



**CITY OF PELHAM
BOARD OF EDUCATION
MITCHELL COUNTY, GEORGIA**

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019
(Including Independent Auditor's Reports)



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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

INDEPENDENT AUDITOR'S REPORT

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
City of Pelham Board of Education

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 Pelham Board of Education (School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2020 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin
State Auditor

March 17, 2020

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**CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

INTRODUCTION

The discussion and analysis of the City of Pelham Board of Education's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- The total assets and deferred outflows of the School District increased by \$0.77 million which is primarily due to an increase in deferred outflows related to pensions of \$0.48 million and the increase in deferred outflows related to OPEB of \$0.10 million.
- Total liabilities and deferred inflows of resources decreased for the year by \$0.70 million. The decrease is primarily due to a decrease in current liabilities of \$0.49 million and long-term liabilities of \$1.47 million.
- The combination of the increase in total assets and deferred outflows of resources of \$0.77 million and the decrease in total liabilities and deferred inflows of resources \$0.70 million yields an increase in net position of \$1.46 million. The increase in net position is primarily in the category of unrestricted.
- At June 30, 2019, the School District's general fund reported a balance of \$3.50 million, an increase of \$0.57 million or 19.64% from the last fiscal year. Of this total, \$2.78 million represents unassigned fund balance.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business. The Statement of Net Position presents information on all the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating. It is important to note that this statement consolidates the School District's current financial resources (short term) with capital assets and long-term liabilities.

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

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Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been separated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Most of the School District’s activities are reported in governmental funds focusing on how money flows in and out of those funds and the balances left at year-end available for spending in future periods. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds

The School District is the trustee, or fiduciary, for assets that belong to others such as club and class funds and payroll withholding funds. The School District is responsible for ensuring assets reported in these funds are used only for their intended purposes and by those to whom assets belong.

Notes to Financial Statements

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. As of June 30, 2019, School District liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5.13 million, primarily due to net pension and OPEB liabilities.

The largest portion of the School District’s net position \$19.20 million reflects its investments in capital assets (e.g. buildings, land, land improvements, equipment) less any related debt used to acquire those assets that remain outstanding. The School District uses the capital assets to provide services to our students, faculty, and community; consequently, these assets are not available for future spending.

**CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The following chart details the major categories of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position with a comparison to the prior fiscal year.

Table 1
Net Position
(In Thousands)

	Governmental Activities	
	Fiscal Year 2019	Fiscal Year 2018
Assets		
Current and Other Assets	\$ 6,427	\$ 6,050
Capital Assets, Net	19,798	19,992
Total Assets	26,225	26,042
Deferred Outflows of Resources	3,475	2,891
Liabilities		
Current and Other Liabilities	2,119	2,608
Long-Term Liabilities	28,831	30,297
Total Liabilities	30,950	32,905
Deferred Inflows of Resources	3,880	2,621
Net Position		
Net Investments in Capital Assets	19,202	19,199
Restricted	1,262	1,010
Unrestricted (Deficit)	(25,594)	(26,802)
Total Net Position	\$ (5,130)	\$ (6,593)

An additional portion of the School District’s total net position totaling \$1.26 million represents resources that are subject to external restrictions on how they may be used. Comprising the majority of restricted net position is net position for ongoing federal programs, representing 40.28% of total restricted net position, and net position being accumulated for use in the capital outlay projects, representing 59.72% of total restricted net position.

Unrestricted net position is a deficit of \$25.59 million, due primarily to the recording of net pension and OPEB liabilities.

Changes in Net Position From Operating Results

- Net position increased \$1.46 million from operating results in the fiscal year ended June 30, 2019 compared to a decrease of \$0.05 million in the prior fiscal year.

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Key elements of this increase are as follows on the next chart:

Table 2
Changes in Net Position
(In Thousands)

	Governmental Activities	
	Fiscal Year 2019	Fiscal Year 2018
Revenues		
Program Revenues		
Charges for Services	\$ 289	\$ 248
Operating Grants and Contributions	12,734	12,068
Capital Grants and Contributions	103	-
Total Program Revenues	13,126	12,316
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations	609	535
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	957	-
For Debt Services	-	816
Local Option Sales Tax	422	360
Grants and Contributions not		
Restricted to Specific Programs	1,970	2,250
Investment Earnings	12	13
Miscellaneous	340	389
Total General Revenues	4,310	4,363
Total Revenues	17,436	16,679
Program Expenses		
Instruction	9,442	9,962
Support Services		
Pupil Services	801	900
Improvement of Instructional Services	719	769
Educational Media Services	219	255
General Administration	334	326
School Administration	1,156	1,187
Business Administration	212	322
Maintenance and Operation of Plant	1,120	1,103
Student Transportation Services	467	277
Central Support Services	44	-
Other Support Services	158	136
Operations of Non-Instructional Services		
Enterprise Operation	72	56
Community Services	11	6
Food Services	1,135	1,182
Interest on Short-Term and Long-Term Debt	83	146
Total Expenses	15,973	16,627
Increase in Net Position	\$ 1,463	\$ 52

**CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Analysis of the School District’s Funds

General Fund Budgetary Highlights

The School District’s budget is prepared in accordance with Georgia law and is based on accounting for certain transactions on the modified accrual basis of accounting. The School District uses site-based budgeting and the budgeting system is designed to tightly control site budgets but provide flexibility for site management.

The most significant budgeted fund is the general fund. As originally adopted, general fund revenues were projected to be \$15.35 million with appropriated expenditures totaling \$17.35 million. The Board appropriated \$1.99 million from unreserved fund balance to cover the shortfall.

As fiscal year 2019 progressed, the final amended general fund budget increased \$0.52 million for revenues, an increase of 3.41% from the original budget for the year. The reason for the amendment was to adjust grants from estimates to actual awarded amounts.

The original budget for fiscal year 2019 included appropriated expenditures of \$17.35 million, a decrease of \$0.31 million compared to the 2018 final budget appropriated expenditures. This decrease was primarily due to adjusting grant funds from estimates to actual awarded amounts.

General Fund Operations

The general fund finished fiscal year 2019 with a fund balance of \$3.50 million, an increase of \$0.57 million, or 19.64%, from fiscal year 2018.

Actual revenues were above budget projections by \$0.52 million while actual expenditures were \$1.97 million less than budgeted. A significant portion of this is related to the fact that school activity account revenues and expenditures of \$0.38 million and \$0.36 million respectfully are not included in the budget amounts. Several other important factors led to the actual results for the year.

Following state “austerity reductions” for fifteen consecutive years, the state funding formula was restored in 2019.

Local revenue sources represented 9.81% of total general fund revenues for the year, an increase from 9.38% in the prior year. Local revenues ended the year above budgeted projections because school activity account activity was not included in the budget (\$0.38 million). Local ad valorem property tax collections and LOST tax collections were up from the prior year. Other local revenues consisted of other taxes, interest and a few small local grants.

