

**CITY OF CARROLLTON
BOARD OF EDUCATION
CARROLLTON, GEORGIA**

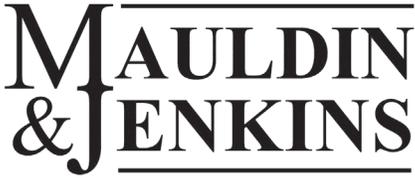
**ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2016**

**CITY OF CARROLLTON BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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I. FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of
the City of Carrollton Board of Education
Carrollton, 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 City of Carrollton Board of Education as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Carrollton Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Carrollton Board of Education as of June 30, 2016, 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 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 Schools Employees Retirement System of Georgia on pages 39, 40, and 41, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carrollton 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 accompanying 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 *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2017 on our consideration of the City of Carrollton Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Carrollton Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 24, 2017

BASIC FINANCIAL STATEMENTS

CITY OF CARROLLTON BOARD OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2016

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 9,781,936
Investments	26,866,379
Receivables:	
Taxes, net of allowance for uncollectible	685,105
Intergovernmental	4,542,747
Inventory	81,187
Capital assets (nondepreciable)	5,544,492
Capital assets (depreciable, net of accumulated depreciation)	69,296,583
Total assets	<u>116,798,429</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Plan contributions subsequent to measurement date - pension	3,197,601
Changes in proportion and difference between employer contributions and employer proportionate share of contributions - pension	<u>640,807</u>
Total deferred outflows of resources	<u>3,838,408</u>
 LIABILITIES	
Accounts payable	370,849
Salaries and benefits payable	4,685,133
Contracts payable	343,930
Accrued interest payable	377,285
Retainage payable	304,766
Bonds payable, due within one year	1,035,000
Bonds payable, due in more than one year	30,558,485
Capital lease payable, due within one year	409,362
Capital lease payable, due in more than one year	2,170,804
Intergovernmental payable, Carrollton	
Redevelopment Authority, due in more than one year	8,000,000
Net pension liability, due in more than one year	<u>31,232,507</u>
Total liabilities	<u>79,488,121</u>
 DEFERRED INFLOWS OF RESOURCES	
Net difference between projected and actual investment earnings - pension	2,634,495
Experience differences - pension	<u>274,706</u>
Total deferred inflows of resources	<u>2,909,201</u>
 NET POSITION	
Net investment in capital assets	58,078,838
Restricted for:	
Federal programs	558,134
Capital projects	1,787,532
Unrestricted	<u>(22,184,989)</u>
Total net position	<u>\$ 38,239,515</u>

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

CITY OF CARROLLTON BOARD OF EDUCATION

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 29,309,647	\$ 617,666	\$ 20,076,602	\$ (8,615,379)
Support services:				
Pupil services	838,517	-	494,883	(343,634)
Improvement of instructional services	1,452,053	-	548,338	(903,715)
Educational media services	548,012	-	609,318	61,306
Federal grant administration	190,422	-	195,631	5,209
General administration	784,777	-	780,506	(4,271)
School administration	2,793,195	-	1,140,916	(1,652,279)
Business administration	369,807	-	36,612	(333,195)
Maintenance and operation of plant	3,921,312	-	1,611,532	(2,309,780)
Student transportation services	1,998,283	-	432,966	(1,565,317)
Central support services	394,578	-	24,702	(369,876)
Other support services	335,561	-	38,961	(296,600)
Food services operation	3,089,040	587,504	2,355,200	(146,336)
Interest on long-term debt	1,690,713	-	381,095	(1,309,618)
Total governmental activities	<u>\$ 47,715,917</u>	<u>\$ 1,205,170</u>	<u>\$ 28,727,262</u>	<u>(17,783,485)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				13,482,350
Sales taxes:				
For capital projects				3,320,292
Unrestricted investment earnings				127,681
Grants and contributions not restricted to specific programs				1,601,939
Gain on sale of capital assets				393,668
Other				1,697,469
Total general revenues				<u>20,623,399</u>
Change in net position				2,839,914
Net position, beginning of year				35,399,601
Net position, end of year				<u>\$ 38,239,515</u>

