

**DOUGLAS COUNTY  
BOARD OF EDUCATION**

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

# DOUGLAS COUNTY BOARD OF EDUCATION

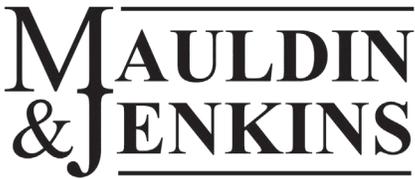
## ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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## **I. FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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**To the Superintendent and Members of  
the Douglas County Board of Education  
Douglasville, 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 **Douglas County Board of Education** as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Douglas 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.

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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 Douglas County Board of Education as of June 30, 2017, 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.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of Net Pension Liability – Teachers Retirement System of Georgia, Schedule of Contributions – Teachers Retirement System of Georgia, and Schedule of Proportionate Share of Net Pension Liability – Public School Employees Retirement System of Georgia on pages 4 through 10, 49, 50, and 51 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.

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*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Douglas County Board of Education's basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and 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*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of special purpose local option sales tax proceeds and the schedule of expenditures of federal awards (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 *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017 on our consideration of the Douglas 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Douglas 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 Douglas County Board of Education's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 28, 2017

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

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

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- ✓ Net position decreased approximately \$4.8 million, which represents a 3.0 percent decrease from fiscal year 2016. Total revenues increased approximately \$2.1 million from fiscal year 2016. However, total expenses increased approximately \$24.7 million from fiscal year 2016.
- ✓ General revenues accounted for approximately \$118.6 million in revenue or 40.4 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$175.0 million or 59.6 percent of total revenues. Total revenues were approximately \$293.5 million.
- ✓ The School District had \$298.2 million in expenses related to governmental activities; only approximately \$175.0 million of these expenses were offset by program specific charges for services, grants or contributions.

**Using the Basic Financial Statements**

This annual report consists of management's discussion and analysis, a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Douglas County School District as a financial whole, or as an entire operating entity.

The district-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 an aggregate view of the School District's finances and a longer-term view of those finances.

The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds. In the case of the Douglas County School District, the General Fund, District-wide Capital Projects Fund, and Debt Service Fund are the most significant funds.

## **District-Wide Statements**

The District-Wide financial statements are a consolidation of the District's operating funds into one column, with both short and long-term focus, called governmental activities. While these documents contain the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, all deferred outflows of resources, all liabilities, and all deferred inflows of resources, using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

## **Fund Financial Statements**

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the District-wide Capital Projects Fund, and the Debt Service Fund.

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

***Fiduciary Funds*** – The District is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the school activity accounts. The 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 District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The perspective of the Statement of Net Position is of the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2017 compared to fiscal year 2016.

	<u>Governmental Activities</u>	
	<u>Fiscal</u>	<u>Fiscal</u>
	<u>Year 2017</u>	<u>Year 2016</u>
<b>Assets</b>		
Current and Other Assets	\$ 129,401,854	\$ 125,191,520
Capital Assets, Net	401,858,843	411,698,732
<b>Total Assets</b>	<u>531,260,697</u>	<u>536,890,252</u>
<b>Deferred outflows of resources</b>		
	<u>72,362,102</u>	<u>35,442,669</u>
<b>Liabilities</b>		
Current and Other Liabilities	65,086,961	60,874,305
Long-Term Liabilities	377,887,152	329,184,405
<b>Total Liabilities</b>	<u>442,974,113</u>	<u>390,058,710</u>
<b>Deferred inflows of resources</b>		
	<u>5,488,713</u>	<u>22,359,283</u>
<b>Net position</b>		
Net investment in capital assets	259,621,844	260,712,133
Restricted	43,672,109	43,984,185
Unrestricted	(148,133,980)	(144,781,390)
<b>Total net position</b>	<u>\$ 155,159,973</u>	<u>\$ 159,914,928</u>

Total net position decreased approximately \$4.8 million.

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

**Change in Net Position**  
**Table 2**

	<u>Governmental Activities</u>	
	<u>Fiscal</u> <u>Year 2017</u>	<u>Fiscal</u> <u>Year 2016</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 5,662,132	\$ 10,435,059
Operating Grants and Contributions	166,947,844	154,708,225
Capital Grants and Contributions	2,241,157	493,479
Total Program Revenues	<u>174,851,133</u>	<u>165,636,763</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	68,142,509	74,615,590
For Debt Service	4,158,983	5,222,184
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Service	15,777,102	11,176,640
For Capital Projects	7,057,878	12,784,891
Other Taxes	7,601,614	6,916,753
Grants and Contributions not Restricted to		
Specific Programs	15,752,532	14,976,848
Investment Earnings	128,098	106,544
Gain on Sale of Capital Assets	-	36,785
Total General Revenues	<u>118,618,716</u>	<u>125,836,235</u>
Total Revenues	<u>293,469,849</u>	<u>291,472,998</u>
<b>Program Expenses</b>		
Instruction	191,048,959	174,729,678
Support Services		
Pupil Services	8,742,429	7,575,620
Improvement of Instructional Services	7,581,297	7,095,836
Educational Media Services	5,355,582	4,861,114
Federal Grant Administration	420,837	374,694
General Administration	2,596,470	2,376,627
School Administration	18,140,245	16,382,613
Business Administration	3,034,992	2,295,653
Maintenance and Operations of Plant	18,101,192	15,626,529
Student Transportation Services	13,911,325	13,022,243
Central Support Services	3,943,774	3,488,216
Other Support Services	2,278,541	2,787,591
Operations of Non-Instructional Services		
Miscellaneous Non-Instructional Services	1,405,020	1,369,607
Food Services Operation	15,714,992	15,374,274
Interest on Long-Term Debt	5,949,149	6,205,324
Total Expenses	<u>298,224,804</u>	<u>273,565,619</u>
Change in Net Position	(4,754,955)	17,907,379
Net Position, Beginning of Year	159,914,928	142,007,549
Net Position, End of Year	<u>\$ 155,159,973</u>	<u>\$ 159,914,928</u>

## Governmental Activities

Instruction comprises 64.1 percent of governmental program expenses. Interest expense comprises 2.0 percent of governmental program expenses. Interest expense was attributable to the outstanding bonds for capital projects.