At year end, total expenditures were under budget by \$1.97 million. Expenditures for direct classroom instruction (e.g. teacher salaries and benefits, textbooks, software, classroom supplies, etc.) accounted for 60.46% of total general fund expenditures. A 2% local supplement to all employees was continued during fiscal year 2019. Employee benefits saw an increase in fiscal year 2019 for employer share for Teachers Retirement contribution from 16.81% in 2018 to 20.90% in 2019. Additionally, the School District has learned firsthand the expense of maintaining a bus transportation department that must be dependent upon local funding. In addition, without a transportation agreement with Mitchell County Board of Education we are unable to count the out of city students as under contract. Therefore, we lose state funding for these students. Non-instructional expenditures were monitored on a needs only basis to reduce actual expenditures to remain within budget expectations.

**CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The following chart details the major components of revenues and expenditures by function for fiscal year 2019 as well as a comparison of changes compared to the previous fiscal year.

Table 3
General Fund
Revenue and Expenditure Comparison
(In Thousands)

	Amount	Total	Increase (Decrease) over Fiscal Year 2018
<u>Revenues</u>			
State	\$ 12,748	77.74%	\$ 304
Federal	2,042	12.45%	170
Local	1,608	9.81%	126
Total Revenue	<u>16,398</u>	<u>100.00%</u>	<u>600</u>
<u>EXPENDITURES</u>			
Instruction	9,567	60.46%	(53)
Support Services			
Pupil Services	591	3.73%	(79)
Improvement of Instructional Services	740	4.68%	(28)
Educational Media Services	168	1.06%	(22)
General Administration	340	2.15%	15
School Administration	1,183	7.48%	18
Business Administration	225	1.42%	(96)
Maintenance and Operation of Plant	1,075	6.79%	47
Student Transportation Services	516	3.26%	181
Central Support Services	55	0.35%	55
Other Support Services	158	1.00%	22
Operations of Non-Instructional Services			
Enterprise Operations	72	0.45%	16
Community Services	11	0.07%	5
Food Services	1,124	7.10%	(28)
Total Expenditures	<u>\$ 15,825</u>	<u>\$ 100.00%</u>	<u>\$ 53</u>

Capital Projects Fund Operations

The capital projects fund is used to account for school construction and the purchase of large capital assets. Expenditures in 2019 totaled \$0.36 million, down from \$1.86 million in the previous fiscal year. Significant expenditures during fiscal year 2018 included the final payment of lease purchase agreement for buses and continued costs for new construction of the Pelham High School Multi-Purpose Facility. During fiscal year 2019, the Pelham High School Multi-Purpose Facility was completed.

Debt Service Fund Operations

The debt service fund is used to accumulate resources for the retirement of long-term debt for the energy efficiency lease. Debt service payments totaling \$0.44 million were made for this lease during fiscal year 2019. All debt service sinking fund requirements were met at the end of fiscal year 2019.

**CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Capital Assets and Debt Administration

Capital Assets

The School District’s investment in capital assets for its governmental activities as of June 30, 2019, totaled \$19.80 million, net of accumulated depreciation. The investment in capital assets includes land, land improvements, buildings, vehicles, and equipment used in providing services to our students and community. The changes to the School District’s capital asset accounts came from construction in progress, equipment, and the current year depreciation expense. The Notes to the Basic Financial Statements provide additional information on the School District’s capital assets including a detailed breakdown of the types of capital assets included in the computation of depreciation charges. As of June 30, 2019, 35.26% of the cost basis of depreciable assets had been taken as a depreciation charge since the various assets were placed in service.

A summary of capital assets follows:

Table 4
Capital Assets
(In Thousands)

	Governmental Activities	
	Fiscal	Fiscal
	Year 2019	Year 2018
Land	\$ 276	\$ 276
Construction in Progress	323	2,596
Building and Improvements	17,304	15,105
Equipment	412	364
Land Improvements	1,483	1,651
Total	\$ 19,798	\$ 19,992

Debt

At June 30, 2019, the Board had \$3.53 million outstanding for the energy efficiency lease, with \$0.20 million due within one year.

Table 5
Debt at June 30
(In Thousands)

	Governmental Activities	
	Fiscal	Fiscal
	Year 2019	Year 2018
Energy Efficiency Lease	\$ 3,527	\$ 3,834

Additional information on the School District’s long-term debt can be found in the Notes to the Basic Financial Statements.

**CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Current Issues

The Pelham City School District is a low income, rural city School District in Mitchell County. The area of the City is only 4.1 miles square. The majority of students are economically disadvantaged. The student population is 55.00% African-American, 37.00% Caucasian, 5.00% Hispanic and 3.00% other. The School District is located in an area where agriculture is the primary industry. Despite limited financial resources, system and school personnel manage to maximize the funds in order to benefit all students. The School District has planned extensively to use its supplemental resources to support class size reduction, recruitment, retention and professional development of highly qualified staff.

The School District, while small, offers students a variety of instructional programs and extra-curricular opportunities. Just within last year, the schools have shown an increase in enrollment, improved writing scores, and improved College and Career Ready Performance Index (CCRPI) scores.

Pelham is a Main Street Community with a population in 2012 of 3,869. This is a 6.20% decrease since 2000. There were approximately 45.50% males and 54.50% females making up the population with those being composed of 60.00% black, 36.10% white and 2.80% Hispanic. The median age is 35.4. The estimated median household income in 2011 was \$27,028.00 and the per capita income was \$12,478.00. Georgia’s median income in 2011 was \$46,007.00. The percentage of residents living in poverty is 42.20% (12.30% for white residents, 62.20% for black residents and 18.60% for Hispanic or Latino residents). The median house or condo value was \$76,488.00 in Pelham and the state’s median was \$147,100.00. The median gross rent was \$609.00. The median real estate property taxes paid for housing units with mortgages in 2011 was \$964.00 and \$683.00 was paid for housing units with no mortgage.

For residents 25 years and older (2011): 65.50% have completed high school or higher; 12.10% have a Bachelor’s degree or higher; 3.70% have a graduate or professional degree; and 18.70% are unemployed.

Pelham compared to Georgia state average: (1) median household income below state average, (2) median house value below state average, (3) black race population percentage above state average, (4) Hispanic race population percentage significantly below state average, and (5) median age below state average and institutionalized population percentage above state average.

In spite of limited finances, Pelham thrives as a community. The Pelham Wildlife Festival, held each fall, brings visitors from all over. Bleachers at school ballgames are full, as the community wholeheartedly supports the Pelham Hornets. The Pelham Christmas parade and the Pelham City Schools homecoming parade have crowds of supporters lining the streets. The citizens of Pelham are the City’s most valuable assets.

