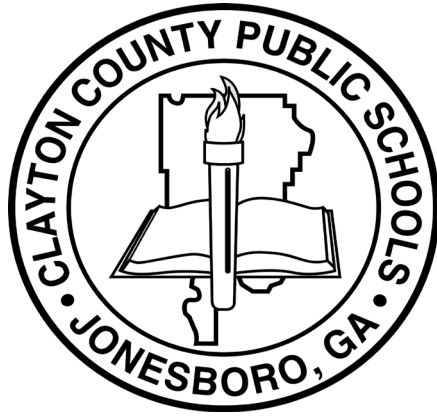


Annual Financial Report

Fiscal Year Ended June 30, 2019

1058 Fifth Avenue · Jonesboro, Georgia 30236



Annual Financial Report

Fiscal Year Ended June 30, 2019

**Prepared by:
Division of Business Services**

1058 Fifth Avenue · Jonesboro, Georgia 30236

CLAYTON COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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CLAYTON COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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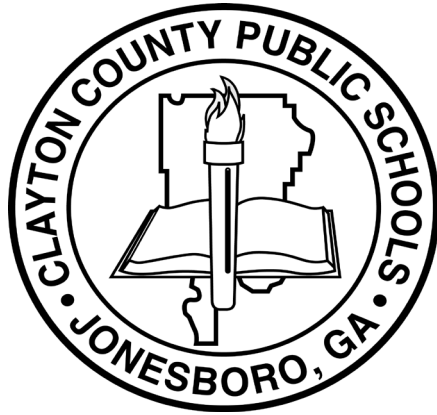
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Introductory Section

**Clayton County
Public Schools**

Clayton County Board of Education Function and Composition

All matters relating to education and operation of the Clayton County Board of Education schools are governed and controlled by the Board of Education (Board), as provided by Georgia Law.

The Board has the responsibility to maintain a reasonably uniform system of public schools providing quality education for all young people of Clayton County. With the advice of the Superintendent, it must determine the policies and prescribe the rules and regulations for the management of the school system.

The Board holds a work session and a regular public meeting once a month to conduct normal business. Additional called meetings are sometimes necessary for a specific purpose.

The Board is composed of nine members who are elected on a district basis. Each member resides within one of the nine voting districts.

The Board elects a Chairperson for a two year term and a Vice Chairperson for a one year term from its members.

As of January 1, 2019 the members of the Board and years of expiration of their terms are as follows:

| TITLE | NAME | TERM EXPIRES |
|------------------|-----------------------|---------------------|
| Chairperson | Dr. Jessie Goree | 12-31-2020 |
| Vice Chairperson | Dr. Alieka Anderson | 12-31-2022 |
| Board Member | Mr. Mark Christmas | 12-31-2020 |
| Board Member | Ms. Jasmine Bows | 12-31-2022 |
| Board Member | Ms. Victoria Williams | 12-31-2022 |
| Board Member | Ms. Ophelia Burroughs | 12-31-2020 |
| Board Member | Ms. Judy Johnson | 12-31-2020 |
| Board Member | Ms. Mary Baker | 12-31-2020 |
| Board Member | Mr. Benjamin Straker | 12-31-2022 |

MISSION STATEMENT

The mission of Clayton County Public Schools is to be accountable to all stakeholders for providing a globally competitive education that empowers students to achieve academic and personal goals and to become college and career ready, productive, responsible citizens.

Clayton County Schools Elected Officials and Executive Cabinet

As of July 1, 2018

Dr. Pam Adamson, Chair
Dr. Alieka Anderson, Vice Chair
Ms. Mary Baker
Ms. Ophelia Burroughs
Mr. Mark Christmas
Ms. Jessie Goree
Ms. Judy Johnson
Mr. Ben Straker
Ms. Victoria Williams

As of January 2, 2019

Ms. Jessie Goree, Chair
Dr. Alieka Anderson, Vice Chair
Ms. Mary Baker
Ms. Jasmine Bowles
Ms. Ophelia Burroughs
Mr. Mark Christmas
Ms. Judy Johnson
Mr. Ben Straker
Ms. Victoria Williams

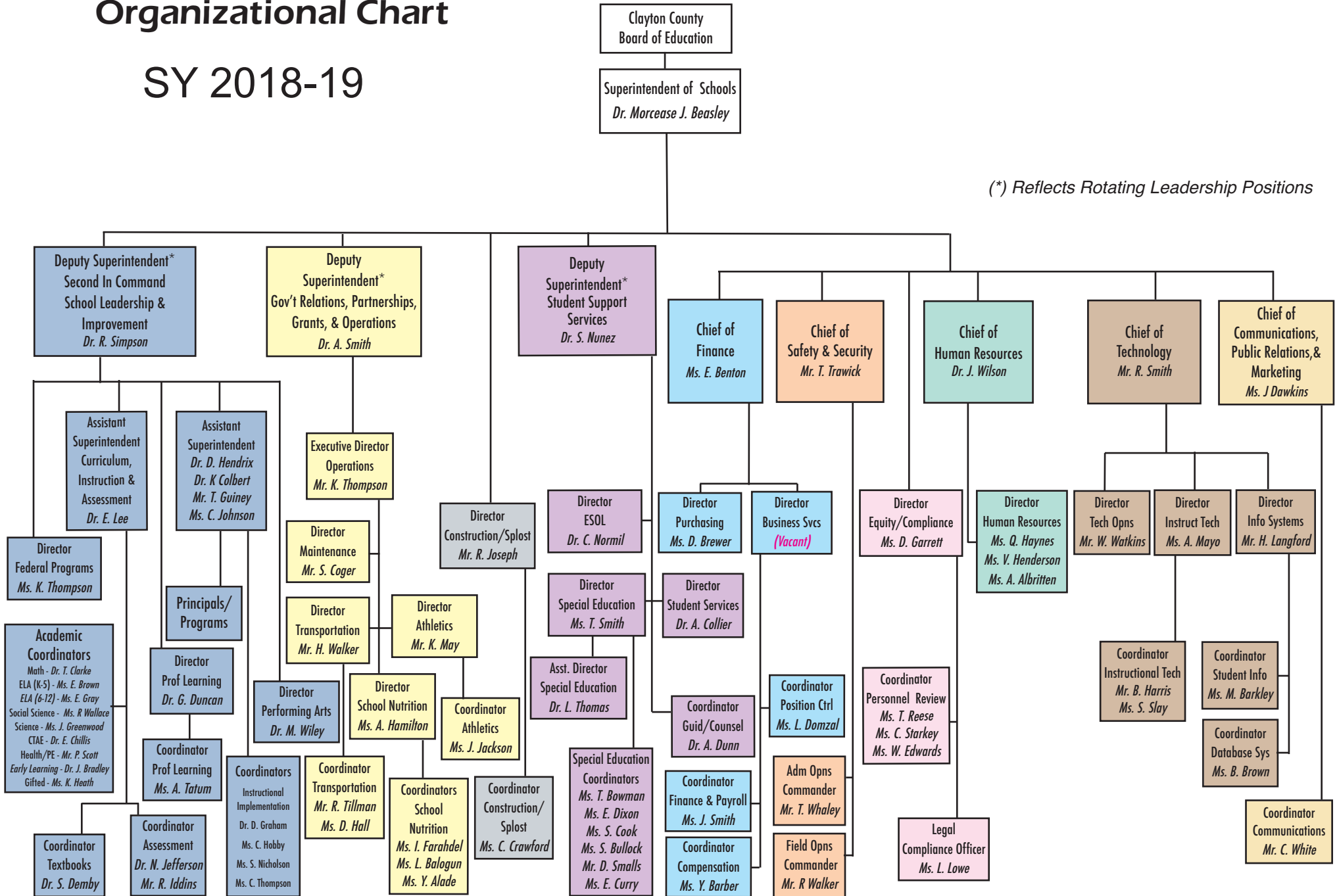
Superintendent's Cabinet for SY2018-2019

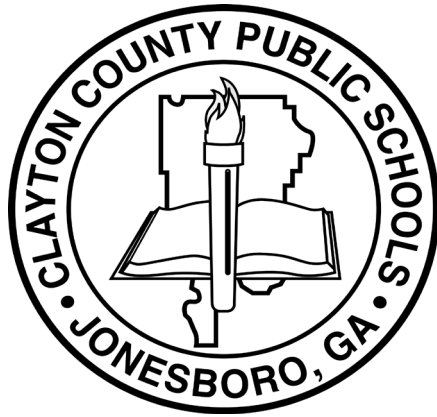
Dr. Ralph Simpson, Deputy Superintendent School Leadership & Improvement
Dr. Anthony Smith, Deputy Superintendent Governmental Relationships, Partnerships & Operations
Dr. Sandra Nunez, Deputy Superintendent Student Services
Ms. Emma Benton, Chief of Finance
Mr. Thomas Trawick, Chief of Safety & Security
Dr. Jamie Wilson, Chief of Human Resources
Mr. Rod Smith, Chief of Technology
Ms. Jada Dawkins, Chief of Communication, Public Relations & Marketing
Dr. Keith Colbert, Assistant Superintendent - Cluster B
Mr. Tim Guiney, Assistant Superintendent - Cluster A
Dr. Doug Hendrix, Assistant Superintendent - Cluster C
Ms. Charmine Johnson, Assistant Superintendent - Cluster D

Organizational Chart

SY 2018-19

(* Reflects Rotating Leadership Positions)





Financial Section

**Clayton County
Public Schools**



INDEPENDENT AUDITOR'S REPORT

To the Superintendent and Members of the
Clayton County Board of Education
Jonesboro, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Clayton County Board of Education** as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Clayton County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Clayton County Board of Education as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 13) and the Schedule of Proportionate Share of Net Pension Liability – Teachers Retirement System of Georgia, Schedule of Contributions – Teachers Retirement System of Georgia, Schedule of Proportionate Share of Net Pension Liability – Public School Employees Retirement System of Georgia, Schedule of Contributions – Public School Employees Retirement System of Georgia, Schedule of Proportionate Share of Net Pension Liability – Employees Retirement System of Georgia, Schedule of Contributions – Employees Retirement System of Georgia, and the Schedule of Proportionate Share of the Net OPEB Liability on pages 65 through 73 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 Clayton County Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

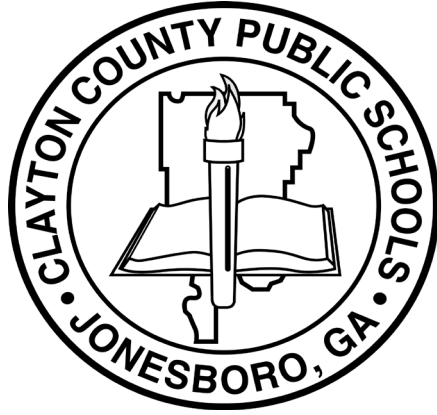
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2021, on our consideration of Clayton County Board of Education’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Clayton County Board of Education’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clayton County Board of Education’s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 14, 2021



Management's Discussion and Analysis

**Clayton County
Public Schools**

Management's Discussion and Analysis

This section of Clayton County Board of Education's (the "Board's") annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to examine the Board's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Board's financial condition.

The reporting model is a combination of both government-wide financial statements and fund financial statements. The basic financial statements contain three components:

1. Government-wide financial statements including the Statement of Net Position and the Statement of Activities for both Governmental and Business-Type activities which provide a broad, long-term view of the Board's finances.
2. Fund financial statements including the balance sheets that provide a greater level of detail and focus on how well the Board has performed in the short term in the most significant or major funds.
3. Notes to the financial statements.

This report presents the financial highlights for the year ended June 30, 2019, and other supplementary information.

