045%, which was an increase of 0.016066% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Board recognized OPEB expense of \$10,467,652. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 13,234,756
Net difference between projected and actual earnings on OPEB plan investments	50,834	-
Changes in proportion and differences between School System contributions and proportionate share of contributions	5,844,803	3,826,738
School System contributions subsequent to the measurement date	6,416,650	-
Total	\$ 12,312,287	\$ 17,061,494

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

Board contributions subsequent to the measurement date of \$6,416,650 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	\$ (2,004,681)
2020	(2,004,681)
2021	(2,004,681)
2022	(2,004,681)
2023	(2,017,389)
Thereafter	<u>(1,129,744)</u>
Total	<u>\$ (11,165,857)</u>

Actuarial assumptions

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

Inflation	2.75%
Salary increases	ERS - 3.25 – 7.00%, including inflation JRS - 4.50%, including inflation TRS - 3.25 – 9.00%, including inflation
Long-term expected rate of return	3.88%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.75%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2022

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Actuarial assumptions (Continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Actuarial assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Local Government Investment Pool	100%	3.88%

Discount rate

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

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

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
School System's proportionate share of the net OPEB liability	\$ 206,361,502	\$ 173,804,325	\$ 148,110,117

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

	1% Decrease (4.00% to 6.75%)	Current Discount Rate (5.00% to 7.75%)	1% Increase (6.00% to 8.75%)
School System's proportionate share of the net OPEB liability	\$ 144,063,984	\$ 173,804,325	\$ 212,526,202

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT

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

Workers' Compensation

The School System has established a limited risk management program for workers' compensation claims. In connection with this program, a self-insurance reserve has been established within the general fund by the School System. The School System accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$700,000.00 loss per occurrence, up to the statutory limit.

Unemployment Compensation

The School System is self-insured with regard to unemployment compensation claims. In connection with this program, a self-insurance reserve has been established within the General Fund by the School System. The School System accounts for claims within the general fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

<u>Workers' Compensation</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Unpaid claims, beginning of fiscal year	\$ 755,674	\$ 722,680
Incurred claims (including IBNRs)	1,565,046	949,559
Claim payments and changes in estimates	(685,960)	(916,565)
Unpaid claims, end of fiscal year	<u>\$ 1,634,760</u>	<u>\$ 755,674</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

Unemployment Compensation (Continued)

<u>Unemployment Compensation</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	4,664	10,016
Claim payments and changes in estimates	(4,664)	(10,016)
Unpaid claims, end of fiscal year	\$ -	\$ -

Surety Bond

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 20,000
Assistant Superintendent for Financial Services	10,000
Board Treasurer	10,000
All Employees	250,000

NOTE 12. COMMITMENTS AND CONTINGENCIES

In addition to the liabilities enumerated in the balance, at June 30, 2018, the School System has contractual commitments on uncompleted contracts of approximately \$469,660.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. TAX ABATEMENTS

For the year ended June 30, 2018, the School System property tax revenues were reduced by \$2,064,446 under agreements entered into by Coweta County, Georgia. Under the agreements, taxes on both real property and personal property are reduced based on investments made by the corporation to whom the incentives were offered as long as the corporation meets certain investment targets.

NOTE 14. RESTATEMENT

New Accounting Principle

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

Net position, governmental activities, as previously reported	\$ 216,570,630
Deferred outflows - OPEB	6,450,047
Net OPEB liability	<u>(180,952,577)</u>
Net position, governmental activities, as restated	<u>\$ 42,068,100</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	1.022337%	1.028038%	1.034116%	1.048524%
School System's proportionate share of the net pension liability	190,004,480	\$ 212,095,702	\$ 157,433,892	\$ 132,467,177
State of Georgia's proportionate share of the net pension liability associated with the School System	208,527	-	-	-
Total	<u>\$ 190,213,007</u>	<u>\$ 212,095,702</u>	<u>\$ 157,433,892</u>	<u>\$ 132,467,177</u>
School System's covered payroll	\$ 117,657,845	\$ 112,787,507	\$ 109,375,399	\$ 107,006,481
School System's proportionate share of the net pension liability as a percentage of its covered payroll	161.49%	188.05%	143.94%	123.79%
Plan fiduciary net position as a percentage of the total pension liability	79.33%	76.06%	81.44%	84.03%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 20,470,687	\$ 16,771,552	\$ 16,094,777	\$ 14,382,865
Contributions in relation to the contractually required contribution	<u>20,470,687</u>	<u>16,771,552</u>	<u>16,094,777</u>	<u>14,382,865</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered payroll	\$ 121,776,841	\$ 117,657,845	\$ 112,787,507	\$ 109,375,399
Contributions as a percentage of covered payroll	16.81%	14.25%	14.27%	13.15%

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

COWETA COUNTY BOARD OF EDUCATION

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

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

Valuation date	June 30, 2016
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75% - 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
School System's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the School System	<u>2,560,850</u>	<u>3,341,464</u>	<u>2,156,886</u>	<u>\$ 1,809,179</u>
Total	<u>\$ 2,560,850</u>	<u>\$ 3,341,464</u>	<u>\$ 2,156,886</u>	<u>\$ 1,809,179</u>
School System's covered payroll	\$ 5,415,336	\$ 5,388,111	\$ 5,067,472	\$ 4,925,591
School System's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	85.69%	81.00%	87.00%	88.29%