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

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
Instruction	191,048,959	\$ 174,729,678	\$ 65,508,201	\$ 56,465,909
Support Services				
Pupil Services	8,742,429	7,575,620	6,705,176	5,825,399
Improvement of Instructional Services	7,581,297	7,095,836	2,455,034	1,556,120
Educational Media Services	5,355,582	4,861,114	2,059,675	1,592,064
Federal Grant Administration	420,837	374,694	-	3
General Administration	2,596,470	2,376,627	1,384,834	1,223,706
School Administration	18,140,245	16,382,613	11,508,448	9,822,999
Business Administration	3,034,992	2,295,653	2,787,316	2,046,784
Maintenance and Operation of Plant	18,101,192	15,626,529	9,971,874	7,610,870
Student Transportation Services	13,911,325	13,022,243	10,853,321	10,003,955
Central Support Services	3,943,774	3,488,216	2,997,798	2,514,426
Other Support Services	2,278,541	2,787,591	2,112,563	2,430,392
Operations of Non-Instructional Services				
Miscellaneous Non-Instructional Services	1,405,020	1,369,607	(1,116,982)	124,121
Food Services Operation	15,714,992	15,374,274	197,264	506,784
Interest on Long-Term Debt	5,949,149	6,205,324	5,949,149	6,205,324
<b>Total Expenses</b>	<b>\$ 298,224,804</b>	<b>\$ 273,565,619</b>	<b>\$ 123,373,671</b>	<b>\$ 107,928,856</b>

Although program revenues make up a majority of the revenues, the District is still dependent upon tax revenues for governmental activities. Over 34.3 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 41.4 percent.

## The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of approximately \$309.5 million and expenditures and other financing uses of approximately \$308.6 million. Included in the expenditures were approximately \$15.7 million of capital outlay expenditures and approximately \$14.4 million of principal retirement. The School System's General Fund remains in sound financial position with a year-end fund balance of approximately \$44.7 million.

## ***General Fund Budgeting Highlights***

The District's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund. The District 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 actual revenues of approximately \$264.1 million were approximately \$12.4 million more than the final budgeted amount. This difference was related primarily to local school funds that were not included in the School District budget and actual tax collections exceeding projections.

The actual expenditures of approximately \$258.2 million for the General Fund were more than the budgeted amount by approximately \$6 million.

The District's Board continues to monitor fund balance in anticipation of future needs, a continued decline in funding, and continued increases to expenditures. These results are evidence of their work.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

At the end of fiscal year 2017, the District had approximately \$401.9 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2017 balances compared with fiscal year 2016 balances.

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Land	\$ 31,719,369	\$ 31,713,227
Construction in Progress	2,253,181	5,131,912
Buildings and Improvements	320,432,054	327,974,395
Equipment	20,003,571	22,386,731
Land Improvement	<u>27,450,668</u>	<u>24,492,467</u>
<b>Total</b>	<b><u>\$ 401,858,843</u></b>	<b><u>\$ 411,698,732</u></b>

The growth in the county has slowed down, so the District is focusing construction on additions and renovations to existing facilities. More detailed information on the District's capital assets can be found in the notes to the financial statements.

## ***Debt***

At June 30, 2017, the Board had approximately \$147.4 million in bonds outstanding with approximately \$15.1 million due within one year. Table 5 shows fiscal year 2017 balances compared with fiscal year 2016 balances.

**Table 5**  
**Debt at June 30**

	<u>Governmental Activities</u>	
	<u>Fiscal</u> <u>Year 2017</u>	<u>Fiscal</u> <u>Year 2016</u>
General Obligation Bonds	<u>\$ 147,386,000</u>	<u>\$ 161,782,000</u>

More detailed information on the District's long-term debt can be found in Note 10 of the financial statements.

## **Current Issues**

The Douglas County School System is financially stable. The School System's operating millage rate for the 2016 tax digest year is 19.80 which produces approximately \$3.4 million per mill. The operating millage rate for the 2016 tax digest year, which supported the fiscal year 2017 budget, decreased from the 2015 tax digest rate of 19.85. While not as severe as years past, the State of Georgia has experienced revenue shortfalls that will directly impact funding to the state's school systems. From all indications, the State of Georgia will continue to impose formula reductions across the State. This is a significant factor in the District's annual budget and planning processes. Despite these challenges, the School System's management and Board are committed to continue to effectively and prudently manage the available resources to provide quality educational opportunities for all of the System's students.

## **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 District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Douglas County Board of Education, 9030 Highway 5, Douglasville, Georgia 30134 or call 770-651-2000.

## **BASIC FINANCIAL STATEMENTS**

**DOUGLAS COUNTY BOARD OF EDUCATION**

**STATEMENT OF NET POSITION**

**JUNE 30, 2017**

ASSETS	<b>Governmental Activities</b>
Cash and cash equivalents	\$ 100,614,652
Investments	94,644
Receivables:	
Taxes	4,070,595
Intergovernmental:	
State	20,192,488
Federal	3,336,893
Local	415,125
Other	26,079
Inventory	651,378
Capital assets (nondepreciable)	33,972,550
Capital assets (depreciable, net of accumulated depreciation)	367,886,293
Total assets	531,260,697
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	5,237,480
Pension related items	67,124,622
Total deferred outflows of resources	72,362,102
<b>LIABILITIES</b>	
Accounts payable	7,453,115
Salaries and benefits payable	38,005,199
Contracts payable	336,254
Accrued interest payable	984,194
Retainage payable	39,447
Unearned revenue	127,723
Claims payable due within one year	2,103,092
Claims payable due in more than one year	371,133
Bonds payable due within one year	15,064,000
Bonds payable due in more than one year	133,095,266
Compensated absences due within one year	973,937
Compensated absences due in more than one year	171,871
Net pension liability	244,248,882
Total liabilities	442,974,113
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related items	5,488,713
Total deferred inflows of resources	5,488,713
<b>NET POSITION</b>	
Net investment in capital assets	259,621,844
Restricted for:	
Federal programs	8,194,040
Capital projects	33,336,704
Debt service	2,046,721
Winston Ruritan Club - expendable	48,741
Winston Ruritan Club - nonexpendable	45,903
Unrestricted	(148,133,980)
Total net position	\$ 155,159,973