As with other sections of this financial report, the information contained within this Management's Discussion and Analysis should be considered only as part of a greater whole. The reader of this analysis should take the time to read and evaluate all sections of the report, including the notes to the financial statements.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

❖ **Government-wide financial statements:**

- The assets and deferred outflows of the Clayton County Board of Education (Board) exceeded its liabilities and deferred inflows at the fiscal year ended June 30, 2019 by \$174.2 million.
- **Governmental Activities**
- The Board experienced an increase of \$54 million in net capital assets. This is the amount by which capital outlays exceeded depreciation in the current period. The net position of the total governmental activities increased \$75.3 million.

- The General Fund (the primary operating fund), presented on a current financial resources basis, ended the year with a fund balance of \$65 million, an increase of \$41.9 million from June 30, 2018.
- The Capital Projects Fund ended the year with a fund balance of \$28.2 million, a decrease of \$24.5 million.
- The Board decreased its outstanding long-term liability by \$3.5 million primarily due to a reduction in net pension liability due in more than one year.
- Program revenues, which include operating grants, accounted for \$392.7 million, or 65% of the \$599.3 million in total governmental activity revenues. General revenues, primarily property taxes and sales taxes accounted for \$206.1 million, or 34.3%.
- The Board reported \$524 million in expenses for the governmental activities. This amount was offset by the \$392.7 million of program specific grants, charges for services or contributions indicated above. General revenues, primarily property taxes and sales taxes, were used to provide for the remaining expenses of these programs.
- **Business-type Activities**
 - The net position of the Board’s business-type activities increased \$1.3 million. The Board has two business-type funds reported. The first is the school nutrition program and the second is the Performing Arts Center. Total expenses for school food service activities were \$36.4 million, while expenses of the Performing Arts Center were \$298 thousand. Program revenues, operating grants and contributions, and capital contributions for these business type activities totaled \$37.8 million.

Overview of the Financial Statements

This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Board:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Board’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Board, reporting the Board’s operations in more detail than the government-wide statements.
 - ❖ The governmental funds statements tell how basic services such as instruction and instructional support services were financed in the short term as well as what remains for future spending.
 - ❖ Proprietary fund statements offer short and long-term financial information about the activities the Board operates like businesses, specifically the school nutrition program and the Performing Arts Center.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Board’s budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

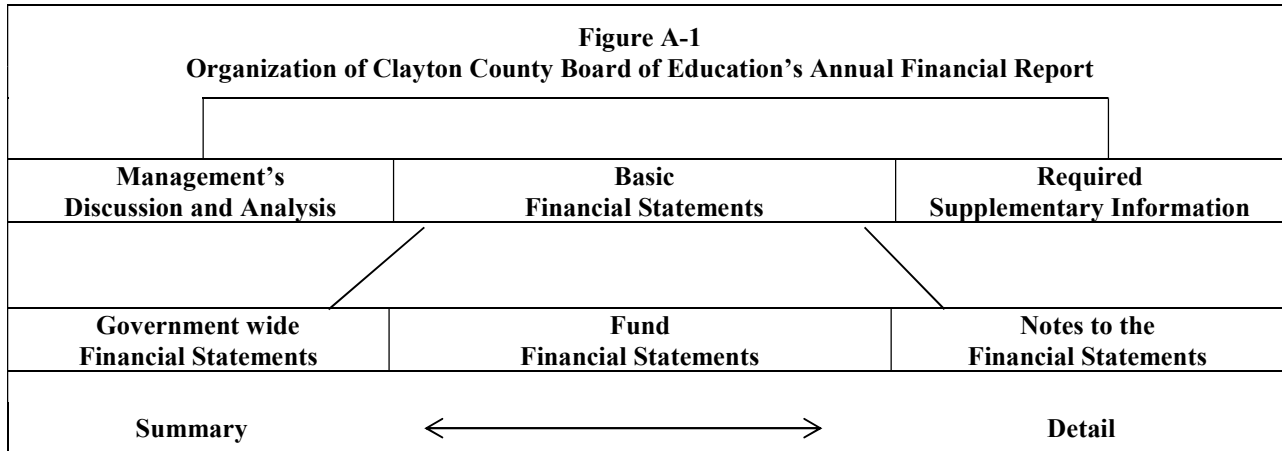


Figure A-2 summarizes the major features of the Board's financial statements, including the portion of the Board's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Board of Education's Financial Statements

| | Government-wide Statements | Governmental Funds | Proprietary Funds |
|--|--|---|---|
| Scope | Entire Board (except fiduciary funds) | The activities of the Board that are not proprietary or fiduciary, such as instruction, school administration, and building maintenance | Activities the Board operates similar to private business: food services |
| Required financial statements | - Statement of net position - Statement of activities | - Balance sheet - Statement of revenues, expenditures, and changes in fund balance | - Statement of net position - Statement of revenues, expenses, and changes in fund net position - Statement of cash flows |
| Accounting Basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus |
| Types of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received | All revenues and expenses during the year, regardless of when cash is received or paid |

| | | | |
|--|--|--|--|
| | | and the related liability is due and payable | |
|--|--|--|--|

The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Government-wide Statements

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

The two government-wide statements report the Board’s net position and how it has changed. Net position, the difference between the Board’s assets and liabilities, is one way to measure the Board’s financial health or position.

Over time, increases or decreases in the Board’s net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the Board, additional non-financial factors, such as changes in the property tax base, community support for education and student achievement should be considered.

The government-wide financial statements of the Board are divided into two categories:

- **Governmental activities** – All of the Board’s basic services are included here, such as instruction and instructional support, administration, student transportation and maintenance and operation of facilities.
- **Business type activities** – The Board operates a food service operation and charges fees to staff, students and visitors to help cover the cost of the food service operation. The Board also operates a performing arts center that is accounted for as a business-type activity.

Fund Financial Statements

The Board’s fund financial statements, which begin on page 17, provide detailed information about the most significant funds, not the Board as a whole.

Governmental funds – Most of the Board’s activities are reported in governmental funds, which focus on the determination of financial position and changes in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Board’s operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board’s programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position

and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – Services for which the Board charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The Board’s *enterprise fund* (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information, such as cash flows. The Board uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. As of June 30, 2011, the Board’s only internal service fund for the employee dental benefit program was closed.

Financial Analysis of the Board as a Whole

Table A-1, below, provides a summary of the Board’s net position for the year ended June 30, 2018 compared to June 30, 2019.

| Table A-1 | | | | | | | |
|--|---------------------|-----------------|----------------------|------------------|-----------------|----------------|-------------------|
| Condensed Summary of Net Assets | | | | | | | |
| (in millions of dollars) | | | | | | | |
| | Governmental | | Business-type | | Total | | Percentage |
| | Activities | | Activities | | 2019 | 2018 | Change |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2018-2019 |
| Current and other Assets | \$ 184.8 | \$ 152.8 | \$ 16.8 | \$ 15.1 | \$ 201.6 | \$ 167.9 | 20.1% |
| Net capital assets | <u>810.1</u> | <u>755.9</u> | <u>3.8</u> | <u>4.1</u> | <u>813.9</u> | <u>760.0</u> | 7.1% |
| Total Assets | <u>994.9</u> | <u>908.7</u> | <u>20.6</u> | <u>19.2</u> | <u>1,015.5</u> | <u>927.9</u> | 9.4% |
| Deferred outflows | 152.7 | 111.5 | 4.0 | 2.9 | 156.7 | 114.4 | 37.1% |
| Current and other liabilities | 79.1 | 72.1 | 2.4 | 2.7 | 81.5 | 74.8 | 9.0% |
| Long-term liabilities | <u>790.1</u> | <u>789.9</u> | <u>31.3</u> | <u>32.9</u> | <u>821.4</u> | <u>822.8</u> | -0.2% |
| Total Liabilities | <u>869.2</u> | <u>862.0</u> | <u>33.7</u> | <u>35.6</u> | <u>902.9</u> | <u>897.6</u> | 0.6% |
| Deferred inflows | 89.2 | 45.1 | 5.9 | 2.9 | 95.1 | 48.0 | 98.1% |
| Net Position | | | | | | | |
| Net investment in Capital | | | | | | | |
| Assets | 810.1 | 755.9 | 3.8 | 4.1 | 813.9 | 760.0 | 7.1% |
| Restricted for Capital Projects | 28.2 | 52.6 | - | - | 28.2 | 52.6 | -46.4% |
| Unrestricted | <u>(649.1)</u> | <u>(695.5)</u> | <u>(18.8)</u> | <u>(20.4)</u> | <u>(667.9)</u> | <u>(715.9)</u> | -6.7% |
| Total net position | <u>\$ 189.2</u> | <u>\$ 113.0</u> | <u>\$ (15.0)</u> | <u>\$ (16.3)</u> | <u>\$ 174.2</u> | <u>\$ 96.7</u> | 80.1% |

The Board’s combined net position increased by 80.1% to \$174.2 million. The net position of the Board’s business–type activities increased \$1.3 million or 7.9%. These increases were due primarily to a decrease in food service operations. The Board reported a restricted net position amount of \$28.2 million. The change is due to a temporary increase in cash reserves as projects begin under the most recently authorized Special Purpose Local Option Sales Tax (SPLOST). The amount set aside as restricted in the governmental activities is related to net position required by a third party or state law to be spent for a specific purpose.

Table A-2
Changes in Net Position
Fiscal Year Ended June 30, 2019

Table A-2 takes the information from the Statement of Activities and presents it in a format that shows total revenues first and then expenses and the resulting increase in net position. Table A-2 shows that revenues from governmental activities for 2019 were \$599.3 million, while total expenses were \$524 million. Governmental activities contributed \$75.3 million to the total net position, while business-type activities resulted in a \$1.2 million contribution.

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions increased \$63.9 million. This increase was primarily the result of an increase in state and federal grants received for instructional programs.

Property taxes comprise the largest percentage of the general revenues for the Board with 20.4% of total revenues coming from this source. The increase of 11.3% from the previous year is due in part to a slight increase in the value of the tax digest. Sales tax revenues generated by the Special Purpose Local Option Sales Tax (SPLOST) increased \$3.8 million to a total of \$62.4 million. Interest and investment earnings remained minimal, reflecting the low interest being paid on account balances.