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

COWETA COUNTY BOARD OF EDUCATION

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

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

Valuation date	June 30, 2016
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	23.9 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	0.003676%	0.366000%	0.365200%	0.356000%
School System's proportionate share of the net pension liability	\$ 149,295	\$ 173,133	\$ 147,957	\$ 133,522
School System's covered payroll	\$ 90,157	\$ 83,913	\$ 83,506	\$ 80,155
School System's proportionate share of the net pension liability as a percentage of its covered payroll	165.59%	206.32%	177.18%	166.58%
Plan fiduciary net position as a percentage of the total pension liability	76.33%	72.34%	76.20%	77.99%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 22,368	\$ 22,368	\$ 20,743	\$ 18,338
Contributions in relation to the contractually required contribution	<u>22,368</u>	<u>22,368</u>	<u>20,743</u>	<u>18,338</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered payroll	\$ 90,157	\$ 90,157	\$ 83,912	\$ 83,506
Contributions as a percentage of covered payroll	24.81%	24.81%	24.72%	21.96%

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

COWETA COUNTY BOARD OF EDUCATION

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

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

Valuation date	June 30, 2016
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	22.6 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	5.45% - 9.25%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

COWETA COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE PROPORTIONATE SHARE OF NET OPEB LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Board's proportion of the net OPEB liability	1.24%
Board's proportion of the net OPEB liability	\$ 173,804,325
Board's covered-employee payroll	\$ 101,536,207
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	171.17%
Plan fiduciary net position as a percentage of the total OPEB liability	1.61%

Note: The schedule will present 10 years of information once it is accumulated.

COWETA COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF OPEB CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Contractually required contribution	\$ 6,416,650
Contributions in relation to the contractually required contribution	<u>6,416,650</u>
Contribution deficiency (excess)	<u>\$ -</u>
Board's covered-employee payroll	\$ 106,832,606
Contributions as a percentage of covered-employee payroll	6.01%

Note: The schedule will present 10 years of information once it is accumulated.

COWETA COUNTY BOARD OF EDUCATION

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

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

Changes in assumptions: In the revised June 30, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location.

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

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

COWETA COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS – SPLOST IV
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
SPLOST IV Project	\$ 130,000,000	\$ 158,000,000			
(a) The acquisition, construction and equipping of one or more new high schools, one or more new middle schools, one or more new elementary schools and a new transportation facility,	-	-	\$ 7,085,962	\$ 3,806,245	\$ 10,892,207
(b) additions throughout the School System, including, but not limited to, additions at Newnan High School and Evans Middle School,	-	-	6,684,082	2,834,503	9,518,585
(c) the acquisition of buses,	-	-	2,778,446	385,858	3,164,304
(c) the acquisition of technology,	-	-	9,435,006	1,454,299	10,889,305
(c) the acquisition of text books and digital media,	-	-	1,799,772	-	1,799,772
(d) the acquisition of land,	-	-	-	-	-
(e) renovations and improvements throughout the School System, including, but not limited to, renovations and improvements at East Coweta High School, Canongate Elementary School, Newnan Crossing Elementary School, Thomas Crossroads Elementary School, Jefferson Parkway Elementary School, and Northgate High School,	-	-	50,296,639	11,243,160	61,539,799
(f) issuance of general obligation debt of the Coweta County School System in the maximum principal amount of \$60,000,000 for the above purposes.	-	-	-	-	-
Totals	<u>\$ 130,000,000</u>	<u>\$ 158,000,000</u>	<u>\$ 78,079,907</u>	<u>\$ 19,724,065</u>	<u>\$ 97,803,972</u>

Reconciliation to total expenditures, Capital Projects Fund	
SPLOST IV	\$ 19,724,065
SPLOST V	37,290
Non-SPLOST expenditures	<u>549,624</u>
Total expenditures, Capital Projects Fund	<u>\$ 20,310,979</u>

COWETA COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS – SPLOST V
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
SPLOST V Project	\$ 134,000,000	\$ 134,000,000			
(a) acquiring, constructing and equipping new school buildings, administration buildings, athletic buildings/facilities and other buildings,	-	-	\$ -	\$ 37,290	\$ 37,290
(b) adding to, renovating, repairing, improving and equipping existing school buildings, including, but not limited to, Newnan Crossing Elementary School, Arnall Middle School, Jefferson Parkway Elementary School, Thomas Crossroads Elementary School, and Northgate High School, administration buildings, athletic buildings/facilities and other buildings and facilities useful or desirable therewith, including, without limitation, the Central Education Center and the Nixon Centre for Performing and Visual Arts,	-	-	-	-	-
(c) acquiring, installing and equipping portable classrooms,	-	-	-	-	-
(d) acquiring buses and other vehicles,	-	-	-	-	-
(e) acquiring technology,	-	-	-	-	-
(f) acquiring land for future facilities (the "Projects")	-	-	-	-	-
(g) issuance of general obligation debt of the Coweta County School System in the maximum principal amount of \$60,000,000 for the above purposes.	-	-	-	-	-
Totals	<u>\$ 134,000,000</u>	<u>\$ 134,000,000</u>	<u>\$ -</u>	<u>\$ 37,290</u>	<u>\$ 37,290</u>