The City of Pelham School District has faced severe financial challenges in recent years but has remained relatively stable and financially sound. The financial challenges have included rising costs in employee benefits, the continued state formula allotment reductions, and a slow decline in student enrollment (FTE).

The School District's current net taxes levied for 2018 tax year is 10.515 mills, which is an increase of 0.23 mills from the previous year. Total ad valorem taxes levied in 2019 were \$0.55 million as compared to \$0.50 million in 2018.

**CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
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Outlook for the Future

Pelham City Schools has “A Commitment to Educational Excellence Every Day in Every Way”. The forefathers of Pelham knew how important a great education would be in the life of every child. To that end, a city school system was written into the Charter of our special city. As we look to the future, it is vital that the current citizens of the Greater Pelham Community work to not only continue the work of our forefathers but also expand their vision by making Pelham City Schools the System of Choice.

We have and will continue to ask the community members three primary questions. One, what are the things we are currently doing well and need to continue? Two, what are the things we are not doing well and need to stop? And, three, what are the things we are not doing that we need to start doing? Our goal will be to take the data and constructive criticism we receive from our conversation meetings and incorporate it into a roadmap for success. In fiscal year 2019 we are asking “why” we do what we do and how can we do our job better for the school, students and community?

The information we received from the community, administrators, teachers, staff and most importantly our students has culminated in an updated “strategic plan” that, when followed, will lead us to the school system that we envision. The strategic plan is a living document that will be shared with the community and will be updated periodically in order to always keep Pelham City Schools on the right track toward greater success.

The School District enjoys a strong financial position in light of current economic conditions affecting local revenues as well as the effect of state revenue pressures through austerity reductions to the QBE funding formula over the past several years and new programmatic requirements. The state austerity funding was restored in fiscal year 2019.

The Board of Education will continue to be careful in obligating funds for programs and uses that might be needed to cover expenses not funded through state appropriations. As of June 30, 2019, the general fund reflected a fund balance of \$3.50 million translating to fifty-one (51) days of operation based on the fiscal year 2019 budget. At this time, the objective is to maintain a strong financial condition to better address any further cutbacks in State funding that could have an adverse effect on operations and financial reserves. The School District continues to fluctuate in growth but not at the rate experienced in past years. FTE for the upcoming fiscal year (2020) is 1,362 on the QBE Allotment Sheet. In 2019, the count was 1,362 at Midterm as compared to 1,412 in 2018 at Midterm. Therefore, we continue to strive for student enrollment to slightly increase in the foreseeable future with positive programs such as Dual Enrollment with Southern Regional Technical College and Abraham Baldwin Agricultural College being added to meet the area workforce and needs of the student and community.

The City of Pelham School District recognizes its responsibility to the taxpayers in overseeing the spending of Federal, state and local funds. The School District is striving to maintain sound fiscal management while emphasizing student achievement. Pelham City School District is committed to creating, building and sustaining a culturally and economically sensitive environment that provides equal access to a high standard of educational success for all students.

**CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Requests for Information

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Ashley Adams
Director of Business/Finance
City of Pelham Board of Education
203 Mathewson Avenue, SW
Pelham, Georgia, 31779

Alternatively, you may send requests to the following e-mail address: aadams@pelham-city.k12.ga.us.

CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 4,386,960.05
Receivables, Net	
Taxes	229,329.93
State Government	1,488,997.35
Federal Government	167,297.67
Local	16,400.00
Other	5,276.50
Inventories	12,015.80
Prepaid Items	121,268.00
Capital Assets, Non-Depreciable	599,079.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>19,198,595.00</u>
Total Assets	<u>26,225,219.30</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	2,862,791.00
Related to OPEB Plan	<u>612,255.00</u>
Total Deferred Outflows of Resources	<u>3,475,046.00</u>
<u>LIABILITIES</u>	
Accounts Payable	58,356.85
Salaries and Benefits Payable	1,482,787.62
Interest Payable	39,738.10
Contracts Payable	47,110.31
Deposits and Unearned Revenues	491,221.90
Net Pension Liability	12,807,507.00
Net OPEB Liability	12,496,933.00
Long-Term Liabilities	
Due Within One Year	198,643.57
Due in More Than One Year	<u>3,328,406.90</u>
Total Liabilities	<u>30,950,705.25</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	1,075,742.00
Related to OPEB Plan	<u>2,803,895.00</u>
Total Deferred Inflows of Resources	<u>3,879,637.00</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	19,202,319.69
Restricted for	
Continuation of Federal Programs	508,398.29
Capital Projects	753,894.67
Unrestricted (Deficit)	<u>(25,594,689.60)</u>
Total Net Position	<u>\$ (5,130,076.95)</u>

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 9,441,521.29	\$ 241,809.55
Support Services		
Pupil Services	800,913.41	-
Improvement of Instructional Services	719,116.94	-
Educational Media Services	218,719.44	-
General Administration	334,014.48	-
School Administration	1,156,090.63	-
Business Administration	212,342.41	-
Maintenance and Operation of Plant	1,119,902.65	24,450.00
Student Transportation Services	467,244.08	-
Central Support Services	44,422.04	-
Other Support Services	158,050.36	-
Operations of Non-Instructional Services		
Enterprise Operations	71,621.56	-
Community Services	11,206.60	-
Food Services	1,135,260.50	22,614.14
Interest on Short-Term and Long-Term Debt	82,940.06	-
	\$ 15,973,366.45	\$ 288,873.69
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Local Option Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

EXHIBIT "B"

PROGRAM REVENUES			NET (EXPENSES)
OPERATING	CAPITAL		REVENUES
GRANTS AND	GRANTS AND		AND CHANGES IN
CONTRIBUTIONS	CONTRIBUTIONS		NET POSITION
\$ 9,545,625.29	\$ 9,229.18	\$	355,142.73
120,358.36	8,913.50		(671,641.55)
370,943.92	-		(348,173.02)
189,404.00	2,236.49		(27,078.95)
498,526.75	-		164,512.27
484,173.15	717.99		(671,199.49)
2,630.42	-		(209,711.99)
418,911.28	2,231.84		(674,309.53)
39,037.49	78,977.01		(349,229.58)
-	-		(44,422.04)
31.53	-		(158,018.83)
-	-		(71,621.56)
24.17	-		(11,182.43)
1,064,117.66	717.99		(47,810.71)
-	-		(82,940.06)
<u>\$ 12,733,784.02</u>	<u>\$ 103,024.00</u>		<u>(2,847,684.74)</u>
			608,961.79
			956,923.18
			421,942.73
			1,970,246.00
			12,424.35
			<u>339,985.92</u>
			<u>4,310,483.97</u>
			1,462,799.23
			<u>(6,592,876.18)</u>
		\$	<u>(5,130,076.95)</u>