| Table A-2 | | | | | | | |
|---|-----------------|-----------------|------------------|------------------|-----------------|----------------|------------|
| Changes in Net Assets from Operating Results | | | | | | | |
| (in millions of dollars) | | | | | | | |
| | Governmental | | Business-type | | Total | | Percentage |
| | Activities | | Activities | | Total | | Change |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2018-2019 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 14.8 | \$ 15.2 | \$ 0.6 | \$ 0.5 | \$ 15.4 | \$ 15.7 | -1.9% |
| Operating grants and contributions | 372.0 | 312.9 | 37.2 | 37.9 | 409.2 | 350.8 | 16.6% |
| Capital grants and contributions | 5.9 | 0.7 | - | - | 5.9 | 0.7 | 742.9% |
| General revenues: | | | | | | | |
| Property taxes | 131.6 | 115.4 | - | - | 131.6 | 115.4 | 14.0% |
| Sales taxes | 62.4 | 58.6 | - | - | 62.4 | 58.6 | 6.5% |
| Other taxes | 12.1 | 10.1 | - | - | 12.1 | 10.1 | 19.8% |
| Non-program specific state and federal aid | - | 43.8 | - | - | - | 43.8 | -100.0% |
| Local school activity | - | - | - | - | - | - | |
| Interest and investment earnings | 0.5 | 0.1 | - | - | 0.5 | 0.1 | 400.0% |
| Gain on Sale of Capital Assets | - | 0.1 | - | - | - | 0.1 | -100.0% |
| Total Revenues | <u>599.3</u> | <u>556.9</u> | <u>37.8</u> | <u>38.4</u> | <u>637.1</u> | <u>595.3</u> | 7.0% |
| Expenses: | | | | | | | |
| Instruction | 347.8 | 387.2 | - | - | 347.8 | 387.2 | -10.2% |
| Pupil Services | 23.6 | 22.6 | - | - | 23.6 | 22.6 | 4.4% |
| Instructional services | 21.7 | 21.7 | - | - | 21.7 | 21.7 | 0.0% |
| Educational media services | 6.3 | 6.7 | - | - | 6.3 | 6.7 | -6.0% |
| General administration | 4.9 | 7.1 | - | - | 4.9 | 7.1 | -31.0% |
| School administration | 32.4 | 31.4 | - | - | 32.4 | 31.4 | 3.2% |
| Business services | 7.9 | 5.6 | - | - | 7.9 | 5.6 | 41.1% |
| Maintenance and operations | 38.6 | 39.6 | - | - | 38.6 | 39.6 | -2.5% |
| Student transportation | 24.1 | 24.6 | - | - | 24.1 | 24.6 | -2.0% |
| Central support services | 10.9 | 10.6 | - | - | 10.9 | 10.6 | 2.8% |
| Other support services | 3.0 | 3.6 | - | - | 3.0 | 3.6 | -16.7% |
| Other non-instructional services | 1.1 | 1.2 | - | - | 1.1 | 1.2 | -8.3% |
| Community services | 1.7 | 1.6 | - | - | 1.7 | 1.6 | 6.2% |
| Performing Arts Center | - | - | 0.3 | 0.1 | 0.3 | 0.1 | 200.0% |
| Interest | - | - | - | - | - | - | |
| Food services | - | - | 36.3 | 38.2 | 36.3 | 38.2 | -5.0% |
| Total Expenses | <u>524.0</u> | <u>563.5</u> | <u>36.6</u> | <u>38.3</u> | <u>560.6</u> | <u>601.8</u> | -6.8% |
| Excess (deficiency) in net position before transfers | <u>75.3</u> | <u>(6.6)</u> | <u>1.2</u> | <u>0.1</u> | <u>76.5</u> | <u>(6.5)</u> | 1276.9% |
| Transfers | (0.1) | - | 0.1 | - | - | - | |
| Net Position - beginning of year | <u>114.0</u> | <u>119.6</u> | <u>(16.3)</u> | <u>(16.4)</u> | <u>97.7</u> | <u>103.2</u> | |
| Net Position - end of year | <u>\$ 189.2</u> | <u>\$ 113.0</u> | <u>\$ (15.0)</u> | <u>\$ (16.3)</u> | <u>\$ 174.2</u> | <u>\$ 96.7</u> | |

Table A-3 summarizes the cost of the Board’s activities into eight functional categories— Instruction; Pupil, Instructional and Media services; General and Business Administration; School administration; Maintenance and operations; Pupil transportation; Central support and other support; and Community Services and non-instructional. The table also shows each activity’s *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the Board’s local taxpayers by each of these functions.

| Table A-3 Net Cost of Governmental Activities (in millions of dollars) | | | | | | |
|--|---------------------------|----------|----------------------|-------------------------|----------|----------------------|
| | Total Cost of Services | | Percentage Change | Net Cost of Services | | Percentage Change |
| | 2019 | 2018 | 2018-2019 | 2019 | 2018 | 2018-2019 |
| Instruction | \$ 347.9 | \$ 386.1 | -10.1% | \$ 25.9 | \$ 119.9 | -78.6% |
| Pupil, Instructional and Media Services | 51.6 | 51.0 | 1.2% | 25.7 | 33.5 | -23.3% |
| General and Business Administration | 12.8 | 12.7 | 0.8% | 8.3 | 7.7 | 7.8% |
| School administration | 32.4 | 31.4 | 3.2% | 20.1 | 19.0 | 5.8% |
| Maintenance and operations | 38.6 | 39.6 | -2.5% | 23.8 | 24.7 | -3.6% |
| Student transportation | 24.1 | 24.6 | -2.0% | 21.2 | 21.7 | -2.3% |
| Central Support and other support | 13.8 | 14.2 | -2.8% | 11.8 | 12.2 | -3.3% |
| Community Services and non-instructional | 2.8 | 2.8 | 0.0% | (4.8) | (5.0) | -4.0% |
| Total Governmental Activities | \$ 524.0 | \$ 562.4 | -7.0% | \$ 132.0 | \$ 233.7 | -43.7% |
| Less: Unrestricted federal and state aid: | | | | 40.9 | 37.3 | -8.8% |
| Total needs from local taxes and other revenues: | | | | \$ 91.1 | \$ 196.4 | -53.8% |

The total cost of governmental activities decreased 7.0%, and the net cost of services decreased 43.7% reflecting a decrease in salary and benefit expenses due to a decrease in teaching staff.

Business Type Activities

Revenues for the Board’s business-type activities (school nutrition and performing arts center) were comprised of charges for services, federal and state reimbursements and investment earnings. (See Table A-2).

- Business type revenues exceeded expenses during the year for an increase of \$1.2 million in net position.
- Charges for services represent \$.6 million of revenue. This represents amounts paid by teachers and other customers of the cafeteria operations and the performing arts center.
- Federal and state reimbursement for meals, including payments for free and reduced lunches, was \$37.2 million.

The Statement of Revenues, Expenses and Changes in Fund Net Position for these proprietary funds will further detail the actual results of operations.

Analysis of the Board's Funds

At June 30, 2019 , the Board's governmental funds reported a combined fund balance of \$97.3 million. This is an increase of \$17.2 million.

The fund balance of the General Fund was \$65 million at June 30, 2019. The Capital Projects ending fund balance was \$28.2 million while all other Governmental Funds had a total fund balance of \$4.1 million at June 30, 2019.

General Fund Budgeting Highlights

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

In accordance with GAAP, the Board amended its General Fund to reflect funding changes.

The total expenditures decreased \$31 million. This was due to focused attention to instruction and pupil services, increasing general administration to address achievement objectives, and targeted initiatives, offset by attrition, conservative spending and efficient use of resources.

The total revenue had a positive variance of \$31.3 million. There was a \$13.2 million increase in local funds and a \$17.5 million increase in state funds.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2019, the Board had \$810.1 million invested in a broad range of capital assets, including land, buildings and furniture and equipment for its governmental activities. The Board is currently funding a five-year capital improvement program with revenue from a one-cent local option sales tax that was approved by the citizens of Clayton County in November, 2018. The maximum amount of collections approved by this referendum was \$284 million. The sales tax revenue, along with state capital outlay grants will fund the program through 2024.

| Table A-4 | | | | | | | | |
|---|-----------------|-----------------|---------------|---------------|-----------------|-----------------|------------|--------|
| Capital Assets (net of depreciation) | | | | | | | | |
| (in millions of dollars) | | | | | | | | |
| | Governmental | | Business-type | | Total | | Percentage | Change |
| | Activities | | Activities | | | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2018-2019 | |
| Land | \$ 34.6 | \$ 34.6 | - | - | \$ 34.6 | \$ 34.6 | | 3.0% |
| Construction in progress | 97.6 | 97.4 | - | - | \$ 97.6 | \$ 97.4 | | 0.2% |
| Buildings and improvements | 664.4 | 609.7 | 3.0 | 3.1 | \$ 667.4 | \$ 612.8 | | 8.9% |
| Machinery and equipment | 13.5 | 15.1 | 0.8 | 1.0 | \$ 14.3 | \$ 16.1 | | -11.2% |
| Total capital assets net of depreciation | <u>\$ 810.1</u> | <u>\$ 756.8</u> | <u>\$ 3.8</u> | <u>\$ 4.1</u> | <u>\$ 813.9</u> | <u>\$ 760.9</u> | | 7.1% |

More detailed information about capital assets can be found in Note 7 of the Notes to the Basic Financial Statements.

Debt Administration

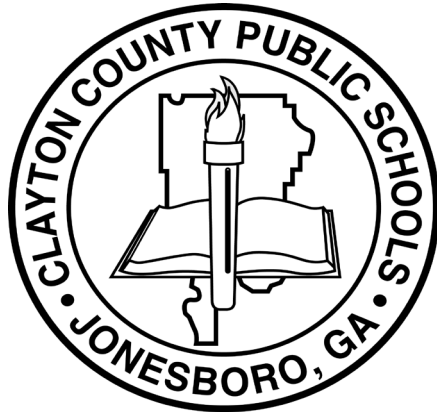
At June 30, 2019, the Board had no outstanding long-term bond debt. Because of the availability of the one cent sales tax for capital improvements since 1997, the Board has not had the need to issue any new debt and used proceeds from the sales tax to retire all of the previously existing long-term bond debt.

Economic Factors

- Millage rate increase to the Georgia Statue limit of 20 mils for local property taxes.
- School District continue to receive a significant reduction in austerity for State QBE funding.

Contacting the Board's Financial Management

This financial report is designed to provide the Board's citizens, taxpayers, customers, and investors and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Business Services Division, Clayton County Public Schools, 1058 Fifth Avenue, Jonesboro, Ga. 30236.



Basic Financial Statements

**Clayton County
Public Schools**

CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION JUNE 30, 2019

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 65,222,057 | \$ 16,350,215 | \$ 81,572,272 |
| Investments | 52,066,847 | - | 52,066,847 |
| Receivables: | | | |
| Accounts | 850,884 | - | 850,884 |
| Intergovernmental | 50,353,974 | 140,020 | 50,493,994 |
| Taxes | 15,857,888 | - | 15,857,888 |
| Internal balances | 305,710 | (305,710) | - |
| Inventories | - | 608,115 | 608,115 |
| Prepaid items | 106,280 | - | 106,280 |
| Capital assets, nondepreciable | 132,268,754 | - | 132,268,754 |
| Capital assets, depreciable (net of accumulated depreciation) | 677,859,926 | 3,778,343 | 681,638,269 |
| Total assets | 994,892,320 | 20,570,983 | 1,015,463,303 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pensions | 114,437,154 | 1,023,888 | 115,461,042 |
| Other post-employment benefits | 38,321,777 | 2,992,447 | 41,314,224 |
| Total deferred outflows of resources | 152,758,931 | 4,016,335 | 156,775,266 |
| LIABILITIES | | | |
| Accounts payable | 12,910,226 | 89,819 | 13,000,045 |
| Retainage payable | 4,192,356 | - | 4,192,356 |
| Accrued payroll and payroll withholdings | 61,995,946 | 2,300,969 | 64,296,915 |
| Unearned revenue | 2,495 | 44,257 | 46,752 |
| Other current liabilities | 11,448 | - | 11,448 |
| Claims payable due within one year | 3,123,111 | - | 3,123,111 |
| Claims payable due in more than one year | 147,939 | - | 147,939 |
| Compensated absences due within one year | 2,978,590 | 88,332 | 3,066,922 |
| Compensated absences due in more than one year | 1,276,539 | 37,856 | 1,314,395 |
| Net pension liability, due in more than one year | 433,258,999 | 3,876,307 | 437,135,306 |
| Net other post-employment benefit liability, due in more than one year | 349,318,236 | 27,277,343 | 376,595,579 |
| Total liabilities | 869,215,885 | 33,714,883 | 902,930,768 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pensions | 15,917,399 | 142,332 | 16,059,731 |
| Other post-employment benefits | 73,279,896 | 5,722,234 | 79,002,130 |
| Total deferred inflows of resources | 89,197,295 | 5,864,566 | 95,061,861 |
| NET POSITION | | | |
| Investment in capital assets | 810,128,680 | 3,778,343 | 813,907,023 |
| Restricted for student programs | 19,725 | - | 19,725 |
| Restricted for capital projects | 28,170,490 | - | 28,170,490 |
| Unrestricted (deficit) | (649,080,824) | (18,770,474) | (667,851,298) |
| Total net position (deficit) | \$ 189,238,071 | \$ (14,992,131) | \$ 174,245,940 |