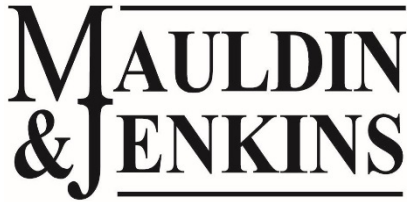
COWETA COUNTY BOARD OF EDUCATION

**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018**

	School Activities Fund	Flexible Spending Accounts Fund	Agency Funds
ASSETS			
Cash	\$ 778,124	\$ 465,208	\$ 1,243,332
Investments	75,206	148,197	223,403
Total assets	<u>853,330</u>	<u>613,405</u>	<u>1,466,735</u>
LIABILITIES			
Due to others	<u>853,330</u>	<u>613,405</u>	<u>1,466,735</u>
Total liabilities	<u>\$ 853,330</u>	<u>\$ 613,405</u>	<u>\$ 1,466,735</u>

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

COMPLIANCE SECTION



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

**To the Superintendent and Members of the
Coweta County Board of Education
Newnan, Georgia**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coweta County Board of Education as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Coweta County Board of Education's basic financial statements and have issued our report thereon dated December 21, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of 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 over financial reporting that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

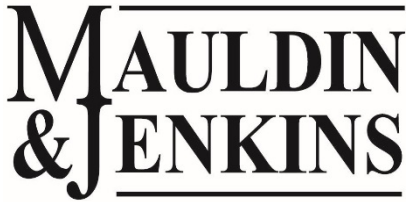
As part of obtaining reasonable assurance about whether the Coweta County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 21, 2018



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

**To the Superintendent and Members of the
Coweta County Board of Education
Newnan, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the Coweta County Board of Education's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Coweta County Board of Education's major federal programs for the year ended June 30, 2018. Coweta County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of 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.

Mauldin & Jenkins, LLC

Macon, Georgia
December 21, 2018

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

Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Pass-through ID Number	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through from Georgia Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	18185GA324N1099	\$ 1,097,221
National School Lunch Program	10.555	18185GA324N 1100	4,899,189
Total Child Nutrition Cluster			<u>5,996,410</u>
Child Nutrition Discretionary Grants - Limited Availability	10.579	16165GA350N8103	<u>17,685</u>
State Administrative Expenses	10.560	N/A	<u>25,134</u>
Total U.S. Department of Agriculture			<u>6,039,229</u>
U.S. DEPARTMENT OF DEFENSE:			
Direct Federal Award			
Junior ROTC	12.unknown	N/A	<u>221,200</u>
Total U.S. Department of Defense			<u>221,200</u>
U.S. DEPARTMENT OF EDUCATION:			
Passed through from Georgia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A170010	<u>4,090,019</u>
Title IV - Part A Student Support and Academic Enrichment	84.424	S424A170011	<u>102,995</u>
Career and Technical Education - Basic Grants to States	84.048	V048A170010	<u>146,713</u>
English Language Acquisition Grants	84.365	S365A170010	<u>76,379</u>
Supporting Effective Instruction State Grants	84.367	S367A170001	<u>532,414</u>
Mathematics and Science Partnerships	84.366	S366B170011	<u>98,776</u>
Special Education Cluster:			
Grants to States	84.027	H027A170073	3,448,057
Preschool Grants	84.173	H173A170081	144,109
Total Special Education Cluster			<u>3,592,166</u>
Total U.S. Department of Education			<u>8,639,462</u>
Total Expenditures of Federal Awards			<u>\$ 14,899,891</u>

NIA - Not available/applicable

COWETA COUNTY BOARD OF EDUCATION

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

NOTE 1. BASIS OF PRESENTATION

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

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

NOTE 2. DONATED COMMODITIES

The Child Nutrition Cluster includes \$601,218 of non-cash expenditures in the form of donated food commodities.

NOTE 3. DE MINIMIS COST RATE

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

NOTE 4. SUBRECIPIENTS

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

COWETA COUNTY BOARD OF EDUCATION

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

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

Yes No

Significant deficiencies identified not considered
to be material weaknesses?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal Control over major programs:
Material weaknesses identified?

Yes No

Significant deficiencies identified not considered
to be material weaknesses?

Yes None Reported

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

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the Uniform Guidance?

Yes No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

84.027

84.173

U.S. Department of Education:

Special Education Cluster

Grants to States

Preschool Grants

Dollar threshold used to distinguish between
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

COWETA COUNTY BOARD OF EDUCATION

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

B. FINDINGS: FINANCIAL STATEMENTS AUDIT

None Reported.

C. FINDINGS: FEDERAL PROGRAMS AUDIT

None Reported.

COWETA COUNTY BOARD OF EDUCATION

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

No prior year findings.