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2019

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 3,705,150.79	\$ 681,809.26	\$ -	\$ 4,386,960.05
Receivables, Net				
Taxes	154,773.62	74,556.31	-	229,329.93
State Government	1,466,388.35	22,609.00	-	1,488,997.35
Federal Government	167,297.67	-	-	167,297.67
Local	16,400.00	-	-	16,400.00
Other	5,276.50	-	-	5,276.50
Due from Other Funds	-	14,658.20	-	14,658.20
Inventories	12,015.80	-	-	12,015.80
Prepaid Items	121,268.00	-	-	121,268.00
Total Assets	\$ 5,648,570.73	\$ 793,632.77	\$ -	\$ 6,442,203.50
<u>LIABILITIES</u>				
Accounts Payable	\$ 58,356.85	\$ -	\$ -	\$ 58,356.85
Salaries and Benefits Payable	1,482,787.62	-	-	1,482,787.62
Due to Other Funds	14,658.20	-	-	14,658.20
Contracts Payable	-	47,110.31	-	47,110.31
Deposits and Unearned Revenue	491,221.90	-	-	491,221.90
Total Liabilities	2,047,024.57	47,110.31	-	2,094,134.88
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	105,372.40	-	-	105,372.40
<u>FUND BALANCES</u>				
Nonspendable	133,283.80	-	-	133,283.80
Restricted	496,382.49	723,520.44	-	1,219,902.93
Assigned	81,965.28	23,002.02	-	104,967.30
Unassigned	2,784,542.19	-	-	2,784,542.19
Total Fund Balances	3,496,173.76	746,522.46	-	4,242,696.22
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,648,570.73	\$ 793,632.77	\$ -	\$ 6,442,203.50

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 4,242,696.22

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land	\$	276,184.00	
Construction in progress		322,895.00	
Buildings and improvements		25,231,544.00	
Equipment		1,121,237.00	
Land improvements		3,302,976.00	
Accumulated depreciation		<u>(10,457,162.00)</u>	19,797,674.00

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension liability	\$	(12,807,507.00)	
Net OPEB liability		<u>(12,496,933.00)</u>	(25,304,440.00)

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

Related to pensions	\$	1,787,049.00	
Related to OPEB		<u>(2,191,640.00)</u>	(404,591.00)

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

105,372.40

Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest payable	\$	(39,738.10)	
Capital leases payable		<u>(3,527,050.47)</u>	<u>(3,566,788.57)</u>

Net position of governmental activities (Exhibit "A") \$ (5,130,076.95)

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	\$ 553,810.49	\$ -	\$ -	\$ 553,810.49
Sales Taxes	421,942.73	956,923.18	-	1,378,865.91
State Funds	12,748,380.15	25,804.00	-	12,774,184.15
Federal Funds	2,041,943.01	-	-	2,041,943.01
Charges for Services	285,873.69	3,000.00	-	288,873.69
Investment Earnings	6,137.89	6,286.46	-	12,424.35
Miscellaneous	339,985.92	-	-	339,985.92
Total Revenues	16,398,073.88	992,013.64	-	17,390,087.52
EXPENDITURES				
Current				
Instruction	9,566,725.13	-	-	9,566,725.13
Support Services				
Pupil Services	590,693.69	-	-	590,693.69
Improvement of Instructional Services	739,985.91	-	-	739,985.91
Educational Media Services	168,286.26	-	-	168,286.26
General Administration	339,513.90	-	-	339,513.90
School Administration	1,183,060.79	-	-	1,183,060.79
Business Administration	224,515.15	-	-	224,515.15
Maintenance and Operation of Plant	1,075,498.52	-	-	1,075,498.52
Student Transportation Services	515,505.65	-	-	515,505.65
Central Support Services	55,168.08	-	-	55,168.08
Other Support Services	158,050.36	-	-	158,050.36
Enterprise Operations	71,621.56	-	-	71,621.56
Community Services	11,206.60	-	-	11,206.60
Food Services Operation	1,124,195.51	-	-	1,124,195.51
Capital Outlay	-	364,065.42	-	364,065.42
Debt Services				
Principal	-	-	307,442.87	307,442.87
Interest	-	-	129,605.87	129,605.87
Total Expenditures	15,824,027.11	364,065.42	437,048.74	16,625,141.27
Revenues over (under) Expenditures	574,046.77	627,948.22	(437,048.74)	764,946.25
OTHER FINANCING SOURCES (USES)				
Transfers In	-	350.00	437,048.74	437,398.74
Transfers Out	(350.00)	(437,048.74)	-	(437,398.74)
Total Other Financing Sources (Uses)	(350.00)	(436,698.74)	437,048.74	-
Net Change in Fund Balances	573,696.77	191,249.48	-	764,946.25
Fund Balances - Beginning	2,922,476.99	555,272.98	-	3,477,749.97
Fund Balances - Ending	\$ 3,496,173.76	\$ 746,522.46	\$ -	\$ 4,242,696.22

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2019

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ 764,946.25

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$	415,562.00	
Depreciation expense		<u>(610,067.00)</u>	(194,505.00)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 55,151.30

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.

Capital lease payments 307,442.87

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

Pension expense			433,376.00
OPEB expense			49,722.00

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest on capital leases 46,665.81

Change in net position of governmental activities (Exhibit "B") \$ 1,462,799.23

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,548.84	\$ 74,233.17
Investments	20,000.00	-
Receivables, Net		
Interest and Dividends	109.89	-
Total Assets	\$ 22,658.73	\$ 74,233.17
<u>LIABILITIES</u>		
Funds Held for Others		\$ 74,233.17
<u>NET POSITION</u>		
Held in Trust for Private Purposes	\$ 22,658.73	

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2019

EXHIBIT "H"

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Contributions	
Donors	\$ 500.00
Investment Earnings	
Interest	<u>120.00</u>
Total Additions	<u>620.00</u>
<u>DEDUCTIONS</u>	
Scholarships	<u>500.00</u>
Change in Net Position	120.00
Net Position - Beginning	<u>22,538.73</u>
Net Position - Ending	<u>\$ 22,658.73</u>

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE 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 Net Position presents the School District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

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

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.

FUND FINANCIAL STATEMENTS:

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund types:

- Private purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which principal and income benefit individuals, private organizations or other governments.
- Agency funds are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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, and grants. 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are

recorded when the related fund liability is incurred, except for principal and interest on 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 are reported as other financing sources.

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

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2019, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The adoption of this statement does not have an impact on the School District's financial statement.

In fiscal year 2019, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The School District included additional information in the Long-term Liabilities note disclosure.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

The School District can invest its funds as permitted by O.C.G.A. §36-83-4. 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.

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. All other investments are reported at fair value.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

RECEIVABLES

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

Due to other funds and due from other funds consist of activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year.