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

CITY OF CARROLLTON BOARD OF EDUCATION

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

ASSETS	General	District- Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 9,061,327	\$ 720,609	\$ -	\$ 9,781,936
Investments	-	26,866,379	-	26,866,379
Receivables:				
Taxes, net of allowance for uncollectible	404,397	280,708	-	685,105
Intergovernmental	4,542,747	-	-	4,542,747
Inventory	81,187	-	-	81,187
Total assets	<u>\$ 14,089,658</u>	<u>\$ 27,867,696</u>	<u>\$ -</u>	<u>\$ 41,957,354</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 350,795	\$ 20,054	\$ -	\$ 370,849
Salaries and benefits payable	4,685,133	-	-	4,685,133
Retainage payable	-	304,766	-	304,766
Contracts payable	-	343,930	-	343,930
Total liabilities	<u>5,035,928</u>	<u>668,750</u>	<u>-</u>	<u>5,704,678</u>
 DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	255,781	-	-	255,781
Total deferred inflows of resources	<u>255,781</u>	<u>-</u>	<u>-</u>	<u>255,781</u>
 FUND BALANCES				
Nonspendable for inventory	81,187	-	-	81,187
Restricted for:				
Federal programs	558,134	-	-	558,134
Capital projects	-	27,198,946	-	27,198,946
Assigned for:				
Appropriation for next year's budget	868,950	-	-	868,950
Construction	2,000,000	-	-	2,000,000
Unassigned:	5,289,678	-	-	5,289,678
Total fund balances	<u>8,797,949</u>	<u>27,198,946</u>	<u>-</u>	<u>35,996,895</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,089,658</u>	<u>\$ 27,867,696</u>	<u>\$ -</u>	

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		\$ 97,909,589	
Less accumulated depreciation		<u>(23,068,514)</u>	74,841,075
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Property taxes			255,781
The net pension liability is not expected to be paid with current financial resources and is therefore not reported in governmental funds.			
Net pension liability		\$ (31,232,507)	
Deferred outflows of resources - pension related items		3,838,408	
Deferred inflows of resources - pension related items		<u>(2,909,201)</u>	(30,303,300)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds		\$ (27,085,000)	
Bond premium, net of amortization		(4,508,485)	
Capital lease		(2,580,166)	
Accrued interest		(377,285)	
Intergovernmental payable		<u>(8,000,000)</u>	(42,550,936)
Net position of governmental activities			<u>\$ 38,239,515</u>

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

CITY OF CARROLLTON BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 13,514,820	\$ -	\$ -	\$ 13,514,820
Sales taxes	-	3,320,292	-	3,320,292
State funds	24,430,460	-	-	24,430,460
Federal funds	5,959,238	-	-	5,959,238
Charges for services	1,205,170	-	-	1,205,170
Investment earnings	7,385	120,296	-	127,681
Miscellaneous	1,697,469	-	-	1,697,469
Total revenues	<u>46,814,542</u>	<u>3,440,588</u>	<u>-</u>	<u>50,255,130</u>
EXPENDITURES				
Current:				
Instruction	29,407,927	-	-	29,407,927
Support services:				
Pupil services	848,072	-	-	848,072
Improvement of instructional services	1,487,501	-	-	1,487,501
Educational media services	547,480	-	-	547,480
Federal grant administration	195,631	-	-	195,631
General administration	795,775	-	-	795,775
School administration	2,873,886	-	-	2,873,886
Business administration	376,372	-	-	376,372
Maintenance and operation of facilities	3,812,860	-	-	3,812,860
Student transportation services	1,522,652	-	-	1,522,652
Central support services	380,512	-	-	380,512
Other support services	216,872	-	-	216,872
Food services operation	3,031,431	-	-	3,031,431
Capital outlay	-	8,145,686	-	8,145,686
Debt service:				
Principal retirement	-	450,179	1,015,000	1,465,179
Interest and fees	410,000	9,934	707,667	1,127,601
Bond issuance costs	-	438,392	-	438,392
Total expenditures	<u>45,906,971</u>	<u>9,044,191</u>	<u>1,722,667</u>	<u>56,673,829</u>
Excess (deficiency) of revenues over expenditures	<u>907,571</u>	<u>(5,603,603)</u>	<u>(1,722,667)</u>	<u>(6,418,699)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	160,425	1,722,580	1,883,005
Transfers out	(160,425)	(1,722,580)	-	(1,883,005)
Proceeds from sale of capital assets	-	439,000	-	439,000
Issuance of bonds	-	25,000,000	-	25,000,000
Premium on bonds issued	-	4,647,714	-	4,647,714
Issuance of capital lease	-	3,030,345	-	3,030,345
Total other financing sources (uses)	<u>(160,425)</u>	<u>31,554,904</u>	<u>1,722,580</u>	<u>33,117,059</u>
Net change in fund balances	747,146	25,951,301	(87)	26,698,360
FUND BALANCES, beginning of year	<u>8,050,803</u>	<u>1,247,645</u>	<u>87</u>	<u>9,298,535</u>
FUND BALANCES, end of year	<u>\$ 8,797,949</u>	<u>\$ 27,198,946</u>	<u>\$ -</u>	<u>\$ 35,996,895</u>