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

**DOUGLAS COUNTY BOARD OF EDUCATION**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Governmental activities:					
Instruction	\$ 191,048,959	\$ 1,352,883	\$ 123,346,136	\$ 841,739	\$ (65,508,201)
Support services:					
Pupil services	8,742,429	-	2,037,253	-	(6,705,176)
Improvement of instructional services	7,581,297	-	5,126,263	-	(2,455,034)
Educational media services	5,355,582	-	3,282,144	13,763	(2,059,675)
Federal grant administration	420,837	-	420,837	-	-
General administration	2,596,470	-	1,172,298	39,338	(1,384,834)
School administration	18,140,245	-	6,631,797	-	(11,508,448)
Business administration	3,034,992	-	247,676	-	(2,787,316)
Maintenance and operation of facilities	18,101,192	38,676	8,087,922	2,720	(9,971,874)
Student transportation services	13,911,325	-	2,924,616	133,388	(10,853,321)
Central support services	3,943,774	-	945,976	-	(2,997,798)
Other support services	2,278,541	-	165,978	-	(2,112,563)
Operations of non-instructional services:					
Miscellaneous non-instructional services	1,405,020	1,347,604	-	1,174,398	1,116,982
Food services operation	15,714,992	2,922,969	12,558,948	35,811	(197,264)
Interest on long-term debt	5,949,149	-	-	-	(5,949,149)
Total governmental activities	<u>\$ 298,224,804</u>	<u>\$ 5,662,132</u>	<u>\$ 166,947,844</u>	<u>\$ 2,241,157</u>	<u>(123,373,671)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	68,142,509
Property taxes, levied for debt service	4,158,983

Sales taxes:

For debt service	15,777,102
For capital projects	7,057,878
Other taxes	7,601,614

Grants and contributions not restricted to specific programs	15,752,532
Unrestricted investment earnings	128,098

Total general revenues	<u>118,618,716</u>
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Change in net position	(4,754,955)
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Net position, beginning of year	159,914,928
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Net position, end of year	<u>\$ 155,159,973</u>
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The accompanying notes are an integral part of these financial statements.

**DOUGLAS COUNTY BOARD OF EDUCATION**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

ASSETS	General	District-Wide Capital Projects	Debt Service	Non-major Winston Ruritan Club	Total Governmental Funds
Cash and cash equivalents	\$ 59,851,748	\$ 37,942,572	\$ 2,820,332	\$ -	\$ 100,614,652
Investments	-	-	-	94,644	94,644
Receivables:					
Taxes	1,919,792	1,940,220	210,583	-	4,070,595
Intergovernmental:					
State	20,098,392	94,096	-	-	20,192,488
Federal	3,336,893	-	-	-	3,336,893
Local	415,125	-	-	-	415,125
Other	26,079	-	-	-	26,079
Due from other funds	-	1,102,951	-	-	1,102,951
Inventory	651,378	-	-	-	651,378
<b>Total assets</b>	<b>\$ 86,299,407</b>	<b>\$ 41,079,839</b>	<b>\$ 3,030,915</b>	<b>\$ 94,644</b>	<b>\$ 130,504,805</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 1,146,169	\$ 6,306,946	\$ -	\$ -	\$ 7,453,115
Unearned revenue	127,723	-	-	-	127,723
Contracts payable	-	336,254	-	-	336,254
Salaries and benefits payable	38,005,199	-	-	-	38,005,199
Retainage payable	-	39,447	-	-	39,447
Due to other funds	1,102,951	-	-	-	1,102,951
<b>Total liabilities</b>	<b>40,382,042</b>	<b>6,682,647</b>	<b>-</b>	<b>-</b>	<b>47,064,689</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	1,199,568	-	120,471	-	1,320,039
<b>Total deferred inflows of resources</b>	<b>1,199,568</b>	<b>-</b>	<b>120,471</b>	<b>-</b>	<b>1,320,039</b>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventory	651,378	-	-	-	651,378
Permanent fund corpus	-	-	-	45,903	45,903
Restricted for:					
Winston Ruritan Club	-	-	-	48,741	48,741
Federal programs	7,542,662	-	-	-	7,542,662
Capital projects	-	34,397,192	-	-	34,397,192
Debt service	-	-	2,910,444	-	2,910,444
Unassigned:					
General fund	36,523,757	-	-	-	36,523,757
<b>Total fund balances</b>	<b>44,717,797</b>	<b>34,397,192</b>	<b>2,910,444</b>	<b>94,644</b>	<b>82,120,077</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 86,299,407</b>	<b>\$ 41,079,839</b>	<b>\$ 3,030,915</b>	<b>\$ 94,644</b>	<b>\$ 130,504,805</b>

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

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

Total fund balances - governmental funds	\$	82,120,077
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		
Cost	\$ 581,700,164	
Less accumulated depreciation	<u>(179,841,321)</u>	401,858,843
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Property taxes		1,320,039
The net pension liability is not a financial liability in governmental fund activities and, therefore, not reported in governmental funds.		
Net pension liability	\$ (244,248,882)	
Pension related deferred outflows of resources	67,124,622	
Pension related deferred inflows of resources	<u>(5,488,713)</u>	(182,612,973)
Long-term liabilities and related items are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ (147,386,000)	
Premium, net of amortization	(773,266)	
Unamortized loss on refunding	5,237,480	
Accrued interest	(984,194)	
Compensated absences	(1,145,808)	
Claims liability	<u>(2,474,225)</u>	<u>(147,526,013)</u>
Net position of governmental activities	\$	<u>155,159,973</u>

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

**DOUGLAS COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General	District - Wide Capital Projects	Debt Service	Non-major Winston Ruritan Club	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 68,913,263	\$ -	\$ 4,219,837	\$ -	\$ 73,133,100
Sales taxes	-	22,834,980	-	-	22,834,980
Other taxes	6,675,459	-	926,155	-	7,601,614
State funds	150,356,980	940,957	-	-	151,297,937
Federal funds	27,092,816	-	-	-	27,092,816
Investment income (loss)	52,697	92,693	7,837	(1,255)	151,972
Charges for services	4,295,760	-	-	-	4,295,760
Miscellaneous	6,708,534	250	-	-	6,708,784
Total revenues	<u>264,095,509</u>	<u>23,868,880</u>	<u>5,153,829</u>	<u>(1,255)</u>	<u>293,116,963</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	164,365,481	-	-	-	164,365,481
Support services:					
Pupil services	8,457,384	-	-	-	8,457,384
Improvement of instructional services	7,344,875	-	-	-	7,344,875
Educational media services	4,839,230	-	-	-	4,839,230
Federal grant administration	389,310	-	-	-	389,310
General administration	1,615,619	-	-	-	1,615,619
School administration	17,345,006	-	-	-	17,345,006
Business administration	2,971,484	-	1,572	-	2,973,056
Maintenance and operation of facilities	15,886,105	-	-	-	15,886,105
Student transportation services	12,627,702	-	-	-	12,627,702
Central support services	3,812,718	-	-	-	3,812,718
Other support services	2,278,541	-	-	-	2,278,541
Miscellaneous non-instructional services	1,405,020	-	-	-	1,405,020
Food services operation	14,839,575	-	-	-	14,839,575
Capital outlay	-	15,706,733	-	-	15,706,733
Debt service:					
Principal retirement	-	-	14,396,000	-	14,396,000
Interest and fees	-	-	4,530,523	-	4,530,523
Total expenditures	<u>258,178,050</u>	<u>15,706,733</u>	<u>18,928,095</u>	<u>-</u>	<u>292,812,878</u>
Excess (deficiency) of revenues over expenditures	<u>5,917,459</u>	<u>8,162,147</u>	<u>(13,774,266)</u>	<u>(1,255)</u>	<u>304,085</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	15,777,102	-	15,777,102
Transfers out	-	(15,777,102)	-	-	(15,777,102)
Sale of capital assets	628,783	-	-	-	628,783
Total other financing sources (uses)	<u>628,783</u>	<u>(15,777,102)</u>	<u>15,777,102</u>	<u>-</u>	<u>628,783</u>
Net change in fund balances	6,546,242	(7,614,955)	2,002,836	(1,255)	932,868
<b>FUND BALANCES, beginning of year</b>	<u>38,171,555</u>	<u>42,012,147</u>	<u>907,608</u>	<u>95,899</u>	<u>81,187,209</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 44,717,797</u>	<u>\$ 34,397,192</u>	<u>\$ 2,910,444</u>	<u>\$ 94,644</u>	<u>\$ 82,120,077</u>