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

CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| <u>Functions/Programs</u> | <u>Expenses</u> | Program Revenues | | |
|---|-----------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| Instruction | \$ 347,859,080 | \$ 7,451,256 | \$ 308,648,347 | \$ 5,883,888 |
| Pupil services | 23,644,567 | - | 7,196,722 | - |
| Improvement of instructional services | 21,657,140 | 108,515 | 13,152,298 | - |
| Educational media services | 6,259,021 | - | 6,250,261 | - |
| General administration | 4,850,471 | - | 2,570,573 | - |
| School administration | 32,446,145 | - | 12,320,323 | - |
| Business services | 7,932,266 | - | 1,776,952 | - |
| Maintenance and operations | 38,606,090 | - | 14,812,225 | - |
| Student transportation | 24,127,379 | - | 2,965,704 | - |
| Central support services | 10,858,015 | - | 1,834,161 | - |
| Other support services | 2,998,895 | 2,052 | 114,258 | - |
| Other non-instructional services | 1,175,928 | 5,585,842 | 352,129 | - |
| Community services | 1,670,339 | 1,558,601 | - | - |
| Total governmental activities | 524,085,337 | 14,706,266 | 371,993,953 | 5,883,888 |
| Business-type activities: | | | | |
| School food service | 36,426,922 | 433,079 | 37,193,148 | - |
| Performing arts center | 298,082 | 204,157 | - | - |
| Total business-type activities | 36,725,004 | 637,236 | 37,193,148 | - |
| Total | \$ 560,810,341 | \$ 15,343,502 | \$ 409,187,101 | \$ 5,883,888 |
| General revenues: | | | | |
| Property taxes | | | | |
| Sales taxes | | | | |
| Other taxes | | | | |
| Unrestricted investment earnings | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net position | | | | |
| Net position (deficit), beginning of year | | | | |
| Net position (deficit), end of year | | | | |

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

| Net (Expenses) Revenues and Changes in Net Position | | |
|--|-------------------------------------|-----------------------|
| Governmental Activities | Business-type Activities | Total |
| \$ (25,875,589) | \$ - | \$ (25,875,589) |
| (16,447,845) | - | (16,447,845) |
| (8,396,327) | - | (8,396,327) |
| (8,760) | - | (8,760) |
| (2,279,898) | - | (2,279,898) |
| (20,125,822) | - | (20,125,822) |
| (6,155,314) | - | (6,155,314) |
| (23,793,865) | - | (23,793,865) |
| (21,161,675) | - | (21,161,675) |
| (9,023,854) | - | (9,023,854) |
| (2,882,585) | - | (2,882,585) |
| 4,762,043 | - | 4,762,043 |
| (111,738) | - | (111,738) |
| <u>(131,501,230)</u> | <u>-</u> | <u>(131,501,230)</u> |
| - | 1,199,305 | 1,199,305 |
| - | (93,925) | (93,925) |
| - | 1,105,380 | 1,105,380 |
| <u>(131,501,230)</u> | <u>1,105,380</u> | <u>(130,395,850)</u> |
| 131,639,021 | - | 131,639,021 |
| 62,441,517 | - | 62,441,517 |
| 12,131,133 | - | 12,131,133 |
| 717,818 | - | 717,818 |
| (195,638) | 195,638 | - |
| <u>206,733,851</u> | <u>195,638</u> | <u>206,929,489</u> |
| 75,232,621 | 1,301,018 | 76,533,639 |
| 114,005,450 | (16,293,149) | 97,712,301 |
| <u>\$ 189,238,071</u> | <u>\$ (14,992,131)</u> | <u>\$ 174,245,940</u> |

CLAYTON COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2019

| ASSETS | General | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-----------------------|----------------------|-----------------------------------|--------------------------------|
| Cash | \$ 57,272,785 | \$ 3,267,835 | \$ 4,681,437 | \$ 65,222,057 |
| Investments | 20,526,007 | 31,540,840 | - | 52,066,847 |
| Receivables: | | | | |
| Accounts | 13,603 | 820,102 | 17,179 | 850,884 |
| Taxes | 11,509,031 | 4,348,857 | - | 15,857,888 |
| Intergovernmental | 41,619,257 | - | 8,734,717 | 50,353,974 |
| Due from other funds | 4,464,838 | - | 1,350,434 | 5,815,272 |
| Prepaid items | 106,280 | - | - | 106,280 |
| Total assets | \$ 135,511,801 | \$ 39,977,634 | \$ 14,783,767 | \$ 190,273,202 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 2,395,355 | \$ 7,603,406 | \$ 2,911,465 | \$ 12,910,226 |
| Retainage payable | - | 4,192,356 | - | 4,192,356 |
| Due to other funds | 1,350,434 | 4 | 4,159,124 | 5,509,562 |
| Accrued payroll and payroll withholdings | 58,449,442 | - | 3,546,504 | 61,995,946 |
| Unearned revenue | - | - | 2,495 | 2,495 |
| Other current liabilities | - | 11,378 | 70 | 11,448 |
| Total liabilities | 62,195,231 | 11,807,144 | 10,619,658 | 84,622,033 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 8,328,236 | - | - | 8,328,236 |
| Total deferred inflows of resources | 8,328,236 | - | - | 8,328,236 |
| FUND BALANCES | | | | |
| Fund balances: | | | | |
| Nonspendable - prepaid items | 106,280 | - | - | 106,280 |
| Restricted for capital projects | - | 28,170,490 | - | 28,170,490 |
| Restricted for student programs | - | - | 19,725 | 19,725 |
| Assigned for student programs | - | - | 4,144,384 | 4,144,384 |
| Assigned for subsequent year's budget | 34,731,866 | - | - | 34,731,866 |
| Unassigned | 30,150,188 | - | - | 30,150,188 |
| Total fund balances | 64,988,334 | 28,170,490 | 4,164,109 | 97,322,933 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 135,511,801 | \$ 39,977,634 | \$ 14,783,767 | \$ 190,273,202 |

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

CLAYTON COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2019

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

| | | |
|--|----|---------------------------|
| Fund balances - total governmental funds | \$ | 97,322,933 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 810,128,680 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | 8,328,236 |
| Long-term liabilities and related deferred inflows and outflows are not due and payable in the current period and, therefore, are not reported in the funds. | | <u>(726,541,778)</u> |
| Net position of governmental activities | \$ | <u><u>189,238,071</u></u> |

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

CLAYTON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-----------------------------|--|---|
| REVENUES | | | | |
| Local sources | \$ 146,059,934 | \$ 62,441,517 | \$ 9,353,595 | \$ 217,855,046 |
| State sources | 328,775,071 | 5,883,888 | 6,969,104 | 341,628,063 |
| Federal sources | 933,427 | - | 35,263,054 | 36,196,481 |
| Interest income | 333,014 | 384,804 | - | 717,818 |
| Total revenues | <u>476,101,446</u> | <u>68,710,209</u> | <u>51,585,753</u> | <u>596,397,408</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 280,204,546 | - | 31,438,282 | 311,642,828 |
| Pupil services | 17,797,716 | - | 5,857,706 | 23,655,422 |
| Improvement of instructional services | 9,783,685 | - | 11,866,913 | 21,650,598 |
| Educational media services | 6,283,122 | - | - | 6,283,122 |
| General administration | 4,367,007 | - | 367,279 | 4,734,286 |
| School administration | 31,362,385 | - | 975,171 | 32,337,556 |
| Business services | 7,904,818 | - | 23,956 | 7,928,774 |
| Maintenance and operations | 38,118,442 | - | - | 38,118,442 |
| Student transportation | 22,721,081 | - | 210,039 | 22,931,120 |
| Central support services | 9,792,189 | - | 988,522 | 10,780,711 |
| Other support services | 2,926,709 | - | 105,121 | 3,031,830 |
| Other non-instructional services | 304,123 | - | 721,366 | 1,025,489 |
| Community service | - | - | 1,672,290 | 1,672,290 |
| Capital outlay | - | 93,218,966 | - | 93,218,966 |
| Total expenditures | <u>431,565,823</u> | <u>93,218,966</u> | <u>54,226,645</u> | <u>579,011,434</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>44,535,623</u> | <u>(24,508,757)</u> | <u>(2,640,892)</u> | <u>17,385,974</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 142,016 | - | 2,593,739 | 2,735,755 |
| Transfers out | <u>(2,789,377)</u> | - | <u>(142,016)</u> | <u>(2,931,393)</u> |
| Total other financing sources (uses) | <u>(2,647,361)</u> | - | <u>2,451,723</u> | <u>(195,638)</u> |
| Net change in fund balances | 41,888,262 | (24,508,757) | (189,169) | 17,190,336 |
| FUND BALANCES, beginning of year | <u>23,100,072</u> | <u>52,679,247</u> | <u>4,353,278</u> | <u>80,132,597</u> |
| FUND BALANCES, end of year | <u>\$ 64,988,334</u> | <u>\$ 28,170,490</u> | <u>\$ 4,164,109</u> | <u>\$ 97,322,933</u> |

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

CLAYTON COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

| | |
|---|----------------------|
| Net change in fund balances - total governmental funds | \$ 17,190,336 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | 53,270,301 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 3,124,859 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | <u>1,647,125</u> |
| Change in net position - governmental activities | <u>\$ 75,232,621</u> |

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

CLAYTON COUNTY BOARD OF EDUCATION

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Budget | | Actual | Variance With Final Budget |
|---------------------------------------|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local sources | \$ 136,910,176 | \$ 136,910,176 | \$ 146,059,934 | \$ 9,149,758 |
| State sources | 326,946,461 | 326,946,461 | 326,832,589 | (113,872) |
| Federal sources | 690,000 | 690,000 | 933,427 | 243,427 |
| Interest income | - | - | 333,014 | 333,014 |
| Total revenues | <u>464,546,637</u> | <u>464,546,637</u> | <u>474,158,964</u> | <u>9,612,327</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 303,522,574 | 303,522,574 | 283,144,791 | 20,377,783 |
| Pupil services | 15,567,008 | 15,567,008 | 17,797,716 | (2,230,708) |
| Improvement of instructional services | 10,339,134 | 10,339,134 | 9,783,685 | 555,449 |
| Educational media services | 6,785,383 | 6,785,383 | 6,283,122 | 502,261 |
| General administration | 6,088,047 | 6,088,047 | 4,356,081 | 1,731,966 |
| School administration | 32,590,300 | 32,590,300 | 31,362,385 | 1,227,915 |
| Business services | 5,014,462 | 5,014,462 | 7,872,417 | (2,857,955) |
| Maintenance and operations | 40,282,693 | 40,282,693 | 37,729,898 | 2,552,795 |
| Student transportation | 19,753,597 | 19,753,597 | 22,421,066 | (2,667,469) |
| Central support services | 10,739,434 | 10,739,434 | 9,694,332 | 1,045,102 |
| Other support services | 2,823,699 | 2,823,699 | 2,658,607 | 165,092 |
| Other non-instructional services | 460,413 | 460,413 | 304,123 | 156,290 |
| Total expenditures | <u>453,966,744</u> | <u>453,966,744</u> | <u>433,408,223</u> | <u>20,558,521</u> |
| Excess of revenues over expenditures | <u>10,579,893</u> | <u>10,579,893</u> | <u>40,750,741</u> | <u>30,170,848</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 142,016 | 142,016 |
| Transfers out | 1,214,602 | 1,214,602 | (2,789,377) | (4,003,979) |
| Total other financing sources (uses) | <u>1,214,602</u> | <u>1,214,602</u> | <u>(2,647,361)</u> | <u>(3,861,963)</u> |
| Net change in fund balances | <u>\$ 11,794,495</u> | <u>\$ 11,794,495</u> | <u>\$ 38,103,380</u> | <u>\$ 26,308,885</u> |