INVENTORIES

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 (calculated on the first-in, first-out basis). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

PREPAID ITEMS

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

CAPITAL ASSETS

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

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

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

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

		Capitalization Policy	Estimated Useful Life
Land		All	N/A
Land Improvements	\$	75,000.00	20 to 80 years
Buildings and Improvements	\$	75,000.00	10 to 80 years
Equipment	\$	75,000.00	3 to 20 years
Intangible Assets	\$	100,000.00	5 to 10 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

LONG-TERM LIABILITIES

In the School District's government-wide financial statements, outstanding debt is reported as liabilities.

In the governmental fund financial statements, the School District recognizes the proceeds of debt as other financing sources of the current period. Debt services expenditures are reported when the liability is due.

PENSIONS

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

FUND BALANCES

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

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

Nonspendable consists of resources that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

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

USE OF ESTIMATES

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

PROPERTY TAXES

The Mitchell County Board of Commissioners adopted the property tax levy for the 2018 tax digest year (calendar year) on November 26, 2018 (levy date) based on property values as of January 1, 2018. Taxes were due on February 12, 2019 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2018 tax digest are reported as revenue in the governmental funds for fiscal year 2019. The Mitchell 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, 2019, for maintenance and operations amounted to \$460,024.53.

The tax millage rate levied for the 2018 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>10.515</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$93,785.96 during fiscal year ended June 30, 2019.

SALES TAXES

Local Option Sales Tax revenue, at the fund reporting level, during the fiscal year amounted to \$421,942.73 and was recorded in the general fund. Local Option Sales Tax is to be used for the maintenance and operation of the School District.

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$956,923.18 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.

NOTE 3: BUDGETARY DATA

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

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

The Superintendent is authorized by the Board to approve adjustments of no more than 5% of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 5% of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

NOTE 4: DEPOSITS

COLLATERALIZATION OF DEPOSITS

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

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

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

CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
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CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2019, the School District had deposits with a carrying amount of \$4,483,642.06, and a bank balance of \$4,631,061.19. The bank balances insured by Federal depository insurance were \$750,353.88 and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name were \$3,880,707.31.

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

Cash and cash equivalents		
Statement of Net Position	\$	4,386,960.05
Statement of Fiduciary Net Position		<u>76,782.01</u>
 Total cash and cash equivalents		 4,463,742.06
 Add:		
Deposits with original maturity of three months or more reported as investments		20,000.00
 Less:		
Cash on hand		<u>100.00</u>
 Total carrying value of deposits - June 30, 2019	 \$	 <u><u>4,483,642.06</u></u>

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2018	Increases	Decreases	Transfers	Balances June 30, 2019
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 276,184.00	\$ -	\$ -	\$ -	\$ 276,184.00
Construction in Progress	<u>2,595,679.00</u>	<u>322,895.00</u>	<u>-</u>	<u>(2,595,679.00)</u>	<u>322,895.00</u>
Total Capital Assets Not Being Depreciated	<u>2,871,863.00</u>	<u>322,895.00</u>	<u>-</u>	<u>(2,595,679.00)</u>	<u>599,079.00</u>
Capital Assets Being Depreciated					
Buildings and Improvements	22,632,918.00	2,947.00	-	2,595,679.00	25,231,544.00
Equipment	1,031,517.00	89,720.00	-	-	1,121,237.00
Land Improvements	3,302,976.00	-	-	-	3,302,976.00
Less Accumulated Depreciation for:					
Buildings and Improvements	7,527,451.00	401,307.00	-	-	7,928,758.00
Equipment	667,325.00	41,540.00	-	-	708,865.00
Land Improvements	<u>1,652,319.00</u>	<u>167,220.00</u>	<u>-</u>	<u>-</u>	<u>1,819,539.00</u>
Total Capital Assets, Being Depreciated, Net	<u>17,120,316.00</u>	<u>(517,400.00)</u>	<u>-</u>	<u>2,595,679.00</u>	<u>19,198,595.00</u>
Governmental Activities Capital Assets - Net	<u>\$ 19,992,179.00</u>	<u>\$ (194,505.00)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,797,674.00</u>

CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
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Current year depreciation expense by function is as follows:

Instruction		\$ 218,199.00
Support Services		
Pupil Services	\$ 210,736.00	
Educational Media Services	52,876.00	
School Administration	16,975.00	
Maintenance and Operation of Plant	52,766.00	
Student Transportation Services	41,540.00	374,893.00
Food Services		16,975.00
		\$ 610,067.00

NOTE 6: INTERFUND ASSETS, LIABILITIES, AND TRANSFERS

INTERFUND ASSETS AND LIABILITIES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2019, consisted of the following:

	Due To Other Funds	Due From Other Funds
General Fund	\$ 14,658.20	\$ -
Capital Projects Fund	-	14,658.20
	\$ 14,658.20	\$ 14,658.20

The Pelham High School activity account reported in the general fund is reimbursing the capital projects fund for a scoreboard. The payment plan extends over the next few years until the balance is paid in full.

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfers From	
Transfers to	General Fund	Capital Projects Fund
Capital Projects Fund	\$ 350.00	\$ -
Debt Service Fund	-	437,048.74
Total	\$ 350.00	\$ 437,048.74

Transfers are used to move property tax revenues collected by the general fund to the capital projects fund as supplemental funding source for capital construction projects and to move funds maintained in the capital projects fund to the debt service fund to meet debt payment requirements.

NOTE 7: LONG-TERM LIABILITIES

The changes in long-term liabilities during the fiscal year for governmental activities were as follows:

	Governmental Activities				
	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
Energy Efficiency Leases	\$ 3,834,493.34	\$ -	\$ 307,442.87	\$ 3,527,050.47	\$ 198,643.57

The School District had no general obligation bonds outstanding at fiscal year-end. However, of the total amount originally authorized, \$6,415,000 remains unissued.

OBLIGATIONS UNDER FINANCED PURCHASES

An energy efficiency lease agreement dated May 20, 2016, was executed by and between the School District, the lessee, and First Security Finance, Inc., the lessor. The agreement authorized the borrowing of \$3,853,917.04 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the School District’s capital projects fund.

The following assets were acquired through the energy efficiency lease and are reflected in the capital asset note at fiscal year-end:

	Governmental Activities
Buildings and Improvements	\$ 548,244.00
Less: Accumulated Depreciation	4,568.70
	<u>\$ 543,675.30</u>

Debt currently outstanding is as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
ABM Energy Efficiency Lease	3.38%	5/20/2016	3/1/2032	\$ 3,853,917.04	\$ 3,527,050.47

The following is a schedule of total finance purchase payments:

Fiscal Year Ended June 30:	Principal	Interest
2020	\$ 198,643.57	\$ 119,214.31
2021	210,124.73	112,500.15
2022	222,135.94	105,397.94
2023	234,701.14	97,889.74
2024	247,842.04	89,956.84
2025 - 2029	1,458,237.85	314,516.56
2030 - 2032	955,365.20	61,771.79
Total Principal and Interest	\$ 3,527,050.47	\$ 901,247.33

The School District’s outstanding energy efficiency lease payments from direct borrowings and direct placements related to governmental activities of \$3,527,050.47 contain a provision that in an event of default, the lessor will repossess the equipment.