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

**DOUGLAS 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, 2017**

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

Net change in fund balances - total governmental funds	\$	932,868
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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. The amount by which depreciation exceeded capital outlays in the current period is as follows:

Capital outlay	\$ 11,981,246		
Depreciation expense	<u>(21,826,630)</u>		(9,845,384)

The net effect of miscellaneous transactions involving capital assets is as follows:

Net book value of assets sold	\$ (1,168,903)		
Donation of capital assets	<u>1,174,398</u>		5,495

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

Property taxes			(831,608)
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In the governmental funds, current year expenditures related to pensions are comprised solely of amounts contributed to the plan for the current year. However, in the statement of activities, expenses related to pensions include amounts that do not require the use of current financial resources. This amount represents the difference in the required accounting treatment of pensions and related items.

(8,484,614)

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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds			14,396,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of bond premium	\$ 685,288		
Amortization of prepaid bond insurance	(3,245)		
Amortization of loss on refunding	(2,251,056)		
Change in claims payable	553,918		
Change in compensated absences	(63,004)		
Change in accrued interest	<u>150,387</u>		<u>(927,712)</u>

Change in net position of governmental activities	\$	<u><u>(4,754,955)</u></u>
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**The accompanying notes are an integral part of these financial statements.**

**DOUGLAS COUNTY BOARD OF EDUCATION**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 71,546,888	\$ 71,546,888	\$ 75,588,722	\$ 4,041,834
State funds	146,624,775	147,564,234	150,356,980	2,792,746
Federal funds	19,903,637	27,333,490	27,092,816	(240,674)
Charges for services	2,892,707	2,892,707	4,295,760	1,403,053
Investment income	48,000	48,000	52,697	4,697
Miscellaneous	2,351,874	2,351,874	6,708,534	4,356,660
Total revenues	<u>243,367,881</u>	<u>251,737,193</u>	<u>264,095,509</u>	<u>12,358,316</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	157,231,299	161,765,902	164,365,481	(2,599,579)
Support services:				
Pupil services	8,517,000	8,946,282	8,457,384	488,898
Improvement of instructional services	5,069,145	7,460,316	7,344,875	115,441
Educational media services	4,810,575	4,850,698	4,839,230	11,468
Federal grant administration	73,742	409,593	389,310	20,283
General administration	1,503,153	1,699,193	1,615,619	83,574
School administration	17,047,264	17,173,738	17,345,006	(171,268)
Business administration	1,850,815	1,850,815	2,971,484	(1,120,669)
Maintenance and operation of plant	16,238,790	16,254,290	15,886,105	368,185
Student transportation services	11,835,168	11,976,146	12,627,702	(651,556)
Central support services	4,117,749	4,060,423	3,812,718	247,705
Other support services	909,870	825,994	2,278,541	(1,452,547)
Miscellaneous non-instructional services	-	-	1,405,020	(1,405,020)
Food services operation	14,872,697	14,872,697	14,839,575	33,122
Total expenditures	<u>244,077,267</u>	<u>252,146,087</u>	<u>258,178,050</u>	<u>(6,031,963)</u>
Excess (deficiency) of revenues over expenditures	<u>(709,386)</u>	<u>(408,894)</u>	<u>5,917,459</u>	<u>6,326,353</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(160,000)	(160,000)	-	160,000
Proceeds from sale of capital assets	100,000	100,000	628,783	528,783
Total other financing sources (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>628,783</u>	<u>688,783</u>
Net change in fund balances	<u>(769,386)</u>	<u>(468,894)</u>	<u>6,546,242</u>	<u>7,015,136</u>
<b>FUND BALANCES, beginning of year</b>	<u>38,171,555</u>	<u>38,171,555</u>	<u>38,171,555</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 37,402,169</u>	<u>\$ 37,702,661</u>	<u>\$ 44,717,797</u>	<u>\$ 7,015,136</u>

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

**DOUGLAS COUNTY BOARD OF EDUCATION**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**AGENCY FUND**

**JUNE 30, 2017**

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<b>ASSETS</b>		<b>Club and Athletics Fund</b>
		<hr/>
Cash		\$ 761,912
Total assets		<hr/> <hr/>
	<b>LIABILITIES</b>	
Funds held for others		\$ 761,912
Total liabilities		<hr/> <hr/>

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

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

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

**Reporting Entity**

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

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

**Basis of Presentation**

The School District's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements of the Douglas County Board of Education.

***Government-wide Statements:***

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

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

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

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes and unrestricted amounts.

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Financial Statements:***

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

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- *Debt Service Fund* accounts for taxes (property and sales) legally restricted for the payment of general long-term debt principal, interest and paying agent's fees.

The School District also reports the following fund types:

- *Agency Fund* accounts for assets held by the School District as an agent for various individual school clubs and activities.
- *Permanent Fund* accounts for the operations of the School District's endowment for which the corpus held in this fund cannot be used.

**Basis of Accounting/Measurement Focus**

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting/Measurement Focus (Continued)**

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period; however, intergovernmental revenues reported in the governmental funds are considered to be available if they are collected within 120 days after year-end.

Property taxes, sales taxes, intergovernmental revenue, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and capital leases are reported as other financing sources.