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

CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2019

| ASSETS | Business-type Activities - Enterprise Funds | | |
|---|---|------------------------------|-----------------|
| | School Food Service | Nonmajor | Totals |
| | | Performing Arts Center | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 16,073,109 | \$ 277,106 | \$ 16,350,215 |
| Receivables: | | | |
| Intergovernmental | 140,020 | - | 140,020 |
| Inventories | 608,115 | - | 608,115 |
| Total current assets | 16,821,244 | 277,106 | 17,098,350 |
| CAPITAL ASSETS | | | |
| Buildings | - | 7,308,375 | 7,308,375 |
| Furniture and equipment | 5,352,594 | 6,167 | 5,358,761 |
| Intangibles | 53,643 | - | 53,643 |
| Total depreciable assets | 5,406,237 | 7,314,542 | 12,720,779 |
| Less accumulated depreciation and amortization | (4,624,331) | (4,318,105) | (8,942,436) |
| Total capital assets | 781,906 | 2,996,437 | 3,778,343 |
| Total assets | 17,603,150 | 3,273,543 | 20,876,693 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pensions | 1,023,888 | - | 1,023,888 |
| Other post-employment benefits | 2,992,447 | - | 2,992,447 |
| Total deferred outflows of resources | 4,016,335 | - | 4,016,335 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | 86,934 | 2,885 | 89,819 |
| Due to other funds | 305,710 | - | 305,710 |
| Accrued payroll and payroll withholdings | 2,300,969 | - | 2,300,969 |
| Compensated absences, due within one year | 88,332 | - | 88,332 |
| Unearned revenue | 44,257 | - | 44,257 |
| Total current liabilities | 2,826,202 | 2,885 | 2,829,087 |
| NONCURRENT LIABILITIES | | | |
| Compensated absences, due in more than one year | 37,856 | - | 37,856 |
| Net pension liability | 3,876,307 | - | 3,876,307 |
| Net other post-employment benefit liability | 27,277,343 | - | 27,277,343 |
| Total noncurrent liabilities | 31,191,506 | - | 31,191,506 |
| Total liabilities | 34,017,708 | 2,885 | 34,020,593 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pensions | 142,332 | - | 142,332 |
| Other post-employment benefits | 5,722,234 | - | 5,722,234 |
| Total deferred inflows of resources | 5,864,566 | - | 5,864,566 |
| NET POSITION | | | |
| Investment in capital assets | 781,906 | 2,996,437 | 3,778,343 |
| Unrestricted | (19,044,695) | 274,221 | (18,770,474) |
| Total net position (deficit) | \$ (18,262,789) | \$ 3,270,658 | \$ (14,992,131) |

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

CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Business-type Activities - Enterprise Funds | | |
|--|---|--|-----------------|
| | School Food Service | Nonmajor Performing Arts Center | Totals |
| | | | |
| OPERATING REVENUES | | | |
| Local sources | \$ 433,079 | \$ 204,157 | \$ 637,236 |
| Total operating revenues | 433,079 | 204,157 | 637,236 |
| OPERATING EXPENSES | | | |
| Food service operations | 35,675,247 | - | 35,675,247 |
| Enterprise operation | - | 151,915 | 151,915 |
| Maintenance and operations | 586,148 | - | 586,148 |
| Depreciation | 165,527 | 146,167 | 311,694 |
| Total operating expenses | 36,426,922 | 298,082 | 36,725,004 |
| Operating loss | (35,993,843) | (93,925) | (36,087,768) |
| NON-OPERATING REVENUES | | | |
| Intergovernmental revenues | 37,193,148 | - | 37,193,148 |
| Total non-operating revenues | 37,193,148 | - | 37,193,148 |
| Income (loss) before transfers | 1,199,305 | (93,925) | 1,105,380 |
| TRANSFERS IN | 195,638 | - | 195,638 |
| Change in net position | 1,394,943 | (93,925) | 1,301,018 |
| NET POSITION (DEFICIT), beginning of year | (19,657,732) | 3,364,583 | (16,293,149) |
| NET POSITION (DEFICIT), end of year | \$ (18,262,789) | \$ 3,270,658 | \$ (14,992,131) |

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

CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Business-type Activities - Enterprise Funds | | |
|--|---|------------------------------|---------------|
| | School Food Service | Nonmajor | Totals |
| | | Performing Arts Center | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from local sources | \$ 483,309 | \$ 427,314 | \$ 910,623 |
| Payments to suppliers | (35,815,493) | (150,208) | (35,965,701) |
| Payments to employees | (213,891) | - | (213,891) |
| Payments on behalf of employees | 292,007 | - | 292,007 |
| | (35,254,068) | 277,106 | (34,976,962) |
| Net cash provided by (used in) operating activities | | | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfer in | 195,638 | - | 195,638 |
| Subsidy from federal and state grants | 37,158,817 | - | 37,158,817 |
| | 37,354,455 | - | 37,354,455 |
| Net cash provided by noncapital financing activities | | | |
| Net increase in cash and cash equivalents | 2,100,387 | 277,106 | 2,377,493 |
| Cash and cash equivalents, beginning of year | 13,972,722 | - | 13,972,722 |
| Cash and cash equivalents, end of year | \$ 16,073,109 | \$ 277,106 | \$ 16,350,215 |

CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Business-type Activities - Enterprise Funds | | |
|--|---|------------------------------|-----------------|
| | School Food Service | Nonmajor | Totals |
| | | Performing Arts Center | |
| Reconciliation of operating loss to net cash provided by (used in) operating activities | | | |
| Operating loss | \$ (35,993,843) | \$ (93,925) | \$ (36,087,768) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities | | | |
| Depreciation | 165,527 | 146,167 | 311,694 |
| Decrease in due from other funds | 98,070 | 223,157 | 321,227 |
| Decrease in inventories | 124,937 | - | 124,937 |
| Increase in deferred outflows - pensions | (280,442) | - | (280,442) |
| Increase in deferred outflows - OPEB | (778,032) | - | (778,032) |
| Increase in accounts payable | 15,255 | 1,707 | 16,962 |
| Increase in due to other funds | 305,710 | - | 305,710 |
| Decrease in accrued payroll and other withholdings | (213,891) | - | (213,891) |
| Decrease in compensated absences | 24,534 | - | 24,534 |
| Increase in deferred inflows - pensions | 60,170 | - | 60,170 |
| Increase in deferred inflows - OPEB | 2,919,469 | - | 2,919,469 |
| Increase in net pension liability | 176,207 | - | 176,207 |
| Decrease in net OPEB liability | (1,829,899) | - | (1,829,899) |
| Decrease in unearned revenue | (47,840) | - | (47,840) |
| Net cash provided by (used in) operating activities | \$ (35,254,068) | \$ 277,106 | \$ (34,976,962) |

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

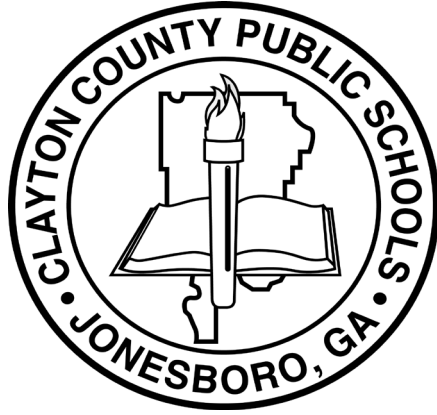
The School System received \$2,575,792 in commodities from the United States Department of Agriculture during the fiscal year ended June 30, 2019.

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

CLAYTON COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2019

| | ASSETS | <u>Agency Fund</u> <u>Student</u> <u>Activities</u> |
|-------------------|--------------------|---|
| Cash | | <u>\$ 615,970</u> |
| Total assets | | <u><u>\$ 615,970</u></u> |
| | LIABILITIES | |
| Due to others | | <u>\$ 615,970</u> |
| Total liabilities | | <u><u>\$ 615,970</u></u> |

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



Notes to Financial Statements

**Clayton County
Public Schools**

CLAYTON COUNTY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Clayton County Board of Education (the "School System") operates under a Board/Superintendent form of government. The nine-member Board is elected by the public and the Board appoints the superintendent. These nine elected members have decision making authority, the power to designate management, and the ability to significantly influence operations. The Board determines the millage rate at which school taxes are levied and may incur bonded indebtedness with voter approval.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School System. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the School System considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for amounts related to reimbursement based grants, which are considered available when all eligibility criteria has been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The fiduciary fund financial statements are reported using the *accrual basis of accounting*.

Property taxes, sales taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

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

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education ("QBE") Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally, teachers are contracted for the school year (July 1 – June 30) and paid over a 12-month contract period, generally, September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same 12-month period in which teachers are paid, funding the academic school year expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year is accrued, as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board ("GASB") Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

The School System reports the following major governmental funds:

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

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

The School System reports the following major proprietary fund:

The **School Food Service Fund** accounts for the monies and commodities received from the federal and state governments and the School Food Service's cafeteria sales for the purpose of maintaining the School System's breakfast, lunch, and snack programs.

Additionally, the School System reports the following fund types:

The **Special Revenue Funds** account for Federal and state funded programs. These grants are awarded to the School System for the purpose of accomplishing specific educational tasks as defined in the grant agreements. These funds also contain several locally funded programs whose expenditures are limited to specific purposes. School Activity Funds are also reported as special revenue funds. The School Activity Funds are used to account for funds collected primarily through the fund raising efforts of the individual school. Each school's principal is responsible, under the authority of the Board, for collecting, controlling, disbursing, and accounting for his or her school's funds. All resources of the fund, including earnings on invested resources, may be used to support the schools' activities.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the School System's school food service program and the General Fund. Elimination of these charges would distort the direct costs reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Cash and Investments

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

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. On-Behalf Payments

The State of Georgia makes certain pension plan payments on behalf of the School System for its employees. The School System records these payments as both a revenue and expenditure in the General Fund. The total of the on-behalf payments for the fiscal year ended June 30, 2019, was \$1,097,845

G. Inventories and Prepaid Items

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

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting expenditure/expense in the year in which services are consumed.

H. Non-Monetary Transactions

The School System received from the United States Department of Agriculture through the Georgia Department of Education approximately \$2,575,792 in donated food commodities for its lunchroom programs. The federally assigned value of these commodities is reflected as revenue and an expense in the financial statements.

I. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the School System as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset</u> | <u>Years</u> |
|-------------------------|--------------|
| Improvements | 20 – 50 |
| Buildings | 20 – 50 |
| Machinery and equipment | 4 – 10 |

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Other than the pension and the Other Postemployment Benefit (“OPEB”) related items discussed below, the School System did not have any items that qualified for reporting in this category for the year ended June 30, 2019.