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

CITY OF CARROLLTON 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, 2016**

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

Net change in fund balances - total governmental funds	\$	26,698,360
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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. In the current period, these amounts are:

Capital outlay	\$ 8,720,250	
Depreciation expense	<u>(2,148,777)</u>	6,571,473

The net effect of the disposal of capital assets is to decrease net position.	(45,332)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(32,470)
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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.	985,483
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	\$ 1,015,000	
Bond proceeds	(25,000,000)	
Bond premium	(4,647,714)	
Capital lease	(3,030,345)	
Capital lease payments	<u>450,179</u>	(31,212,880)

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.

Bond premium amortization expense	\$ 226,690	
Change in accrued interest	<u>(351,410)</u>	(124,720)

	\$	<u><u>2,839,914</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF CARROLLTON BOARD OF EDUCATION

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 13,251,887	\$ 13,251,887	\$ 13,514,820	\$ 262,933
State funds	23,338,267	24,173,364	24,430,460	257,096
Federal funds	3,055,305	5,719,738	5,959,238	239,500
Charges for services	908,500	908,500	1,205,170	296,670
Investment earnings	30,000	30,000	7,385	(22,615)
Miscellaneous	170,000	170,000	1,697,469	1,527,469
Total revenues	<u>40,753,959</u>	<u>44,253,489</u>	<u>46,814,542</u>	<u>2,561,053</u>
EXPENDITURES				
Current:				
Instruction	27,005,603	28,767,303	29,407,927	(640,624)
Support services:				
Pupil services	604,054	894,663	848,072	46,591
Improvement of instructional services	1,485,212	1,936,964	1,487,501	449,463
Educational media services	549,551	549,551	547,480	2,071
Federal grant administration	-	-	195,631	(195,631)
General administration	787,114	840,664	795,775	44,889
School administration	2,506,880	2,913,007	2,873,886	39,121
Business administration	841,855	839,236	376,372	462,864
Maintenance and operation of plant	3,717,513	3,856,918	3,812,860	44,058
Student transportation services	1,491,074	1,567,102	1,522,652	44,450
Central support services	421,026	411,747	380,512	31,235
Other support services	130,050	150,983	216,872	(65,889)
Food services operation	2,660,500	2,700,265	3,031,431	(331,166)
Capital outlay	-	271,559	-	271,559
Debt service:				
Interest and fees	-	-	410,000	(410,000)
Total expenditures	<u>42,200,432</u>	<u>45,699,962</u>	<u>45,906,971</u>	<u>(207,009)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,446,473)</u>	<u>(1,446,473)</u>	<u>907,571</u>	<u>2,354,044</u>
OTHER FINANCING USES				
Transfers out	-	-	(160,425)	(160,425)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(160,425)</u>	<u>(160,425)</u>
Net change in fund balances	<u>(1,446,473)</u>	<u>(1,446,473)</u>	<u>747,146</u>	<u>2,193,619</u>
FUND BALANCES, beginning of year	<u>8,050,803</u>	<u>8,050,803</u>	<u>8,050,803</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 6,604,330</u>	<u>\$ 6,604,330</u>	<u>\$ 8,797,949</u>	<u>\$ 2,193,619</u>

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

CITY OF CARROLLTON BOARD OF EDUCATION

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

JUNE 30, 2016

	ASSETS	Agency Fund
Cash		\$ 207,345
	LIABILITIES	
Funds held for others		\$ 207,345

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

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The City of Carrollton Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a School Board (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 District-wide financial statements, fund financial statements and notes to the basic financial statements of the City of Carrollton Board of Education.

District-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.

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.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 sales taxes and grants from the Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- *Debt Service Fund* accounts for the accumulation of resources for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund types:

- *Agency Fund* accounts for assets held by the School District as an agent for various individual school clubs and activities.

Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions are reported on the financial statements. The School 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.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within one hundred eighty days after year-end with the exception of property taxes which the School District considers available if they are collected within 60 days after year-end; however, intergovernmental revenues reported in the governmental funds are considered to be available if they are collected within 120 days after year end.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases and bonds are reported as other financing sources.

Revenues from grants and donations are 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.

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 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.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 include any amounts which would necessitate the need for an allowance for uncollectible receivables.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

The City of Carrollton levied the property tax for the 2015 tax digest year (calendar year) on August 11, 2015 (levy date). Taxes were due on December 1, 2015 (lien date). Taxes collected within the current fiscal year or within 60 days after fiscal year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The Carroll County Tax Commissioner bills and collects the property taxes for the School District 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, 2016, for maintenance and operations amounted to \$13,514,820.