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting/Measurement Focus (Continued)**

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

**Cash and Cash Equivalents**

**COMPOSITION OF DEPOSITS**

Cash and cash equivalents consist of cash on hand, demand deposits, Georgia Fund 1 and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Georgia Laws OCGA 45-8-14 authorizes the School District to deposit its funds in one or more solvent banks or insured federal savings and loan associations.

**Investments**

**COMPOSITION OF INVESTMENTS**

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

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

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables**

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on federal, state or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements are reported net of an allowance for uncollectible receivables when necessary.

**Property Taxes**

The Douglas County Tax Commissioner levied the property tax for the 2016 tax digest year (calendar year) on September 15, 2016 (levy date). Taxes were due on November 15, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. The Douglas County Tax Commissioner bills and collects the property taxes for the School District, withholds 1% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2017, for maintenance and operations amounted to \$68,913,263 and for debt service amounted to \$4,219,837. Allowances for uncollectible property taxes at June 30, 2017 for the School District's General Fund and Debt Service Fund are \$39,179 and \$4,298, respectively.

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The Douglas County Board of Education is in compliance with this law. Tax millage rates levied for the 2016 tax year (calendar year) for the Douglas County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Maintenance and Operations	19.80 mills
School Bonds	<u>1.20</u> mills
	<u>21.00</u> mills

**Sales Taxes**

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$22,834,980 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventories**

**CONSUMABLE SUPPLIES**

On the basic financial statements, consumable supplies are reported at cost (first-in, first-out). The School District uses the consumption method to account for the consumable supplies inventory whereby an asset is recorded when supplies are purchased and expenses/expenditures are recorded at the time the supplies are consumed.

**FOOD INVENTORIES**

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods subsequent to June 30, 2017, are recorded as prepaid items.

**Capital Assets**

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated acquisition value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 10,000	20 years
Buildings		
Temporary	\$ 10,000	25 years
Permanent	\$ 50,000	50 years
Building Improvements	\$ 10,000	7 to 30 years
Equipment	\$ 10,000	4 to 20 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two types of items that qualify for reporting in this category. These items are deferred charges on refunding and deferred outflows of resources related to the reporting of the net pension liability reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The School District reports five (5) deferred outflows of resources related to the reporting of the net pension liability. The Governmental Activities report a deferred outflow of resources for the School District's actual contributions to the pension plan during the fiscal year ended June 30, 2017 which are subsequent to the measurement date of the net pension liability and will be recognized in fiscal year 2018. The Governmental Activities reports a deferred outflow of resources for experience gains or losses related to the pension plan; a deferred outflow of resources for the difference between the School District's actual contributions towards the pension plan and the School District's proportionate share of contributions, as well as the change in the School District's proportionate share; and a deferred outflow of resources for the changes in actuarial assumptions which will be amortized over the remaining service period. The Governmental Activities reports a deferred outflow of resources for the net difference between projected and actual investment earnings on the pension assets, which will be amortized over a five year period.

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one type of deferred inflow under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The School District also has two items that qualify for reporting in this category which occurs only in the governmental activities. The Governmental Activities reports a deferred inflow of resources for experience gains or losses related to the pension plan and a deferred inflow of resources for the difference between the School District's actual contributions towards the pension plan and the School District's proportionate share of contributions, as well as the change in the School District's proportionate share, which will be amortized over the remaining service period.

**General Obligation Bonds**

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund existing general obligations bonds. Bond issuance costs are recognized in the financial statements during the fiscal year bonds are issued. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

In the fund financial statements, the face amount of debt issued and any related premium, is reported as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are accrued and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

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

**Pensions**

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

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

**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 the assets, liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the School District 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 are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Equity (Continued)**

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Only the Board of Education may modify or rescind the commitment through adoption of a subsequent resolution.
- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the Superintendent or his or her designee to assign fund balances.
- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The School District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

***Flow Assumptions*** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

***Net Position*** - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources 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 balances of any borrowing used (i.e., the amount that the School District 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.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

**Note 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The School System adopts an annual budget for the General Fund and Debt Service Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167 and in accordance with U.S. generally accepted accounting principles. After the Board of Education has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget.

The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2017.

General Fund:

Instruction	\$ 2,599,579
Support Services:	
School administration	171,268
Business administration	1,120,669
Student transportation services	651,556
Other support services	1,452,547
Miscellaneous non-instructional services	1,405,020

**Note 4: DEPOSITS AND INVESTMENTS**

CATEGORIZATION OF INVESTMENTS

At June 30, 2017, the carrying value of the School District's total investments was \$94,644, which is stated at fair value.

The investment in 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 District's investment in the Georgia Fund 1 is reported at fair value. The School District considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

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

**Note 4: DEPOSITS AND INVESTMENTS (Continued)**

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Georgia Fund 1	26 days	\$ 13,528,662
Common stock	N/A	94,644
Total		<u>\$ 13,623,306</u>

**INTEREST RATE RISK**

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

**FAIR VALUE MEASUREMENTS**

The School District 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 District has the following recurring fair value measurements as of June 30, 2017:

<u>Investment</u>	<u>Level 1</u>	<u>Fair Value</u>
Common Stock	<u>\$ 94,644</u>	\$ 94,644
Investments not subject to level disclosure:		
Georgia Fund 1		<u>13,528,662</u>
Total investments		<u>\$ 13,623,306</u>

The common stock classified in Level 1 of the fair value hierarchy is valued using prices quoted in active markets for those investments.

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 District does not disclose investment in the Georgia Fund 1 within the fair value hierarchy.

**CUSTODIAL CREDIT RISK**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District 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 or 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, 2017, all deposits and investments were properly collateralized and insured.

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

**Note 5: NON-MONETARY TRANSACTIONS**

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. For the year ended June 30, 2017, the commodities usage is recorded at their federally assigned value of \$966,502.