NOTE 8: RISK MANAGEMENT

INSURANCE

Commercial Insurance

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

Georgia School Boards Association Risk and Insurance Management System

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

WORKERS' COMPENSATION

Georgia Education Workers' Compensation Trust

The School District participates in the Georgia Education Workers' Compensation Trust (the Trust), a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1.0 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2.0 million. The Trust covers the first \$1.0 million of each Employers Liability claim with Safety National providing additional Employers Liability limits up to a \$2.0 million per occurrence maximum. Safety National Casualty Company also provides \$2.0 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

UNEMPLOYMENT COMPENSATION

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the general fund with expenses/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:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2018	\$ -	\$ 3,615.00	\$ 3,615.00	\$ -
2019	\$ -	\$ -	\$ -	\$ -

SURETY BOND

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 100,000.00

NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2019:

Nonspendable		
Inventories	\$ 12,015.80	
Prepaid Assets	<u>121,268.00</u>	\$ 133,283.80
Restricted		
Continuation of Federal Programs	\$ 496,382.49	
Capital Projects	<u>723,520.44</u>	1,219,902.93
Assigned		
Local Capital Outlay Projects	\$ 23,002.02	
School Activity Accounts	<u>81,965.28</u>	104,967.30
Unassigned		<u>2,784,542.19</u>
Fund Balance, June 30, 2019		<u>\$ 4,242,696.22</u>

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

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of not less than 5% of total local revenues, not to exceed 15% of the total budget of the subsequent fiscal year. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

NOTE 10: SIGNIFICANT COMMITMENTS

OPERATING LEASES

The School District leases technology equipment under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease totaled \$6,335.80 for governmental activities for the year ended June 30, 2019. The following future minimum lease payments were required under the operating lease at June 30, 2019:

<u>Year Ending</u>	<u>Governmental Funds</u>
2020	\$ 38,014.80
2021	37,854.66
2022	37,053.96
2023	<u>30,878.30</u>
Total	<u>\$ 143,801.72</u>

NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

Benefits Provided: The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Contributions: As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were \$505,868.00 for the year ended June 30, 2019. Active employees are not required to contribute to the School OPEB Fund.

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

At June 30, 2019, the School District reported a liability of \$12,496,933.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2018. At June 30, 2018, the School District's proportion was 0.098326% which was an increase of 0.000699% from its proportion measured as of June 30, 2017.

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For the year ended June 30, 2019, the School District recognized OPEB expense of \$456,146.00. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 284,256.00
Changes of assumptions	-	2,117,041.00
Net difference between projected and actual earnings on OPEB plan investments	16,908.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	89,479.00	402,598.00
School District contributions subsequent to the measurement date	505,868.00	-
Total	\$ 612,255.00	\$ 2,803,895.00

School District contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB
2020	\$ (535,047.00)
2021	\$ (535,047.00)
2022	\$ (535,047.00)
2023	\$ (536,058.00)
2024	\$ (417,431.00)
2025	\$ (138,878.00)

Actuarial assumptions: The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

OPEB:

Inflation	2.75%
Salary increases	3.25% – 9.00%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.50%
Medicare Eligible	5.50%
Ultimate trend rate	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2028
Medicare Eligible	2022

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

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

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Fixed income	30.00%	(0.50)%
Domestic Stocks -- Large Cap	37.20%	9.00%
Domestic Stocks -- Mid Cap	3.40%	12.00%
Domestic Stocks -- Small Cap	1.40%	13.50%
Int'l Stocks - Developed Mkt	17.80%	8.00%
Int'l Stocks - Emerging Mkt	5.20%	12.00%
Alternatives	5.00%	10.50%
Total	<u>100.00%</u>	

*Net of Inflation

Discount rate: The discount rate has changed since the prior measurement date from 3.58% to 3.87%. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.87% was used as the discount rate. This is comprised mainly of the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.87% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2018. Therefore, the calculated discount rate of 3.87% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 3.87%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1 percentage-point higher (4.87%) than the current discount rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
School District's proportionate share of the Net OPEB Liability	\$ 14,592,499.00	\$ 12,496,933.00	\$ 10,807,078.00

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School District's proportionate share of the Net OPEB Liability	\$ 10,506,273.00	\$ 12,496,933.00	\$ 15,040,924.00

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

NOTE 13: RETIREMENT PLANS

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

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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 2019. The School District's contractually required contribution rate for the year ended June 30, 2019 was 20.90% of annual School District payroll, of which 20.77% of payroll was required from the School District and 0.13% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$1,651,934.00 and \$9,588.14 from the School District and the State, respectively.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

Plan Description: PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers

Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

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

Upon retirement, the member will receive a monthly benefit of \$15.00, 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. The current fiscal year contribution was \$23,311.00.

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

At June 30, 2019, the School District reported a liability of \$12,807,507.00 for its proportionate share of the net pension liability for TRS.

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

School District's proportionate share of the net pension liability	\$ 12,807,507.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>71,464.00</u>
Total	<u>\$ 12,878,971.00</u>

The net pension liability for TRS was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2018.

At June 30, 2018, the School District's TRS proportion was 0.068998% which was an increase of 0.000415% from its proportion measured as of June 30, 2017.

CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2019

EXHIBIT "I"

At June 30, 2019, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$117,550.00.

The PSERS net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$1,215,167.00 for TRS and \$27,217.00 for PSERS and revenue of (\$3,391.00) for TRS and \$27,217.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 847,875.00	\$ 26,397.00
Changes of assumptions	193,261.00	-
Net difference between projected and actual earnings on pension plan investments	-	350,182.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	169,721.00	699,163.00
School District contributions subsequent to the measurement date	1,651,934.00	-
Total	\$ 2,862,791.00	\$ 1,075,742.00

The School District contributions subsequent to the measurement date for TRS 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2020	\$ 500,166.00
2021	\$ 163,341.00
2022	\$ (529,786.00)
2023	\$ (12,151.00)
2024	\$ 13,545.00

Actuarial assumptions: The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	2.75%
Salary increases	3.25% – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Public School Employees Retirement System:

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

Asset class	TRS Target allocation	PSERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	-	5.00%	10.50%
Total	100.00%	100.00%	

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

Discount rate: The discount rate used to measure the total TRS pension liability was 7.50%. The discount rate used to measure the total PSERS pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and 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 TRS, and PSERS pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 21,379,396.00	\$ 12,807,507.00	\$ 5,743,834.00

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS and PSERS financial report which is publicly available at www.trsga.com/publications and www.ers.ga.gov/formspubs/formspubs.html.