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

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers’ Retirement System of Georgia (“TRS”), the Public School Employees’ Retirement System (“PSERS”), and the Employees’ Retirement System (“ERS”), and additions to/deductions from each plan’s fiduciary net position have been determined on the same basis as they are reported by each 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. The School System also had deferred inflows and outflows related to the recording of changes in its net pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Pensions (Continued)

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

L. Other Postemployment Benefits ("OPEB")

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

M. Long-term Obligations

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

N. Compensated Absences

It is the School System's policy to permit employees to accumulate unused vacation and sick pay benefits. Accumulated unpaid sick leave benefits do not vest and therefore are not accrued in any fund, but are recognized as expenditures or expenses when incurred. Accumulated unpaid vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity

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

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

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

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

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

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

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

The responsibility for designating funds to specific classifications is as follows:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Assigned: The Clayton County Board of Education has authorized the Superintendent and the Chief Financial Officer as officials authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

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

P. Use of Estimates

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

Q. Tax Abatement Agreements

During the year ended June 30, 2017, the Board of Education implemented GASB Statement No. 77, Tax Abatement Disclosures. This statement requires the Board of Education to disclose information for any tax abatement agreements either entered into by the Board of Education, or agreements entered into by other governments that reduce the Board of Education's tax revenues. As of June 30, 2019, the Board of Education did not have any such agreements, either entered into by the Board of Education or by other governments that exceeded the quantitative threshold for disclosure.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

| | |
|---|------------------------------------|
| Workers' compensation claims payable | \$ (3,271,050) |
| Compensated absences | (4,255,129) |
| Net pension liability | (433,258,999) |
| Net OPEB liability | (349,318,236) |
| Pensions and OPEB - deferred inflows of resources | (89,197,295) |
| Pensions and OPEB- deferred outflows of resources | <u>152,758,931</u> |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | <u><u>\$ (726,541,778)</u></u> |

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

| | |
|---|---------------------------------|
| Capital outlay | \$ 73,528,599 |
| Depreciation expense | <u>(20,258,298)</u> |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u><u>\$ 53,270,301</u></u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

| | | |
|---|----|---------------------|
| Compensated absences | \$ | 27,021 |
| Workers' compensation claims payable | | 671,391 |
| Change in net pension liability and deferred inflows and outflows related to pension activity | | 4,938,322 |
| Change in net OPEB liability and deferred inflows and outflows related to OPEB activity | | <u>(3,989,609)</u> |
| Net adjustment to increase <i>net change in fund balances - governmental funds</i> to arrive at <i>change in net position - governmental activities</i> | | <u>\$ 1,647,125</u> |

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets. The School System adopts annual budgets for its general and special revenue funds, except that an annual budget is not adopted for the School Discretionary special revenue fund. The School System does not employ encumbrance accounting and, accordingly, all appropriations lapse at year-end. After the School System has tentatively adopted a budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board members after the advertisement, the budget is revised as necessary and adopted as the final budget. This final budget is then submitted to the Georgia Department of Education in accordance with provisions of the QBE.

The level of budgetary control (the level at which expenditures may not exceed appropriations) is at the fund level.

The Statement of Revenues and Expenditures – Budget (non-GAAP) to Actual presents actual and budget data for the General Fund. To facilitate comparison with the budget, adjustments have been made to actual revenues and expenditures to reflect actual amounts on the budget basis.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

The primary differences between the budget basis and the accounting principles generally accepted in the United States of America ("GAAP") are:

- a. State QBE revenue is recorded when received (budget) rather than when susceptible to accrual (GAAP).
- b. Salaries and employee benefits paid to teachers under contract are recorded when paid (budget) rather than when the liability is incurred (GAAP).
- c. Payments made by the State of Georgia for School System employee benefits are recognized as revenues and expenditures under GAAP and are not recognized on the budget basis.

Adjustments necessary to convert the General Fund's net change in fund balance from the GAAP basis to the budgetary basis are as follows:

| | |
|--|----------------------|
| GAAP basis net change in fund balance | \$ 41,888,262 |
| Adjustment for: | |
| State QBE revenue | (844,637) |
| Salaries and employee benefits | (2,940,245) |
| State paid employee benefit revenue | (1,097,845) |
| State paid employee benefit expenditures | <u>1,097,845</u> |
| Budget basis net change in fund balance | <u>\$ 38,103,380</u> |

NOTE 4. DEPOSITS AND INVESTMENTS

Credit Risk. State statutes authorize the School System to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool (Georgia Fund 1).

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

The local government investment pool, "Georgia Fund 1," created by O.C.G.A. § 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the Board of Education's investment in the Georgia Fund 1 is reported at fair value. The Board of Education considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation. The School System does not have a policy for credit risk beyond the types of investments authorized by Georgia State law.

At June 30, 2019, the School System had the following investments:

| Investment | Maturities | Fair Value |
|----------------|-------------------------|---------------|
| Georgia Fund 1 | 39 day weighted average | \$ 52,066,847 |

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

Fair Value Measurements. The school system categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs

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

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. As of June 30, 2019, the School System's bank balance was fully collateralized.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Receivables at June 30, 2019, for the School System's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>School Food Service</u> | <u>Total</u> |
|-------------------------------------|----------------------|-----------------------------|--|------------------------------------|----------------------|
| Intergovernmental | \$ 41,619,257 | \$ - | \$ 8,734,717 | \$ 140,020 | \$ 50,493,994 |
| Taxes | 19,837,266 | 4,348,857 | - | - | 24,186,123 |
| Accounts | 13,603 | 820,102 | 17,179 | - | 850,884 |
| | <u>61,470,126</u> | <u>5,168,959</u> | <u>8,751,896</u> | <u>140,020</u> | <u>75,531,001</u> |
| Less allowance for uncollectible | <u>(8,328,235)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(8,328,235)</u> |
| Net total receivable | <u>\$ 53,141,891</u> | <u>\$ 5,168,959</u> | <u>\$ 8,751,896</u> | <u>\$ 140,020</u> | <u>\$ 67,202,766</u> |

Intergovernmental receivables consist of grant reimbursements due primarily from the Georgia Department of Education, sales taxes which are collected by the state on the School System's behalf, and property taxes collected by Clayton County Tax Commissioner on the School System's behalf.

NOTE 6. PROPERTY TAXES

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

Real property taxes were levied on October 10, 2018 and were due December 14, 2018. Clayton County may place liens on property once the related tax payments become delinquent. The property tax receivable allowance is equal to 50% of outstanding property taxes at June 30, 2019, net of amounts collected within 60 days of year-end.

Vehicle personal property taxes are due upon each respective payor's date of birth on an annual basis.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, is as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|---|------------------------------|----------------------|------------------|---------------------|---------------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 34,646,034 | \$ - | \$ - | \$ - | \$ 34,646,034 |
| Construction in progress | 97,402,414 | 63,142,223 | - | (62,921,917) | 97,622,720 |
| Total | <u>132,048,448</u> | <u>63,142,223</u> | <u>-</u> | <u>(62,921,917)</u> | <u>132,268,754</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 826,151,435 | - | - | 62,921,917 | 889,073,352 |
| Improvements | 4,831,696 | 9,251,180 | - | - | 14,082,876 |
| Machinery and equipment | 51,200,989 | 1,135,196 | - | - | 52,336,185 |
| Total | <u>882,184,120</u> | <u>10,386,376</u> | <u>-</u> | <u>62,921,917</u> | <u>955,492,413</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (218,165,768) | (17,117,832) | - | - | (235,283,600) |
| Improvements | (3,135,923) | (409,110) | - | - | (3,545,033) |
| Machinery and equipment | (36,072,498) | (2,731,356) | - | - | (38,803,854) |
| Total | <u>(257,374,189)</u> | <u>(20,258,298)</u> | <u>-</u> | <u>-</u> | <u>(277,632,487)</u> |
| Total capital assets, being depreciated, net | <u>624,809,931</u> | <u>(9,871,922)</u> | <u>-</u> | <u>62,921,917</u> | <u>677,859,926</u> |
| Governmental activities capital assets, net | <u>\$ 756,858,379</u> | <u>\$ 53,270,301</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 810,128,680</u> |
| Business-type activities: | | | | | |
| Capital assets, being depreciated: | | | | | |
| Buildings | \$ 7,308,375 | \$ - | \$ - | \$ - | \$ 7,308,375 |
| Machinery and equipment | 5,371,780 | - | (13,019) | - | 5,358,761 |
| Intangibles | 53,644 | - | - | - | 53,644 |
| Total | <u>12,733,799</u> | <u>-</u> | <u>(13,019)</u> | <u>-</u> | <u>12,720,780</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (4,165,770) | (146,167) | - | - | (4,311,937) |
| Machinery and equipment | (4,457,876) | (152,116) | 13,019 | - | (4,596,973) |
| Intangibles | (20,116) | (13,411) | - | - | (33,527) |
| Total | <u>(8,643,762)</u> | <u>(311,694)</u> | <u>13,019</u> | <u>-</u> | <u>(8,942,437)</u> |
| Business-type activities capital assets, net | <u>\$ 4,090,037</u> | <u>\$ (311,694)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,778,343</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (CONTINUED)

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

| | |
|---|----------------------|
| Governmental activities: | |
| Instruction | \$ 17,545,393 |
| Pupil services | 3,880 |
| Improvement of instructional services | 54,656 |
| Educational - media services | 851 |
| General administration | 145,340 |
| School administration | 243,052 |
| Business administration | 3,114 |
| Maintenance and operations | 273,862 |
| Student transportation | 1,695,432 |
| Central support services | 131,460 |
| Other non-instructional services | <u>161,258</u> |
| Total depreciation expense - governmental activities | <u>\$ 20,258,298</u> |
| Business-type activities: | |
| School food services | \$ 165,527 |
| Performing arts center | <u>146,167</u> |
| Total depreciation expense - business-type activities | <u>\$ 311,694</u> |

NOTE 8. SHORT-TERM DEBT

The School District issued a tax anticipation note in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections were received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75% of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred. The maturity date of the loan was December 31, 2018. One draw totaling \$40,000,000 was required to meet the cash flow needs of the School District. The note was repaid on December 31, 2018.

| | Beginning Balance | Additions | Reductions | Ending Balance |
|-----------------------|----------------------|---------------|-----------------|-------------------|
| Tax anticipation note | \$ - | \$ 40,000,000 | \$ (40,000,000) | \$ - |

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2019, are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|-----------------------|-----------------------|-------------------------|-----------------------|------------------------|
| Governmental activities: | | | | | |
| Claims payable | \$ 3,942,441 | \$ 1,632,387 | \$ (2,303,778) | \$ 3,271,050 | \$ 3,123,111 |
| Compensated absences | 4,282,150 | 20,208,663 | (20,235,684) | 4,255,129 | 2,978,590 |
| Net pension liability | 413,591,838 | 78,659,502 | (58,992,341) | 433,258,999 | - |
| Net OPEB liability | 372,752,236 | 30,718,260 | (54,152,260) | 349,318,236 | - |
| Governmental activities Long-term liabilities | <u>\$ 794,568,665</u> | <u>\$ 131,218,812</u> | <u>\$ (135,684,063)</u> | <u>\$ 790,103,414</u> | <u>\$ 6,101,701</u> |
| Business-type activities: | | | | | |
| Compensated absences | \$ 101,654 | \$ 625,476 | \$ (600,942) | \$ 126,188 | \$ 88,332 |
| Net pension liability | 3,700,100 | 703,821 | (527,614) | 3,876,307 | - |
| Net OPEB liability | 29,107,242 | 2,397,198 | (4,227,097) | 27,277,343 | - |
| Business-type activities Long-term liabilities | <u>\$ 32,908,996</u> | <u>\$ 3,726,495</u> | <u>\$ (5,355,653)</u> | <u>\$ 31,279,838</u> | <u>\$ 88,332</u> |

The balance of claims payable is related to workers' compensation claims. For governmental activities, compensated absences, claims payable, net pension liability, and net OPEB liability are liquidated primarily by the General Fund. For business-type activities, compensated absences, net pension liability, and net OPEB liability are liquidated primarily by the School Food Service Fund.

NOTE 10. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019, is as follows:

Due to/from other funds:

| Due to | Due from | | | | Total |
|--------------------------------|---------------------|-----------------------------|-----------------------------------|---------------------------|---------------------|
| | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | School Food Service | |
| General Fund | \$ - | \$ 4 | \$ 4,159,124 | \$ 305,710 | \$ 4,464,838 |
| Nonmajor Governmental Funds | 1,350,434 | - | - | - | 1,350,434 |
| | <u>\$ 1,350,434</u> | <u>\$ 4</u> | <u>\$ 4,159,124</u> | <u>\$ 305,710</u> | <u>\$ 5,815,272</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 10. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

| <u>Transfers in</u> | <u>Transfers out</u> | | <u>Total</u> |
|-----------------------------|----------------------|------------------------------------|---------------------|
| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | |
| General Fund | \$ - | \$ 142,016 | \$ 142,016 |
| School Food Service | 195,638 | - | 195,638 |
| Nonmajor Governmental Funds | 2,593,739 | - | 2,593,739 |
| | <u>\$ 2,789,377</u> | <u>\$ 142,016</u> | <u>\$ 2,931,393</u> |

Transfers are used to (1) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11. RETIREMENT PLANS

Teachers Retirement System

Plan Description

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

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 OCGA, contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to OCGA §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% of their annual pay during fiscal year 2019. The School System's contractually required contribution rate for the year ended June 30, 2019, was 20.90% of annual School System payroll. School System contributions to TRS were \$54,689,824 for the year ended June 30, 2019.