**Note 6: CAPITAL ASSETS**

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

	<b>Balances July 1, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balances June 30, 2017</b>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 31,713,227	\$ 6,142	\$ -	\$ -	\$ 31,719,369
Construction in progress	5,131,912	6,415,010	-	(9,293,741)	2,253,181
Total	<u>36,845,139</u>	<u>6,421,152</u>	<u>-</u>	<u>(9,293,741)</u>	<u>33,972,550</u>
Capital assets, being depreciated:					
Building improvements	435,952,924	108,410	(839,134)	4,483,348	439,705,548
Equipment	67,766,398	6,475,757	(5,619,140)	160,597	68,783,612
Land improvements	34,438,333	150,325	-	4,649,796	39,238,454
Total	<u>538,157,655</u>	<u>6,734,492</u>	<u>(6,458,274)</u>	<u>9,293,741</u>	<u>547,727,614</u>
Less accumulated depreciation for:					
Building improvements	(107,978,529)	(11,939,543)	644,578	-	(119,273,494)
Equipment	(45,379,667)	(8,045,167)	4,644,793	-	(48,780,041)
Land improvements	(9,945,866)	(1,841,920)	-	-	(11,787,786)
Total	<u>(163,304,062)</u>	<u>(21,826,630)</u>	<u>5,289,371</u>	<u>-</u>	<u>(179,841,321)</u>
Total capital assets, being depreciated, net	<u>374,853,593</u>	<u>(15,092,138)</u>	<u>(1,168,903)</u>	<u>9,293,741</u>	<u>367,886,293</u>
Governmental activities capital assets, net	<u>\$ 411,698,732</u>	<u>\$ (8,670,986)</u>	<u>\$ (1,168,903)</u>	<u>\$ -</u>	<u>\$ 401,858,843</u>

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

**Note 6: CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

Instruction	\$	18,534,642
Support services:		
Educational media services		300,656
General administration		922,470
Maintenance and operation of facilities		59,415
Student transportation services		1,227,126
Operations of non-instructional services:		
Food services		782,321
		\$ 21,826,630

**Note 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables/payables as of June 30, 2017, consisted of the following:

		<u>Interfund Receivable</u>
<u>Interfund Payable</u>		<u>District-Wide Capital Projects</u>
General Fund	\$	1,102,951

The interfund balance above represents State grant revenues received in the General Fund used to supplement capital projects.

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

		<u>Transfers From</u>
<u>Transfers To</u>		<u>District-Wide Capital Projects</u>
Debt Service	\$	15,777,102

Transfers are used to move SPLOST proceeds from District-Wide Capital Projects Fund to Debt Service Fund to fund debt service as allowed in the referendum.

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

**Note 8: RISK MANAGEMENT**

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

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

The School District has established a limited risk management program for workers' compensation claims. A premium is paid by the General Fund at the beginning of the fiscal year for an excess workers' compensation coverage policy which covers individual claims in excess of \$450,000 loss per occurrence, up to the statutory limit. Assessments of individual programs, except School Food Services, are performed, as needed, on the basis of that program's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experiences. School Food Services is billed by the General Fund for the actual amount of claims for that program. The School District accounts for claims with expenses/expenditures and liabilities being reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. For purposes of estimating the unpaid claims liability as of June 30, 2017, the School District's third party administrator computed the reserve liability based on the estimated cost of each outstanding claim from claims experience of similar claims, including consideration of any incurred, but not reported amounts.

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

	Beginning of Year	Claims and Changes in Estimates	Claims Paid	End of Year	Due Within One Year
2016	<u>\$ 3,093,972</u>	<u>\$ 1,757,734</u>	<u>\$ 1,823,563</u>	<u>\$ 3,028,143</u>	<u>\$ 2,573,922</u>
2017	<u>\$ 3,028,143</u>	<u>\$ 1,157,852</u>	<u>\$ 1,711,770</u>	<u>\$ 2,474,225</u>	<u>\$ 2,103,092</u>

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

**Note 8: RISK MANAGEMENT (Continued)**

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

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

	<u>Beginning of Year</u>	<u>Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year</u>
2016	\$ -	\$ 5,148	\$ 5,148	\$ -
2017	\$ -	\$ 192	\$ 192	\$ -

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$100,000
All other employees	\$250,000

**Note 9: OPERATING LEASES**

Douglas County Board of Education is committed under various leases for equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year totaled approximately \$233,795. Future minimum lease payments on these leases are as follows:

<u>Year ending June 30,</u>	
2018	\$ 234,211
2019	234,211
Total	<u>\$ 468,422</u>

**Note 10: LONG – TERM DEBT**

**COMPENSATED ABSENCES**

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

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

**Note 10: LONG – TERM DEBT (Continued)**

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Outstanding Balance at June 30, 2017
General Government - Series 2012	3.43% - 4.00%	\$ 18,135,000
General Government - Series 2013	2.60%	70,290,000
General Government - Series 2014	2.41%	58,961,000
		<u>\$ 147,386,000</u>

The changes in long-term obligations during the fiscal year ended June 30, 2017, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 161,782,000	\$ -	\$ (14,396,000)	\$ 147,386,000	\$ 15,064,000
Unamortized bond premium	1,458,554	-	(685,288)	773,266	-
Claims payable	3,028,143	1,157,852	(1,711,770)	2,474,225	2,103,092
Net pension liability	179,723,209	84,036,844	(19,511,171)	244,248,882	-
Compensated absences	1,082,804	882,830	(819,826)	1,145,808	973,937
Governmental activity					
Long-term liabilities	<u>\$ 347,074,710</u>	<u>\$ 86,077,526</u>	<u>\$ (37,124,055)</u>	<u>\$ 396,028,181</u>	<u>\$ 18,141,029</u>

For governmental activities, compensated absences and the net pension liability are being liquidated primarily by the General Fund.

In fiscal year 2012, the School District issued \$27,970,000 of Series 2012 General Obligation Refunding Bonds to (i) refund a portion of the Series 2005 General Obligation Refunding Bonds and (ii) pay the costs of issuing the Series 2012 General Obligation Refunding Bonds. The School District defeased the 2005 bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2017, \$18,480,000 of bonds outstanding are considered defeased. The School District has pledged its full faith and credit and taxing power to service the debt.

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

**Note 10: LONG – TERM DEBT (Continued)**

In fiscal year 2014, the School District issued \$75,000,000 of Series 2013 General Obligation Refunding Bonds to (i) refund a portion of the Series 2007 General Obligation Bonds and (ii) pay the costs of issuing the Series 2013 General Obligation Refunding Bonds. The School District defeased the 2007 bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The School District also issued \$62,478,000 of Series 2014 General Obligation Refunding Bonds to (i) refund a portion of the Series 2007 General Obligation Bonds and (ii) pay the costs of issuing the Series 2014 General Obligation Refunding Bonds. The School District defeased the 2007 bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District’s financial statements. At June 30, 2017, \$120,245,000 of bonds outstanding are considered defeased. The School District has pledged its full faith and credit and taxing power to service the debt.