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 City of Carrollton Board of Education is in compliance with this law. Tax millage rates levied for the 2015 tax year (calendar year) for the City of Carrollton Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>19.05</u> mills
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Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$3,320,292 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

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.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories (Continued)

The food commodities, received during the fiscal year, from the United States Department of Agriculture (USDA) for school breakfast and lunch programs are recorded at their federally assigned value of \$191,228.

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. 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.

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
Buildings and Improvements	\$5,000	30 to 80 years
Equipment	\$5,000	5 to 25 years
Land Improvements	\$5,000	15 to 20 years

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation leave must be used in the fiscal year in which it is earned. Accordingly, there is no liability for vacation leave at year end.

Sick and personal leave do not vest with the employee, and unused accumulated sick and personal leave is forfeited upon retirement or termination of employment. Therefore, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

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, both of which relate to the reporting of the net pension liability reported in the government-wide statement of net position. The Governmental Activities report (1) a deferred outflow of resources for the School District's actual contributions to the pension plan during the fiscal year ended June 30, 2016 which is subsequent to the measurement date and will be applied to the net pension liability in fiscal year 2017; and (2) 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, which will be amortized over the remaining service period.

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 occur only in the governmental activities. The Governmental Activities report a deferred inflow of resources for the net difference between projected and actual investment earnings on the pension assets, will be amortized over a five year period; and a deferred inflow of resources for experience gains or losses from periodic studies by the actuary, which will be amortized over the remaining service life.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 deferred 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.

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 and liabilities, 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.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity/Net Position

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.
- ***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 the adoption of a resolution.
- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the 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 and the Director of Finance the authority 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.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity/Net Position (Continued)

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.

Note 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School District 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.

For the year ended June 30, 2016 expenditures exceeded the budget in the General Fund departments as follows:

General Fund:		
Instruction	\$	640,624
Support services:		
Federal grant administration		195,631
Other support services		65,889
Food services operation		331,166
Debt service:		
Interest and fees		410,000

The excess of expenditures over budget that are noted above were primarily funded by greater than anticipated revenues.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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 repurchase agreements, in the amount of \$26,866,379, are nonparticipating interest-earning investment contracts and, accordingly, are recorded at cost. As a result, the School District does not disclose investments in the repurchase agreements 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, 2016, the School District's cash accounts and investments were collateralized as required by State statutes.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 5: RECEIVABLES

Receivables at June 30, 2016, for the School District’s individual funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>District-Wide Capital Projects</u>	<u>Total</u>
Receivables:			
Taxes	\$ 412,650	\$ 280,708	\$ 693,358
Intergovernmental	4,542,747	-	4,542,747
Gross receivables	<u>4,955,397</u>	<u>280,708</u>	<u>5,236,105</u>
Less allowance for uncollectibles	(8,253)	-	(8,253)
Net total receivables	<u><u>\$ 4,947,144</u></u>	<u><u>\$ 280,708</u></u>	<u><u>\$ 5,227,852</u></u>

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**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 6: CAPITAL ASSETS

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

	<u>Balances July 1, 2015</u>	<u>Increases</u>	<u>Transfers to Service and Decreases</u>	<u>Balances June 30, 2016</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,079,081	\$ -	\$ -	\$ 1,079,081
Construction in progress	77,347	4,465,411	(77,347)	4,465,411
Total	<u>1,156,428</u>	<u>4,465,411</u>	<u>(77,347)</u>	<u>5,544,492</u>
Capital assets, being depreciated:				
Building improvements	77,828,396	497,396	(61,440)	78,264,352
Equipment	7,903,933	3,647,428	(1,645,659)	9,905,702
Land improvements	4,013,481	187,362	(5,800)	4,195,043
Total	<u>89,745,810</u>	<u>4,332,186</u>	<u>(1,712,899)</u>	<u>92,365,097</u>
Less accumulated depreciation for:				
Building improvements	(14,354,970)	(1,204,348)	25,088	(15,534,230)
Equipment	(6,154,016)	(811,222)	1,639,386	(5,325,852)
Land improvements	(2,078,318)	(133,207)	3,093	(2,208,432)
Total	<u>(22,587,304)</u>	<u>(2,148,777)</u>	<u>1,667,567</u>	<u>(23,068,514)</u>
Total capital assets, being depreciated, net	<u>67,158,506</u>	<u>2,183,409</u>	<u>(45,332)</u>	<u>69,296,583</u>
Governmental activities capital assets, net	<u>\$ 68,314,934</u>	<u>\$ 6,648,820</u>	<u>\$ (122,679)</u>	<u>\$ 74,841,075</u>

Depreciation expense was charged to the functions as follows:

Instruction	\$ 1,324,523
Support services:	
Pupil services	6,983
Improvement of instructional services	3,190
Educational media services	532
General administration	9,167
School administration	5,159
Business administration	538
Maintenance and operation of plant	112,326
Student transportation services	481,135
Central support services	21,811
Other support services	118,968
Operations of non-instructional services:	
Food services	64,445
	<u>\$ 2,148,777</u>

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

7: 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; and unemployment compensation.