NOTE 14: SUBSEQUENT EVENTS

In October 2019, the School District issued \$3,610,000.00 of general obligation bonds that were authorized in prior years, to provide funds for various capital outlay projects. Of the total amount of \$6,415,000.00 originally authorized, \$2,805,000.00 remains unissued.

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CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHERS RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.068998%	\$ 12,807,507.00	\$ 71,464.00	\$ 12,878,971.00	\$ 8,263,951.30	154.98%	80.27%
2018	0.068583%	\$ 12,746,362.00	\$ 110,211.00	\$ 12,856,573.00	\$ 7,942,986.40	160.47%	79.33%
2017	0.074773%	\$ 15,426,504.00	\$ 159,891.00	\$ 15,586,395.00	\$ 8,283,921.34	186.22%	76.06%
2016	0.073751%	\$ 11,227,857.00	\$ 111,135.00	\$ 11,338,992.00	\$ 7,861,868.00	142.81%	81.44%
2015	0.074996%	\$ 9,474,755.00	\$ 94,247.00	\$ 9,569,002.00	\$ 7,727,236.00	122.62%	84.03%

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "2"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.00%	\$ -	\$ 117,550.00	\$ 117,550.00	\$ 318,176.80	N/A	85.26%
2018	0.00%	\$ -	\$ 110,276.00	\$ 110,276.00	\$ 215,587.97	N/A	85.69%
2017	0.00%	\$ -	\$ 162,208.00	\$ 162,208.00	\$ 223,359.67	N/A	81.00%
2016	0.00%	\$ -	\$ 97,095.00	\$ 97,095.00	\$ 204,033.81	N/A	87.00%
2015	0.00%	\$ -	\$ 89,860.00	\$ 89,860.00	\$ 206,252.24	N/A	88.29%

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 SCHOOL OPEB FUND
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "3"

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.098326%	\$ 12,496,933.00	\$ -	\$ 12,496,933.00	\$ 7,689,401.66	162.52%	2.93%
2018	0.097627%	\$ 13,716,554.00	\$ -	\$ 13,716,554.00	\$ 7,342,751.39	186.80%	1.61%

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 TEACHERS RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "4"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2019	\$ 1,651,934.00	\$ 1,651,934.00	\$ -	\$ 7,951,655.50	20.77%
2018	\$ 1,381,466.00	\$ 1,381,466.00	\$ -	\$ 8,263,951.30	16.72%
2017	\$ 1,123,746.00	\$ 1,123,746.00	\$ -	\$ 7,942,986.40	14.15%
2016	\$ 1,169,976.44	\$ 1,169,976.44	\$ -	\$ 8,283,921.34	14.12%
2015	\$ 1,023,708.89	\$ 1,023,708.89	\$ -	\$ 7,861,868.00	13.02%

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 SCHOOL OPEB FUND
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "5"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered- employee payroll	Contribution as a percentage of covered- employee payroll
2019	\$ 505,868.00	\$ 505,868.00	\$ -	\$ 7,442,251.22	6.80%
2018	\$ 509,614.00	\$ 509,614.00	\$ -	\$ 7,689,401.66	6.63%

Teachers Retirement System

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

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

Public School Employees Retirement System

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

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

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

School OPEB Fund

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

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

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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

SCHEDULE "7"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
REVENUES				
Property Taxes	\$ 450,000.00	\$ 450,000.00	\$ 553,810.49	\$ 103,810.49
Sales Taxes	350,000.00	350,000.00	421,942.73	71,942.73
State Funds	12,396,586.82	12,612,703.40	12,748,380.15	135,676.75
Federal Funds	2,088,715.89	2,385,390.00	2,041,943.01	(343,446.99)
Charges for Services	55,500.00	55,500.00	285,873.69	230,373.69
Investment Earnings	1,300.00	1,300.00	6,137.89	4,837.89
Miscellaneous	9,500.00	19,500.00	339,985.92	320,485.92
Total Revenues	15,351,602.71	15,874,393.40	16,398,073.88	523,680.48
EXPENDITURES				
Current				
Instruction	10,695,593.29	10,994,994.84	9,566,725.13	1,428,269.71
Support Services				
Pupil Services	634,290.00	643,262.00	590,693.69	52,568.31
Improvement of Instructional Services	776,194.85	902,809.00	739,985.91	162,823.09
Educational Media Services	233,324.00	233,324.00	168,286.26	65,037.74
General Administration	461,099.00	471,154.00	339,513.90	131,640.10
School Administration	1,224,576.00	1,224,576.00	1,183,060.79	41,515.21
Business Administration	352,931.00	352,931.00	224,515.15	128,415.85
Maintenance and Operation of Plant	1,236,827.28	1,236,750.41	1,075,498.52	161,251.89
Student Transportation Services	532,814.00	537,674.00	515,505.65	22,168.35
Central Support Services	-	-	55,168.08	(55,168.08)
Other Support Services	14,850.00	14,850.00	158,050.36	(143,200.36)
Enterprise Operations	-	-	71,621.56	(71,621.56)
Community Services	11,600.00	11,600.00	11,206.60	393.40
Food Services Operation	1,171,492.00	1,171,492.00	1,124,195.51	47,296.49
Total Expenditures	17,345,591.42	17,795,417.25	15,824,027.11	1,971,390.14
Excess of Revenues over (under) Expenditures	(1,993,988.71)	(1,921,023.85)	574,046.77	2,495,070.62
OTHER FINANCING SOURCES (USES)				
Other Sources	62,405.86	62,405.86	-	(62,405.86)
Other Uses	(62,405.86)	(96,856.86)	(350.00)	96,506.86
Total Other Financing Sources (Uses)	-	(34,451.00)	(350.00)	34,101.00
Net Change in Fund Balances	(1,993,988.71)	(1,955,474.85)	573,696.77	2,529,171.62
Fund Balances - Beginning	3,662,940.08	3,662,940.08	2,922,476.99	(740,463.09)
Adjustments	-	(70,994.24)	-	70,994.24
Fund Balances - Ending	\$ 1,668,951.37	\$ 1,636,470.99	\$ 3,496,173.76	\$ 1,859,702.77

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are \$382,587.41 and \$360,462.60, respectively.