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

At June 30, 2019, the School System reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the School System by the State of Georgia for certain public school support personnel. The amount recognized by the School System as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School System were as follows:

| | | |
|---|----|--------------------|
| School System's proportionate share of the net pension liability | \$ | 436,890,083 |
| State of Georgia's proportionate share of the net pension liability associated with the School System | | <u>500,250</u> |
| Total | \$ | <u>437,390,333</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

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

The net pension liability was measured as of June 30, 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 System'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 System's proportion was 2.353662%, which was an increase of 0.109794% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School System recognized pension expense of \$50,494,543 and revenue of \$8,671 for support provided by the State of Georgia for certain support personnel. At June 30, 2019, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 28,922,740 | \$ 900,440 |
| Changes of assumptions | 6,592,513 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 11,945,423 |
| Changes in proportion and differences between School System contributions and proportionate share of contributions | 25,195,124 | 3,196,102 |
| School System contributions subsequent to the measurement date | <u>54,689,824</u> | <u>-</u> |
| Total | <u>\$ 115,400,201</u> | <u>\$ 16,041,965</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

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

School System contributions, subsequent to the measurement date, of \$54,689,824 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: | | |
|----------------------------|----|-------------|
| 2020 | \$ | 28,095,608 |
| 2021 | | 16,878,135 |
| 2022 | | (5,023,895) |
| 2023 | | 3,925,075 |
| 2024 | | 793,489 |

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:

| | |
|----------------------------------|--|
| 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 |
| Postretirement benefit increases | 1.5% semi-annually |

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Actuarial Assumptions (Continued)

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

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

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

Discount Rate

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

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

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

| | 1% Decrease (6.50%) | Current discount rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------------------|--|------------------------------------|
| School System's proportionate share of the net pension liability | \$ 729,294,645 | \$ 436,890,083 | \$ 195,933,841 |

Pension Plan Fiduciary Net Position

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

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Public School Employees Retirement System (PSERS) (Continued)

Benefits Provided (Continued)

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 OCGA §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

Pension Liabilities and Pension Expense

At June 30, 2019, the School System did not have a liability for a proportionate share of the net pension liability of PSERS because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the School System is as follows:

| | |
|--|---------------------|
| State of Georgia's proportionate share of the net pension liability associated with the School System | <u>\$ 5,845,819</u> |
|--|---------------------|

The 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 System was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Public School Employees Retirement System (PSERS) (Continued)

For the year ended June 30, 2019, the School System recognized pension expense of \$1,353,520 and revenue of \$1,353,520 for support provided by the State of Georgia.

Actuarial Assumptions

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

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

Postretirement 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 retirement 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 and 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 the 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 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Public School Employees Retirement System (PSERS) (Continued)

Actuarial Assumptions (Continued)

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. This was a decrease from the prior year's discount rate, which was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

Plan Description

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

Benefits Provided

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

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

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

Contributions

Member contributions under the Old Plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

Member contributions under the New Plan and GSEPS are 1.25% of annual compensation. The School System's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2019, was 24.78% of annual covered payroll for Old and New Plan members and 21.78% for GSEPS members. The School System's contributions to ERS totaled \$33,023 for the year ended June 30, 2019. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2019, the School System reported a liability for its proportionate share of the net pension liability of ERS in the amount of \$245,223. The 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 School System's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2018. At June 30, 2018, the School System's proportion was 0.005965%, which was a decrease of 0.000490% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School System recognized pension expense of \$16,509. At June 30, 2019, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ 7,627 | \$ - |
| Changes of assumptions | 11,553 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 5,651 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 8,638 | 12,115 |
| Employer contributions subsequent to the measurement date | 33,023 | - |
| Total | \$ 60,841 | \$ 17,766 |

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

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

School System contributions subsequent to the measurement date of \$33,023 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: | | |
|----------------------------|----|---------|
| 2020 | \$ | 19,500 |
| 2021 | | 2,471 |
| 2022 | | (9,394) |
| 2023 | | (2,525) |

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:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

Actuarial Assumption (Continued)

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. 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 State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

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

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

| | 1% Decrease (6.30%) | Current discount rate (7.30%) | 1% Increase (8.30%) |
|---|---------------------------|-------------------------------------|---------------------------|
| Employer's proportionate share of the net pension liability | \$ 348,794 | \$ 245,223 | \$ 156,978 |

Pension Plan Fiduciary Net Position

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

Aggregate Amounts

Aggregated amounts for all pensions plans are as follows:

| | TRS | ERS | PSERS | Total |
|-----------------------|----------------|------------|-----------|----------------|
| Net pension liability | \$ 436,890,083 | \$ 245,223 | \$ - | \$ 437,135,306 |
| Deferred outflows | 115,400,201 | 60,841 | - | 115,461,042 |
| Deferred inflows | 16,041,965 | 17,766 | - | 16,059,731 |
| Pension expense | 50,494,543 | 16,509 | 1,353,520 | 51,864,572 |

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description.

The School System participates in the State of Georgia School Employees Postemployment Benefit Fund (the "School OPEB Fund") which is an other postemployment benefit (OPEB) plan administered by the State of Georgia Department of Community Health (DCH). Certified teachers and non-certified employees of the Board as defined in §20-2-875 of the Official Code of Georgia Annotated (OCGA) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund of the State of Georgia and administered by a Board of Community Health (DCH Board). Title 20 of the OCGA assigns the authority to establish and amend the benefit terms of the group health plan to the DCH Board. The School OPEB Fund is included in the State of Georgia Comprehensive Annual Financial Report which is publicly available and can be obtained at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

Benefits

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 of Community Health, 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 required and made to the School OPEB Fund from the School System were \$15,357,241 for the year ended June 30, 2019. Active employees are not required to contribute to the School OPEB Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2019, the School System reported a liability of \$376,595,579 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 System's proportion of the net OPEB liability was actuarially determined based on employer contributions to the School OPEB Fund during the fiscal year ended June 30, 2018. At June 30, 2018, the School System's proportion was 2.963058%, which was an increase of 0.102840% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School System recognized OPEB expense of \$19,559,010. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 8,566,066 |
| Changes of assumptions | - | 63,797,103 |
| Net difference between projected and actual earnings on OPEB plan investments | 509,532 | - |
| Changes in proportion and differences between School System contributions and proportionate share of contributions | 25,546,828 | 6,638,961 |
| School System contributions subsequent to the measurement date | 15,257,864 | - |
| Total | \$ 41,314,224 | \$ 79,002,130 |

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

School System contributions subsequent to the measurement date of \$15,257,864 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 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: | <u>School OPEB Plan</u> |
|---------------------|-------------------------|
| 2020 | \$ (10,310,594) |
| 2021 | (10,310,594) |
| 2022 | (10,310,595) |
| 2023 | (10,341,035) |
| 2024 | (8,491,079) |
| 2025 | (3,181,873) |

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:

| | |
|-----------------------------------|--|
| Inflation rate | 2.75% |
| Salary increases | 3.25%-9.00%, average, 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 5.55% |
| Ultimate trend rate | Pre-Medicare eligible - 4.75%, Medicare eligible 4.75% |
| Year of ultimate trend | Pre-Medicare eligible - 2028, Medicare eligible 2022 |

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Actuarial assumptions (Continued)

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

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

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

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the School System 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Actuarial assumptions (Continued)

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

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

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

Discount rate

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT

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

Workers' Compensation

The School System is partially self-insured for Workers' Compensation claims of its employees. Claims exceeding \$250,000, but less than \$2,000,000 per occurrence are covered through a private insurance carrier. The School System is liable for any other claims filed. The School System has entered into a contract with a third party to administer the program. Activity is accounted for in the General Fund.

Changes in the balances of workers' compensation claims liabilities for the past two fiscal years for which the School System is self-insured are as follows:

| <u>Workers' Compensation</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|---|----------------------|----------------------|
| Unpaid claims, beginning of fiscal year | \$ 3,942,441 | \$ 3,330,395 |
| Incurred claims (including IBNRs) | 1,632,387 | 3,081,526 |
| Claim payments and changes in estimates | <u>(2,303,778)</u> | <u>(2,469,480)</u> |
| Unpaid claims, end of fiscal year | <u>\$ 3,271,050</u> | <u>\$ 3,942,441</u> |

NOTE 14. COMMITMENTS AND CONTINGENCIES

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

The School System participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School System has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019, may be impaired. In the opinion of the School System, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTES TO FINANCIAL STATEMENTS

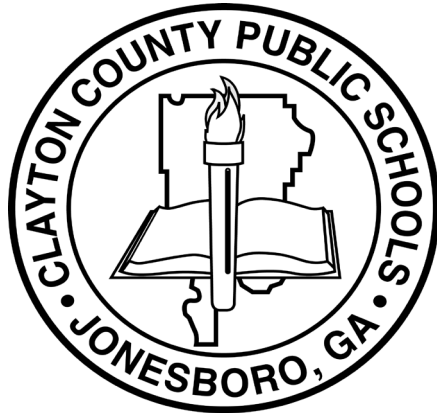
NOTE 14. COMMITMENTS AND CONTINGENCIES

The School System is committed under outstanding construction contracts in the Capital Projects Fund in the amount of \$70,803,512. Construction contracts include new school construction and expansion and renovation of existing facilities.

NOTE 15. SUBSEQUENT EVENT

On September 26, 2019, the Clayton County Board of Education issued a tax anticipation note in advance of property tax collections with a financial institution in the amount of \$30,000,000. Proceeds from this short-term loan was issued to provide cash for operations until property tax collections were received by the School District. The maturity date of the note was December 31, 2019. The note was repaid on December 31, 2019.

On September 18, 2020, the Clayton County Board of Education issued a tax anticipation note in advance of property tax collections with a financial institution in the amount of \$30,000,000. Proceeds from this short-term loan was issued to provide cash for operations until property tax collections were received by the School District. The maturity date of the note was December 31, 2020. The note was repaid on December 31, 2020.



Supplemental Information

**Clayton County
Public Schools**

CLAYTON COUNTY BOARD OF EDUCATION

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

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|------------------------------|-----------------------|-----------------------|-----------------------|
| School System's proportion of the net pension liability | 2.353662% | 2.243868% | 2.152851% | 2.197081% |
| School System's proportionate share of the net pension liability | \$ 436,890,083 | \$ 417,029,779 | \$ 444,157,166 | \$ 334,483,765 |
| State of Georgia's proportionate share of the net pension liability associated with the School System | <u>500,250</u> | <u>638,963</u> | <u>920,560</u> | <u>683,558</u> |
| Total | <u>\$ 437,390,333</u> | <u>\$ 417,668,742</u> | <u>\$ 445,077,726</u> | <u>\$ 335,167,323</u> |
| School System's covered payroll | \$ 275,752,588 | \$ 257,711,710 | \$ 254,456,566 | \$ 235,884,198 |
| School System's proportionate share of the net pension liability as a percentage of its covered payroll | 158.44% | 161.82% | 174.55% | 141.80% |
| Plan fiduciary net position as a percentage of the total pension liability | 80.27% | 79.33% | 76.06% | 81.44% |

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

CLAYTON COUNTY BOARD OF EDUCATION

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

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contributions | \$ 54,689,824 | \$ 46,354,010 | \$ 36,775,461 | \$ 36,310,952 | \$ 31,018,772 |
| Contributions in relation to the contractually required contribution | <u>54,689,824</u> | <u>46,354,010</u> | <u>36,775,461</u> | <u>36,310,952</u> | <u>31,018,772</u> |
| Contribution deficiency (excess) | - | - | - | - | - |
| School System's covered payroll | \$ 261,673,799 | \$ 275,752,588 | \$ 257,711,710 | \$ 254,456,566 | \$ 235,884,198 |
| Contributions as a percentage of covered payroll | 20.90% | 16.81% | 14.27% | 14.27% | 13.15% |

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

CLAYTON COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION TEACHERS RETIREMENT SYSTEM OF GEORGIA FOR THE YEAR ENDED JUNE 30, 2019

Changes of assumptions

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

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 vs changes 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).