At June 30, 2017, payments due by fiscal year, which includes principal and interest, for these items are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 15,064,000	\$ 3,928,955
2019	15,517,000	3,476,816
2020	15,995,000	2,998,641
2021	12,336,000	2,538,267
2022	13,174,000	2,230,897
2023-2027	<u>75,300,000</u>	<u>5,953,925</u>
Total	<u>\$ 147,386,000</u>	<u>\$ 21,127,501</u>

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

**Note 11: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$481,668 for retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education  
Paid to the Teachers Retirement District  
for Teachers Retirement (TRS)  
in the amount of \$35,419

State Treasurer of the State of Georgia  
Paid to the Public School Employees Retirement System  
for Public School Employees Retirement (PSERS) Employer's Cost  
in the amount of \$446,249

**Note 12: SIGNIFICANT COMMITMENTS**

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2017:

Project		
Lithia Springs High Fieldhouse/Gym Renovation	\$	2,530,858
Bright Start Elementary HVAC		450,000
		2,980,858
	\$	2,980,858

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

**Note 13: SIGNIFICANT CONTINGENT LIABILITIES**

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

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

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

**Note 14: RETIREMENT PLANS**

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

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

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

***Contributions:*** Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00 % of their annual pay during fiscal year 2017. The School District's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual school district payroll, excluding payroll attributable to those personnel funded on behalf of the District by the State. District contributions to TRS, excluding contributions funded by the State on behalf of the District were \$19,157,947 for the year ended June 30, 2017.

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

**Note 14: RETIREMENT PLANS (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for support attributable to those personnel funded on behalf of the District by the State of Georgia. The amount recognized by the District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 244,248,882
State of Georgia's proportionate share of the net pension liability associated with the District	<u>618,933</u>
Total	<u><u>\$ 244,867,815</u></u>

The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2016. At June 30 2016, the District's proportion was 1.183886%, which was an increase of 0.003361% from its proportion measured as of June 30, 2015.

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

**Note 14: RETIREMENT PLANS (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

For the year ended June 30, 2017, the District recognized pension expense of \$27,683,154 and revenue of \$46,831 for support provided by the State of Georgia for certain support personnel. At June 30, 2017, the District 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>
Net difference between projected and actual earnings on pension plan investments	\$ 30,898,489	\$ -
Differences between expected and actual experience	3,638,650	1,207,812
Changes in proportion and differences between District contributions and proportionate share of contributions	7,098,942	4,280,901
Actuarial assumption changes	6,330,594	-
District contributions subsequent to the measurement date	<u>19,157,947</u>	<u>-</u>
Total	<u>\$ 67,124,622</u>	<u>\$ 5,488,713</u>

District contributions subsequent to the measurement date of \$19,157,947 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2018	\$ 6,236,408
2019	6,236,396
2020	17,610,293
2021	11,898,635
2022	496,230
Total	<u>\$ 42,477,962</u>

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

**Note 14: RETIREMENT PLANS (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

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

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 benefit increases	1.50% semi-annually

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. 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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

**Note 14: RETIREMENT PLANS (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (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	39.80	9.00
Domestic mid equities	3.70	12.00
Domestic small equities	1.50	13.50
International developed market equities	19.40	8.00
International emerging market equities	5.60	12.00
Total	<u>100.00%</u>	

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

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

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

**Note 14: RETIREMENT PLANS (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

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

	<b>1% Decrease (6.50%)</b>	<b>Current discount rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
District's proportionate share of the net pension liability	\$ 380,176,398	\$ 244,248,882	\$ 132,334,978

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

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

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

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

**Note 14: RETIREMENT PLANS (Continued)**

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

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

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

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

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

***Pension Liabilities and Pension Expense***

At June 30, 2017, the District did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the District is as follows:

State of Georgia's proportionate share of the Net Pension Liability associated with the District	\$ <u>2,497,988</u>
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The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2016.

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

**Note 14: RETIREMENT PLANS (Continued)**

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

For the year ended June 30, 2017, the District recognized pension expense of \$409,514 and revenue of \$409,514 for support provided by the State of Georgia.

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

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

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

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

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

**Note 14: RETIREMENT PLANS (Continued)**

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(0.50)%
Domestic large stocks	37.20	9.00
Domestic mid stocks	3.40	12.00
Domestic small stocks	1.40	13.50
International developed market stocks	17.80	8.00
International emerging market stocks	5.20	12.00
Alternatives	5.00	11.00
Total	<u>100.00%</u>	

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

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

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

**Note 15: POSTEMPLOYMENT BENEFITS**

**GEORGIA RETIREE HEALTH BENEFIT FUND**

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

***Funding Policy.*** The contribution requirements of Plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of Plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2013, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2013, pay approximately 25 percent 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, 2013, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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



## **II. REQUIRED SUPPLEMENTARY INFORMATION**

**DOUGLAS COUNTY BOARD OF EDUCATION**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	1.183886%	1.180525%	1.221354%
District's proportionate share of the net pension liability	\$ 244,248,882	\$ 179,723,209	\$ 154,301,968
State of Georgia's proportionate share of the net pension liability associated with the District	<u>618,933</u>	<u>433,427</u>	<u>480,712</u>
Total	<u>\$ 244,867,815</u>	<u>\$ 180,156,636</u>	<u>\$ 154,782,680</u>
District's covered-employee payroll	\$ 129,904,093	\$ 124,746,171	\$ 124,824,359
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.02%	144.07%	123.62%
Plan fiduciary net position as a percentage of the total pension liability	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.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contributions	\$ 19,157,947	\$ 18,537,314	\$ 16,387,830	\$ 15,301,164	\$ 14,223,779	\$ 12,695,949	\$ 12,865,793	\$ 12,287,112	\$ 11,629,926	\$ 10,768,785
Contributions in relation to the contractually required contributions	19,157,947	18,537,314	16,387,830	15,301,164	14,223,779	12,695,949	12,865,793	12,287,112	11,629,926	10,768,785
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 134,253,308	\$ 129,904,093	\$ 124,746,171	\$ 124,824,359	\$ 124,505,755	\$ 123,987,972	\$ 124,740,716	\$ 125,319,117	\$ 124,926,441	\$ 133,740,203
Contributions as a percentage of covered-employee payroll	14.27%	14.27%	13.14%	12.26%	11.42%	10.24%	10.31%	9.80%	9.31%	8.05%

**DOUGLAS COUNTY BOARD OF EDUCATION**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the District	<u>2,497,988</u>	<u>1,581,254</u>	<u>1,923,001</u>
Total	<u>\$ 2,497,988</u>	<u>\$ 1,581,254</u>	<u>\$ 1,923,001</u>
District's covered-employee payroll	\$ 6,396,975	\$ 6,390,704	\$ 9,435,322
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	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.