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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2019

SCHEDULE "8"

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			
Food Services			
School Breakfast Program	10.553	195GA324N1099	\$ 243,585.50
National School Lunch Program	10.555	195GA324N1099	<u>812,608.46</u>
Total Child Nutrition Cluster			1,056,193.96
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Fresh Fruit and Vegetable Program	10.582	195GA324L1603	<u>35,686.41</u>
Total U. S. Department of Agriculture			<u>1,091,880.37</u>
Education, U. S. Department of			
Direct			
Impact Aid	84.041		<u>7,376.48</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A170073	39,638.00
Grants to States	84.027	H027A180073	251,753.81
Preschool Grants	84.173	H173A180081	<u>16,857.00</u>
Total Special Education Cluster			<u>308,248.81</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A180010	13,182.00
Rural Education	84.358	S365B170010	1,490.00
Rural Education	84.358	S365B180010	25,146.18
Striving Readers	84.371	S371C170002	168,993.36
Student Support and Academic Enrichment Program	84.424A	S424A170011	2,030.71
Student Support and Academic Enrichment Program	84.424A	S424A180011	24,611.54
Supporting Effective Instruction State Grants	84.367	S367A170001	18,732.00
Supporting Effective Instruction State Grants	84.367	S367A180001	6,448.60
Title I Grants to Local Educational Agencies	84.010	S010A170010	126,288.51
Title I Grants to Local Educational Agencies	84.010	S010A180010	<u>310,316.10</u>
Total Other Programs			<u>697,239.00</u>
Total U. S. Department of Education			<u>1,012,864.29</u>
Total Expenditures of Federal Awards			<u>\$ 2,104,744.66</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Pelham Board of Education - Mitchell County (the "Board") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2019

SCHEDULE "9"

<u>AGENCY/FUNDING</u>	GOVERNMENTAL FUND TYPES		<u>TOTAL</u>
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 415,709.40	\$ -	\$ 415,709.40
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	193,777.00	-	193,777.00
Kindergarten Program - Early Intervention Program	531,645.00	-	531,645.00
Primary Grades (1-3) Program	624,146.00	-	624,146.00
Primary Grades - Early Intervention (1-3) Program	1,024,341.00	-	1,024,341.00
Upper Elementary Grades (4-5) Program	52,997.00	-	52,997.00
Upper Elementary Grades - Early Intervention (4-5) Program	887,146.00	-	887,146.00
Middle School (6-8) Program	1,142,232.00	-	1,142,232.00
High School General Education (9-12) Program	990,316.00	-	990,316.00
Vocational Laboratory (9-12) Program	190,123.00	-	190,123.00
Students with Disabilities	1,638,299.00	-	1,638,299.00
Gifted Student - Category VI	442,909.00	-	442,909.00
Remedial Education Program	116,425.00	-	116,425.00
Alternative Education Program	76,219.00	-	76,219.00
English Speakers of Other Languages (ESOL)	53,273.00	-	53,273.00
Media Center Program	184,984.00	-	184,984.00
20 Days Additional Instruction	55,653.00	-	55,653.00
Staff and Professional Development	33,852.00	-	33,852.00
Principal Staff and Professional Development	898.00	-	898.00
Indirect Cost			
Central Administration	449,069.00	-	449,069.00
School Administration	470,415.00	-	470,415.00
Facility Maintenance and Operations	396,383.00	-	396,383.00
Charter System Adjustment	132,421.00	-	132,421.00
Categorical Grants			
Pupil Transportation			
Regular	33,144.00	-	33,144.00
Nursing Services	45,000.00	-	45,000.00
Education Equalization Funding Grant	1,970,246.00	-	1,970,246.00
Other State Programs			
Facility Safety Bond Grant	-	25,804.00	25,804.00
Food Services	26,476.00	-	26,476.00
Math and Science Supplements	7,786.99	-	7,786.99
Pupil Transportation - Bus Purchases	77,220.00	-	77,220.00
State Health Plan Employee Holiday	(100,170.00)	-	(100,170.00)
Teachers Retirement	9,588.14	-	9,588.14
Vocational Education	49,535.00	-	49,535.00
Governor's Office of Student Achievement			
Reading Mentors Program	503,010.62	-	503,010.62
Office of the State Treasurer			
Public School Employees Retirement	23,311.00	-	23,311.00
	<u>\$ 12,748,380.15</u>	<u>\$ 25,804.00</u>	<u>\$ 12,774,184.15</u>

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CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
 YEAR ENDED JUNE 30, 2018

SCHEDULE "10"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
2017 SPLOST							
(1) retiring outstanding general obligation debt of the City of Pelham School District previously incurred and issued with respect to capital outlay projects in the maximum principal and interest amount of \$410,000.00, comprised of a portion of the City of Pelham School District's Series 2008 general obligation bonds coming due in the year 2018 and paying a portion of the principal and interest on the general obligation debt described as follows: issuance of general obligation debt of the City of Pelham School District in the principal amount of \$5,140,000.00 for the purpose of funding such portions of the projects as may be acquired, constructed and equipped with the proceeds of general obligation debt.	\$ 410,000.00	\$ 410,000.00	\$ -	\$ 392,669.29	\$ -	\$ -	December 2022
(2) capital outlay projects at an estimated cost of \$4,674,000.00, consisting of	-	-	-	-	-	-	December 2022
(a) adding to, renovating, repairing, improving, furnishing, and equipping existing school buildings and other buildings and facilities, including acquiring, constructing, furnishing, and equipping a new elementary school, or renovating, equipping, modernizing, and furnishing the existing elementary school;	4,074,000.00	4,074,000.00	337,841.42	1,730,441.25	-	-	December 2022
(b) making system-wide technology improvements, including, but not limited to, the acquisition and installation of signage, instructional technology, instructional materials, security, and information systems hardware and associated software and accessories, and infrastructure at all schools and selected other facilities; and	200,000.00	200,000.00	-	-	-	-	December 2022
(c) replacing, purchasing, upgrading or supplementing capital equipment including, but not limited to, desks, chairs, copiers, tables, school buses, security equipment, and laboratory equipment.	400,000.00	400,000.00	-	-	-	-	December 2022
	<u>\$ 5,084,000.00</u>	<u>\$ 5,084,000.00</u>	<u>\$ 337,841.42</u>	<u>\$ 2,123,110.54</u>	<u>\$ -</u>	<u>\$ -</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 projects. Includes all cost from project inception to completion.
- (3) The voters of Mitchell County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

FY19 presentation	
Prior Years	\$ 23,360.00
Current Year	<u> </u>
Total	<u>\$ 23,360.00</u>

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

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*

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
City of Pelham Board of Education

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 Pelham Board of Education (School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 17, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin
State Auditor

March 17, 2020



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

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

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
City of Pelham Board of Education

Report on Compliance for Each Major Federal Program

We have audited the City of Pelham Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the School District 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, 2019.

Report on Internal Control over Compliance

Management of the School District 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 School District'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 School District'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.

Respectfully submitted,



Greg S. Griffin
State Auditor

March 17, 2020

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2019

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue: Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs: All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000.00
Auditee qualified as low-risk auditee?	Yes

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.