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions and job related illness or injuries to employees. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

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>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year</u>
2015	\$ -	\$ 4,778	\$ 4,778	\$ -
2016	\$ -	\$ 816	\$ 816	\$ -

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	\$ 25,000

Note 8: INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
District-Wide Capital Projects Fund	General Fund	\$ 160,425
Debt Service Fund	District-Wide Capital Projects Fund	1,722,580
		<u>\$ 1,883,005</u>

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

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 9: LONG-TERM DEBT

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Original</u>
General Government – Series 2015	5.00%	<u>\$ 25,000,000</u>
General Government – Series 2011	3.00% - 4.00%	<u>\$ 3,100,000</u>

At June 30, 2016, payments due by fiscal year which includes principal and interest for these items are as follows:

<u>Fiscal Year Ended June 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,035,000	\$ 1,323,050
2018	1,050,000	1,292,000
2019	800,000	1,250,000
2020	865,000	1,210,000
2021	930,000	1,166,750
2022-2026	6,360,000	5,060,250
2027-2031	10,890,000	2,975,250
2032-2036	5,155,000	389,750
Total	<u>\$ 27,085,000</u>	<u>\$ 14,667,050</u>

INTERGOVERNMENTAL PAYABLE

In August 2010, the Carrollton Redevelopment Authority (Authority), issued \$8,000,000 in federally taxable qualified school construction bonds, with interest payments beginning April 1, 2011 through April 1, 2025 with the principal balance due with the final interest payment at an interest rate of 5.125%. The School District will fund the bonds with ad valorem property tax revenues and thus the School District has an intergovernmental payable to the Authority equal to the outstanding bonds. The proceeds from the bonds will be used for the purpose of the (i) renovation, modernization and revitalization of the restrooms and gymnasium at the Carrollton High School to meet applicable federal and state standards, (ii) addition of two-story classroom wing to house pre-kindergarten and sixth grade classes located at the Carrollton Middle School for the benefit of the public educational system of the City of Carrollton, Georgia and (iii) the costs of issuing the Bonds. The interest on these bonds are subsidized 100% by the federal government.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 9: LONG-TERM DEBT (Continued)

The intergovernmental payable currently outstanding is as follows:

Fiscal Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 410,000	\$ 410,000
2018	-	410,000	410,000
2019	-	410,000	410,000
2020	-	410,000	410,000
2021	-	410,000	410,000
2022 - 2025	<u>8,000,000</u>	<u>1,640,000</u>	<u>9,640,000</u>
Total	<u>\$ 8,000,000</u>	<u>\$ 3,690,000</u>	<u>\$ 11,690,000</u>

CAPITAL LEASE PAYABLE

In fiscal year 2016, the School District entered into an agreement for the purpose of purchasing busses. Under the terms of the agreement, the School District will assure that the payments of principal and interest on the capital lease are made in a timely manner through August 3, 2021. The total annual payment is \$460,113. The lease qualifies for financial reporting as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The following is an analysis of assets under capital leases as of June 30, 2016:

<u>Asset</u>	<u>Governmental Activities</u>
Equipment	\$ 3,030,345
Accumulated depreciation	(378,444)
Total net book value of leased assets	<u>\$ 2,651,901</u>

The annual amortization of the leased assets value is included in depreciation expense.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 9: LONG-TERM DEBT (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2017	\$ 460,113
2018	460,113
2019	460,113
2020	460,113
2021	460,113
2022	460,113
Total minimum lease payments	<u>2,760,678</u>
Less: amount representing interest	<u>(180,512)</u>
Present value of minimum lease payments	2,580,166
Less: current liabilities	<u>(409,362)</u>
	<u><u>\$ 2,170,804</u></u>

The changes in long-term debt during the fiscal year ended June 30, 2016, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 3,100,000	\$ 25,000,000	\$ (1,015,000)	\$ 27,085,000	\$ 1,035,000
Unamortized bond premium	87,461	4,647,714	(226,690)	4,508,485	-
Intergovernmental payable	8,000,000	-	-	8,000,000	-
Capital lease payable	-	3,030,345	(450,179)	2,580,166	409,362
Net pension liability	25,727,733	8,627,123	(3,122,349)	31,232,507	-
Governmental activity					
Long-term liabilities	<u>\$ 36,915,194</u>	<u>\$ 41,305,182</u>	<u>\$ (4,814,218)</u>	<u>\$ 73,406,158</u>	<u>\$ 1,444,362</u>