## DOUGLAS COUNTY BOARD OF EDUCATION

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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#### Teachers Retirement System of Georgia:

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

**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, 2017 reported in that schedule:

Valuation date	June 30, 2014
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	2.75%
Salary increases	3.75 – 9.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

#### Public Schools Employees Retirement System of Georgia:

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

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

### **III. OTHER SUPPLEMENTARY INFORMATION**

**DOUGLAS COUNTY BOARD OF EDUCATION**

**SCHEDULE OF EXPENDITURES OF  
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Project	Original Estimated Cost (1)	Current Estimated Cost (2)	Expended In Current Year (3)	Expended In Prior Years (3)	Total Completion Cost	Project Status
<b>SPLOST Issue 2011:</b>						
The payment of a portion of principal and interest on the School District's Series 2005 and 2007 Bonds and Series 2010 Refunding Bond.	\$ 61,000,000	\$ 61,000,000	\$ 10,916,160	\$ 40,468,615	\$ 51,384,775	Ongoing
The adding to, renovating, repairing, improving, furnishing, equipping and completing existing school buildings and other buildings and facilities; acquiring technology improvements; acquiring and making modifications to land; acquiring new school equipment; acquiring band instruments, textbooks and instructional materials and equipment; acquiring any necessary or desirable property, both real and personal.	61,000,000	61,000,000	10,588,453	28,773,312	39,361,765	Ongoing
<b>SPLOST Issue 2016:</b>						
The payment of a portion of principal and interest on the School District's Series 2007 and Series 2010 Bonds and Series 2013 and Series 2014 Refunding Bonds.	74,000,000	74,000,000	-	-	-	Ongoing
The constructing and equipping classrooms and instructional and support space; remodeling, renovating, modifying, and equipping classrooms, instructional and support space and other facilities (including physical education/athletic facilities) at existing school district facilities; acquiring property, both real and personal, and any interest therein, for educational or instructional purposes; acquiring furnishings, equipment and fixtures for new and existing facilities district-wide including, but not limited to technology equipment, safety and security equipment, textbooks, signage, band instruments, and playgrounds.	90,000,000	90,000,000	194,986	-	194,986	Ongoing
<b>Total</b>	<u>\$ 286,000,000</u>	<u>\$ 286,000,000</u>	<u>\$ 21,699,599</u>	<u>\$ 69,241,927</u>	<u>\$ 90,941,526</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the project(s). Includes all cost from project inception to completion.
- (3) The voters of Douglas County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

#### **IV. SINGLE AUDIT SECTION**



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

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**To the Superintendent and Members of  
the Douglas County Board of Education  
Douglasville, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Douglas County Board of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Douglas County Board of Education's basic financial statements, and have issued our report thereon dated November 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Douglas County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Douglas County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Douglas 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Douglas 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*

Atlanta, Georgia  
November 28, 2017



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

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**To the Superintendent and Members of  
the Douglas County Board of Education  
Douglasville, Georgia**

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

We have audited the Douglas County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Douglas County Board of Education's major federal programs for the year ended June 30, 2017. The Douglas 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 applicable to its federal programs.

***Auditor's Responsibility***

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

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

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

In our opinion, the Douglas County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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

Management of the Douglas 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 Douglas 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 Douglas 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.

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 28, 2017

**DOUGLAS COUNTY BOARD OF EDUCATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>		
Passed through Georgia Department of Education:		
Child Nutrition Cluster		
School Breakfast Program - Cash Assistance	10.553	\$ 2,933,928
National School Lunch Program:		
Non-Cash Assistance - Commodities (1)	10.555	966,502
Cash Assistance	10.555	7,912,676
School Snack Program	10.555	240,279
Total Child Nutrition Cluster		<u>12,053,385</u>
Total U. S. Department of Agriculture		<u>12,053,385</u>
<b>U. S. DEPARTMENT OF DEFENSE</b>		
Junior R.O.T.C.	12.unknown	259,818
Total U. S. Department of Defense		<u>259,818</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Abstinence Education and Youth Development Program	93.235	<u>77,829</u>
Teen Pregnancy Prevention Program	93.297	<u>19,467</u>
Total U.S. Department of Health and Human Services		<u>97,296</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>		
Passed through the Georgia Department of Education:		
Title I, Part A Program - Local Education Agency	84.010	<u>5,335,181</u>
Title II-A - Improving Teacher Quality	84.367	<u>455,220</u>

**(Continued)**

**DOUGLAS COUNTY BOARD OF EDUCATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Expenditures
<b>U. S. DEPARTMENT OF EDUCATION (Continued):</b>		
Passed through Georgia Department of Education (continued):		
Special Education Cluster (IDEA)		
Title VI-B Preschool	84.173	124,838
Title VI-B Flowthrough	84.027	4,874,244
Title VI-B High Cost Fund Pool	84.027	18,908
Total Special Education Cluster (IDEA)		<u>5,017,990</u>
Education for Homeless Children and Youth	84.196	<u>44,583</u>
Title III Program		
Title III - Limited English Proficient	84.365	178,039
Title III - Immigrant	84.365	5,086
Total Title III Program		<u>183,125</u>
Vocational Education - Perkins Plus	84.048	9,883
Vocational Education - Perkins IV - Reserve - Perkins Carryover	84.048	9,922
Vocational Education - Program Improvement	84.048	171,735
Total Vocational Education		<u>191,540</u>
Title IV B - Twenty-first Century Community Learning Centers	84.287	<u>2,091,722</u>
Total Passed Through Georgia Department of Education		<u>13,319,361</u>
Total U. S. Department of Education		<u>13,319,361</u>
Total Expenditures of Federal Awards		<u>\$ 25,729,860</u>

(1) The amounts shown for the Food Distribution Program represents the federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the system during the current fiscal year.

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

The School District did not utilize the 10% de minimis indirect cost rate.

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

**DOUGLAS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**SECTION I**  
**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:  
 Material weaknesses identified?

yes  no

Significant deficiencies identified?

yes  none reported

Noncompliance material to financial statements noted?

yes  no

**Federal Awards**

Internal Control over major federal programs:  
 Material weaknesses identified?

yes  no

Significant deficiencies identified?

yes  none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes  no

Identification of major federal program:

Name of Federal Program or Cluster

CFDA Number

Special Education Cluster

84.027 and 84.173

Title IV – B Twenty-first Century Community Learning Centers

84.287

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

\$771,896

Auditee qualified as low-risk auditee?

yes  no

**DOUGLAS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**None reported.**

**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**None reported.**

**DOUGLAS COUNTY BOARD OF EDUCATION**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**STATUS OF PRIOR YEAR FINDINGS**

**None reported.**