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$105,980 for retirement contributions paid on the School District's behalf by the following State Agencies:

Georgia Department of Education
Paid the Teachers Retirement District
For Teachers Retirement (TRS)
In the amount of \$34,838

Office of the State Treasurer
Paid to the Public School Employees Retirement District
For Public School Employees Retirement (PSERS) Employer's Cost
In the amount of \$71,142

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 11: 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.

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 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual school district payroll. District contributions to TRS were \$3,197,601 for the year ended June 30, 2016.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 11: RETIREMENT PLANS (Continued)

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the District by the State of Georgia for certain public school support personnel. 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	\$ 31,232,507
State of Georgia's proportionate share of the net pension liability associated with the District	<u>360,961</u>
Total	<u><u>\$ 31,593,468</u></u>

The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 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, 2015. At June 30, 2015, the District's proportion was 0.205153%, which was an increase of 0.001509% from its proportion measured as of June 30, 2014.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 11: 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, 2016, the District recognized pension expense of \$2,212,118 and revenue of \$28,185 for support provided by the State of Georgia for certain support personnel. At June 30, 2016, 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	\$ -	\$ 2,634,495
Differences between expected and actual experience	-	274,706
Changes in proportion and differences between District contributions and proportionate share of contributions	640,807	-
District contributions subsequent to the measurement date	<u>3,197,601</u>	<u>-</u>
Total	<u>\$ 3,838,408</u>	<u>\$ 2,909,201</u>

District contributions subsequent to the measurement date of \$3,197,601 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (1,111,923)
2018	(1,111,923)
2019	(1,111,925)
2020	1,070,565
2021	(3,188)
Total	<u>\$ (2,268,394)</u>

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 11: 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, 2015 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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%	3.00%
Domestic large equities	39.70	6.50
Domestic mid equities	3.70	10.00
Domestic small equities	1.60	13.00
International developed market equities	18.90	6.50
International emerging market equities	6.10	11.00
Total	<u>100.00%</u>	

* Rates shown are net of the 3.00% assumed rate of inflation

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 11: RETIREMENT PLANS (Continued)

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

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

Sensitivity of the 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:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 53,670,702	\$ 31,232,507	\$ 12,738,095

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.

Payables to the Pension Plan: At June 30, 2016, the School District reported a payable of \$552,074 for the outstanding amount of contributions to the TRS pension plan required for the year ended June 30, 2016.

GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS 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.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 11: RETIREMENT PLANS (Continued)

**GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS 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, 2016, 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>294,752</u>
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The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 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, 2015.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 11: RETIREMENT PLANS (Continued)

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

For the year ended June 30, 2016, the District recognized pension expense of \$17,577 and revenue of \$17,577 for support provided by the State of Georgia.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increase	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 11: RETIREMENT PLANS (Continued)

**GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS 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%	3.00%
Domestic large stocks	39.70	6.50
Domestic mid stocks	3.70	10.00
Domestic small stocks	1.60	13.00
International developed market stocks	18.90	6.50
International emerging market stocks	6.10	11.00
Total	<u>100.00%</u>	

* Rates shown are net of the 3.00% 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.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 12: CONTINGENCIES

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.

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

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

Note 13: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2016:

<u>Project</u>	
Carrollton High School Rebuild	\$ 5,155,071

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

Note 14: 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.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 14: POSTEMPLOYMENT BENEFITS (Continued)

GEORGIA RETIREE HEALTH BENEFIT FUND (Continued)

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 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.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2016:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

July 1, 2015 – June 30, 2016 \$945.00 per member per month

For non-certificated school personnel:

July 1, 2015 – June 30, 2016 \$746.20 per member per month

No additional contribution was required by the Board for fiscal year 2016 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other postemployment benefits and are subject to appropriation.

**CITY OF CARROLLTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 14: POSTEMPLOYMENT BENEFITS (Continued)

GEORGIA RETIREE HEALTH BENEFIT FUND (Continued)

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2016	100%	\$ 4,157,547
2015	100%	\$ 4,000,643
2014	100%	\$ 4,027,667

II. REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CARROLLTON 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>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.205153%	0.203644%
District's proportionate share of the net pension liability	\$ 31,232,507	\$ 25,727,733
State of Georgia's proportionate share of the net pension liability associated with the District	<u>360,961</u>	<u>285,900</u>
Total	<u>\$ 31,593,468</u>	<u>\$ 26,013,633</u>
District's covered-employee payroll	21,655,080	\$ 20,775,708
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	144.23%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	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.

CITY OF CARROLLTON BOARD OF EDUCATION

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 3,197,601	\$ 2,847,643	\$ 2,551,257
Contributions in relation to the contractually required contributions	<u>3,197,601</u>	<u>2,847,643</u>	<u>2,551,257</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	22,407,856	21,655,080	20,775,708
Contributions as a percentage of covered-employee payroll	14.27%	13.15%	12.28%

CITY OF CARROLLTON 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>2016</u>	<u>2015</u>
District's proportion of the net pension liability	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>294,752</u>	<u>272,575</u>
Total	<u>\$ 294,752</u>	<u>\$ 272,575</u>
District's covered-employee payroll	\$ 777,317	\$ 1,006,936
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	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.

CITY OF CARROLLTON BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Public Schools Employees Retirement System of Georgia:

Changes of assumptions: The last experience investigation was prepared for the five-year period ending June 30, 2009, and based on the results of the investigation various assumptions and methods were revised and adopted by the board on December 16, 2010. The next experience investigation will be prepared for the period July 1, 2009 through June 30, 2014.

III. OTHER SUPPLEMENTARY INFORMATION

CITY OF CARROLLTON BOARD OF EDUCATION

**SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

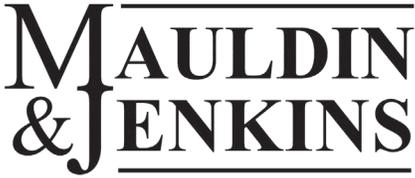
Project	Original Estimated Cost(1)	Current Estimated Costs(2)	Expended In Current Year (3)	Expended In Prior Years (3)	Total Completion Cost	Project Status
SPLOST Issue 2012:						
The payment of a portion of the debt service payments on the Carrollton School District's General Obligation Bonds, Series 2007	4,950,000	4,950,000	-	4,950,000	4,950,000	Completed
The payment of a portion of the sinking fund deposits relating to the Carrollton Redevelopment Authority Federally Taxable Qualified School Construction Bonds - Direct Pay, Series 2010	2,400,000	2,400,000	800,000	-	800,000	Ongoing
The payment of certain of the Carrollton School District's outstanding technology lease payments	1,050,000	700,000	-	700,000	700,000	Completed
Capital outlay projects within the Carrollton Independent School District, consisting of acquiring, constructing, adding to, renovating, modifying, repairing, improving and equipping existing schools and other buildings and facilities including but not limited to the following: (A) as to Carrollton Elementary School, additional classrooms, exterior door replacement, interior and exterior painting, replacement of gutters, downspouts and roofs, HVAC modifications, bathroom renovations, new lighting and new acoustical tile; (B) as to Carrollton Junior High School, replacement of gutters, downspouts and roofs, storm water/drain modification, exterior painting, HVAC additions and modifications, exterior door replacement; (C) as to Carrollton High School, classroom modifications to accommodate STEM curriculum, acquisition and installation of technology and STEM equipment, exterior and interior painting and modifications to handicap access; and (D) as to system-wide, replacement and improvement of parking lots and driveways, replacement of tennis courts, replacement of telephone system head end, replacement of maintenance vehicles, replacement of grounds maintenance equipment, replacement of busses, pavement of transportation parking lot, system-wide technology upgrades, replacement of classroom furniture at all schools; and funding capitalized interest on the Carrollton School District Debt.	13,387,500	13,737,500	3,795,590	1,218,778	5,014,368	Ongoing
Total	<u>\$ 21,787,500</u>	<u>\$ 21,787,500</u>	<u>\$ 4,595,590</u>	<u>\$ 6,868,778</u>	<u>\$ 11,464,368</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 Carroll County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

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***

**To the Superintendent and Members of
the City of Carrollton Board of Education
Carrollton, 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 City of Carrollton Board of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Carrollton Board of Education's basic financial statements, and have issued our report thereon dated January 24, 2017.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

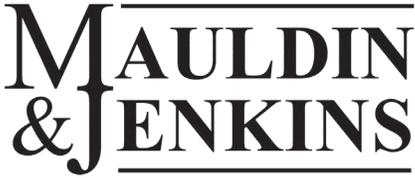
As part of obtaining reasonable assurance about whether the City of Carrollton Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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
January 24, 2017



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

**To the Superintendent and Members of
the City of Carrollton Board of Education
Carrollton, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the City of Carrollton 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 City of Carrollton Board of Education's major federal programs for the year ended June 30, 2016. The City of Carrollton 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 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 City of Carrollton 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 City of Carrollton 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 City of Carrollton Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Carrollton 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, 2016.

Report on Internal Control Over Compliance

Management of the City of Carrollton 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 City of Carrollton 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 City of Carrollton Board of Education's internal control over compliance.

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

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 24, 2017

CITY OF CARROLLTON BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Funding Agency Program/Grant	CFDA Number	Pass- Through Entity ID Number	Expenditures In Period
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Child Nutrition Cluster			
School Breakfast Program - Cash Assistance	10.553	N/A	\$ 622,133
National School Lunch Program:			
Cash Assistance (2)	10.555	N/A	1,434,634
Non-Cash Assistance - Commodities (1)	10.555	N/A	<u>191,228</u>
Total Child Nutrition Cluster			<u>2,247,995</u>
Total U. S. Department of Agriculture			<u>2,247,995</u>
Education, U. S. Department of			
Special Education Cluster (IDEA)			
Pass-Through From Georgia Department of Education			
Special Education			
Flowthrough	84.027	N/A	831,426
High Cost Fund Pool	84.027	N/A	11,447
Preschool Grants	84.173	N/A	<u>52,408</u>
Total Special Education Cluster (IDEA)			<u>895,281</u>
Title I, Part A			
Pass-Through From Georgia Department of Education			
Title I, Part A			
Title I - Improving the Academic Achievement of the Disadvantaged	84.010	N/A	<u>1,126,066</u>

(Continued)

CITY OF CARROLLTON BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Other Programs			
Pass-Through From Georgia Department of Education			
Title I, Part C - Migrant Education	84.011	N/A	7,712
Education of Homeless Children and Youth	84.196	N/A	28,782
Twenty-first Century Community Learning Centers	84.287	N/A	1,030,912
Title III, Part A - Limited English Proficient	84.365	N/A	33,097
Title III, Part A - Immigrant	84.365	N/A	3,399
Title III, Part A - ELA Unaccompanied Children and Youth Grant	84.365	N/A	6,530
Total Title III, Part A			43,026
Title II, Part A - Improving Teacher Quality	84.367	N/A	98,494
Title II, Part A - Advance Placement	84.367	N/A	730
Total Title II, Part A			99,224
Perkins IV Grants - Program Improvement	84.048	N/A	29,367
Perkins Plus Reserve	84.048	N/A	4,454
Perkins IV Carryover	84.048	N/A	2,836
Total Perkins Grants			36,657
Total U. S. Department of Education			3,267,660
Defense, U. S. Department of			
Direct Award			
Department of the Army			
R.O.T.C. Program	12.unknown	N/A	62,489
Total Expenditures of Federal Awards			\$ 5,578,144

N/A = Not Available

- (1) The amounts shown for the Food Donation Program represent the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year.
- (2) Expenditures for the funds earned on Child and Adult Care Food Program were not maintained separately and are included in the National School Lunch Program.

The School District did not provide Federal Assistance to any Subrecipient.

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Carrollton Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

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 Award*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF CARROLLTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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 X no

Significant deficiencies identified?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major federal programs:
 Material weaknesses identified?

___ yes X no

Significant deficiencies identified?

___ yes X 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 X no

Identification of major federal program:

CFDA Number	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Cluster (IDEA)
84.287	Twenty-first Century Community Learning Centers

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

\$750,000

Auditee qualified as low-risk auditee?

X yes ___ no

CITY OF CARROLLTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

CITY OF CARROLLTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF CARROLLTON BOARD OF EDUCATION

**STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

**2015-001 US Department of Agriculture
Child Nutrition Cluster - CFDA #10.553 and 10.555
Paid Lunch Equity**

Condition: During testing of the paid lunch equity calculations prepared by the School District, we noted the School District was incorrectly completing the Price Adjustment Calculator provided by the US Department of Agriculture. Internal controls were not sufficient to prevent this error. During our testing of the School District's compliance with the paid lunch equity requirement, we noted the School District did not fully complete the Price Adjustment Calculator. The District did not comply with this requirement through the use of local funds or raising prices for paid lunches. The School District's lack of understanding and familiarity with the Price Adjustment Calculator caused the School District to improperly complete the Paid Lunch Equity calculations and therefore caused the School District to be non-compliant. The lack of internal controls could result in the paid lunch equity calculation reflecting an incorrect result which could cause the School District to not meet the requirement. As noted during our testing, the School District was required to use local funds or raise the prices of the paid lunches to the maximum level required by the USDA. The School District did not comply with these requirements.

Status: Corrected.