CLAYTON COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30,

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------|---------------|---------------|---------------|
| School System's proportion of the net pension liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| School System's proportionate share of the net pension liability | - | - | - | - | - |
| State of Georgia's proportionate share of the net position liability associated with the School System | \$ 5,845,819 | \$ 5,379,011 | \$ 7,277,689 | \$ 4,487,155 | \$ 3,516,516 |
| Total | \$ 5,845,819 | \$ 5,379,011 | \$ 7,277,689 | \$ 4,487,155 | \$ 3,516,516 |
| School System's covered payroll | \$ 22,365,212 | \$ 23,425,764 | \$ 23,090,120 | \$ 21,459,053 | \$ 19,768,819 |
| School System's proportionate share of the net pension liability as a percentage of its covered payroll | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 85.26% | 85.69% | 81.00% | 87.00% | 88.29% |

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

CLAYTON COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2019

Changes of assumptions

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

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to the 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 three years for males and two years for females).

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

CLAYTON COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30,

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------|-------------|-------------|-------------|
| School System's proportion of the net pension liability | 0.005965% | 0.006455% | 0.005568% | 0.008875% | 0.006853% |
| School System's proportionate share of the net pension liability | \$ 245,223 | \$ 262,159 | \$ 263,390 | \$ 359,562 | \$ 257,030 |
| School System's covered payroll | \$ 147,922 | \$ 129,462 | \$ 129,462 | \$ 202,910 | \$ 154,312 |
| School System's proportionate share of the net pension liability as a percentage of its covered payroll | 165.78% | 202.50% | 203.45% | 177.20% | 166.57% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.68% | 76.33% | 72.34% | 76.20% | 77.99% |

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

CLAYTON COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30,

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contributions | \$ 31,129 | \$ 36,522 | \$ 39,283 | \$ 32,003 | \$ 44,559 |
| Contributions in relation to the contractually required contribution | <u>31,129</u> | <u>36,522</u> | <u>39,283</u> | <u>32,003</u> | <u>44,559</u> |
| Contribution deficiency (excess) | - | - | - | - | - |
| School System's covered payroll | \$ 125,621 | \$ 147,922 | \$ 159,105 | \$ 129,462 | \$ 202,910 |
| Contributions as a percentage of covered payroll | 24.78% | 24.69% | 24.69% | 24.72% | 21.96% |

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

CLAYTON COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2019

Changes of assumptions

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, withdrawal and salary increases.

CLAYTON COUNTY BOARD OF EDUCATION

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

| | 2019 | 2018 |
|---|-----------------------|----------------|
| School System's proportion of the net OPEB liability | 2.963058% | 2.860218% |
| School System's proportion of the net OPEB liability | \$ 376,595,579 | \$ 401,859,478 |
| School System's covered-employee payroll | \$ 333,958,749 | \$ 328,386,384 |
| School System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 112.77% | 122.37% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 2.93% | 1.61% |

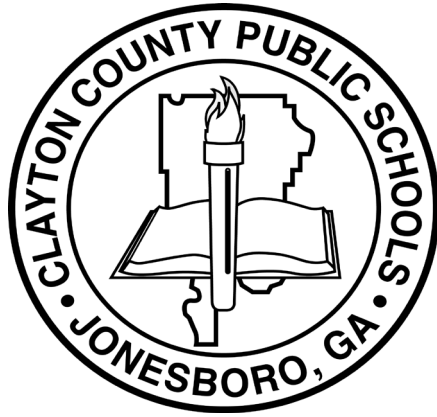
Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Changes of Assumptions

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

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

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



Combining Fund Schedules

**Clayton County
Public Schools**

CLAYTON COUNTY BOARD OF EDUCATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The **Adult Education Fund** is used to account for federal grant funds passed through the Georgia Department of Technical and Adult Education for the purpose of providing a vocational curriculum program for adults.

The **After School Program Fund** is used to account for the after school program in place at all Clayton County elementary schools. Revenues consist of fees paid for the after school care of students.

The **Athletics Fund** is used to account for athletic events held on behalf of Clayton County's schools. Revenues consist primarily of ticket and concession sales.

The **Lottery Fund** is used to account for state grant funds flowing through the State of Georgia Department of Education for various programs as established by the state.

The **South Metro Fund** is used to account for the development center for children with physical and mental handicaps.

The **Title I Fund** is used to account for federal grant funds passed through the State of Georgia Department of Education to the School System to provide remedial education in the areas of reading and math and to provide a special education program for children who are physically handicapped.

The **Title II Fund** is used to account for federal grant funds passed through the State of Georgia Department of Education to the School System for the purpose of training teachers in math, science, foreign language, and computer science programs.

The **Title III Fund** is used to account for federal grant funds passed through the State of Georgia Department of Education to the School System for the purpose of providing assistance to limited English proficient children and youth in Clayton County schools in attaining English proficiency.

The **All Other Special Revenue Funds** is used to account for the activities of various other programs funded by local, state and federal funds.

The **Title VI-B Preschool Fund** is used to account for federal funds authorized by the Individuals with Disabilities Education Act that are passed through the State of Georgia Department of Education to the School System for the purpose of providing special education programs for children with disabilities ages three to five.

CLAYTON COUNTY BOARD OF EDUCATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

The **Title VI-B Fund** is used to account for federal funds in connection with the Individuals with Disabilities Education Act that are passed through the State of Georgia Department of Education to the School System for the purpose of providing special education programs for children in pre-kindergarten through 12th grade.

The **Vocational Programs Fund** is used to account for federal grant funds passed through the State of Georgia Department of Education to the School System for the purpose of providing a vocational curriculum program.

The **School Discretionary Fund** is used to account for the portion of the school activity resources used for general governmental expenditures.

CLAYTON COUNTY BOARD OF EDUCATION

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2019

| ASSETS | Special Revenue Funds | | | |
|--|-----------------------|-------------------------|------------------|-------------------|
| | Adult Education | After School Program | Athletics | Lottery |
| Cash | \$ - | \$ 382,213 | \$ 18,341 | \$ 547,023 |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Intergovernmental | 24,987 | - | - | - |
| Due from other funds | - | - | - | 6,379 |
| Total assets | \$ 24,987 | \$ 382,213 | \$ 18,341 | \$ 553,402 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 570 | \$ 8,684 | \$ 25,642 |
| Accrued payroll and payroll withholdings | 776 | - | - | 527,760 |
| Other current liabilities | - | - | 70 | - |
| Unearned revenue | - | - | - | - |
| Due to other funds | 4,486 | - | - | - |
| Total liabilities | 5,262 | 570 | 8,754 | 553,402 |
| FUND BALANCES | | | | |
| Restricted | 19,725 | - | - | - |
| Committed for student programs | - | 381,643 | 9,587 | - |
| Total fund balances | 19,725 | 381,643 | 9,587 | - |
| Total liabilities and fund balances | \$ 24,987 | \$ 382,213 | \$ 18,341 | \$ 553,402 |

Special Revenue Funds

| South Metro | Title I | Title II | Title III | All Other Special Revenue | Title IV |
|------------------------|---------------------|-------------------|------------------|--------------------------------------|-------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | 17,179 | - |
| 844,846 | 4,121,994 | 283,609 | 70,708 | 348,972 | 729,568 |
| 10,091 | 642,130 | - | 99 | 50,258 | 224,160 |
| <u>\$ 854,937</u> | <u>\$ 4,764,124</u> | <u>\$ 283,609</u> | <u>\$ 70,807</u> | <u>\$ 416,409</u> | <u>\$ 953,728</u> |
| | | | | | |
| \$ 2,534 | \$ 1,828,895 | \$ 132,221 | \$ 2,875 | \$ 30,426 | \$ 259,365 |
| 523,335 | 1,411,107 | - | 43,808 | 31,517 | 223,101 |
| - | - | - | - | - | - |
| - | - | - | - | 1,435 | 1,060 |
| 329,068 | 1,524,122 | 151,388 | 24,124 | 333,737 | 470,202 |
| <u>854,937</u> | <u>4,764,124</u> | <u>283,609</u> | <u>70,807</u> | <u>397,115</u> | <u>953,728</u> |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | 19,294 | - |
| - | - | - | - | 19,294 | - |
| <u>\$ 854,937</u> | <u>\$ 4,764,124</u> | <u>\$ 283,609</u> | <u>\$ 70,807</u> | <u>\$ 416,409</u> | <u>\$ 953,728</u> |

(Continued)

CLAYTON COUNTY BOARD OF EDUCATION

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2019

| ASSETS | Special Revenue Funds | | | | Total Nonmajor Governmental Funds |
|--|-------------------------|--------------|------------------------|-------------------------|--|
| | Title VI-B Preschool | Title VI-B | Vocational Programs | School Discretionary | |
| Cash | \$ - | \$ - | \$ - | \$ 3,733,860 | \$ 4,681,437 |
| Receivables: | | | | | |
| Accounts | - | - | - | - | 17,179 |
| Intergovernmental | 25,259 | 2,024,194 | 260,580 | - | 8,734,717 |
| Due from other funds | - | 417,317 | - | - | 1,350,434 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | \$ 25,259 | \$ 2,441,511 | \$ 260,580 | \$ 3,733,860 | \$ 14,783,767 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,398 | \$ 398,980 | \$ 219,875 | \$ - | \$ 2,911,465 |
| Accrued payroll and payroll withholdings | 12,890 | 772,210 | - | - | 3,546,504 |
| Other current liabilities | - | - | - | - | 70 |
| Unearned revenue | - | - | - | - | 2,495 |
| Due to other funds | 10,971 | 1,270,321 | 40,705 | - | 4,159,124 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities | 25,259 | 2,441,511 | 260,580 | - | 10,619,658 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| FUND BALANCES | | | | | |
| Restricted | - | - | - | - | 19,725 |
| Committed for student programs | - | - | - | 3,733,860 | 4,144,384 |
| Total fund balances | - | - | - | 3,733,860 | 4,164,109 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities and fund balances | \$ 25,259 | \$ 2,441,511 | \$ 260,580 | \$ 3,733,860 | \$ 14,783,767 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

CLAYTON COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | |
|--|-----------------------|-------------------------|------------------|------------------|
| | Adult Education | After School Program | Athletics | Lottery |
| REVENUES | | | | |
| Local sources | \$ 23,376 | \$ 1,667,116 | \$ 240,573 | \$ - |
| State sources | 373,974 | - | - | 2,753,939 |
| Federal sources | 353,631 | - | - | - |
| Total revenues | <u>750,981</u> | <u>1,667,116</u> | <u>240,573</u> | <u>2,753,939</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 559,082 | - | - | 3,376,878 |
| Pupil services | - | 3,800 | - | - |
| Improvement of instructional services | 200,235 | 108,515 | - | 323,378 |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business services | - | 23,956 | - | - |
| Student transportation | - | 41,767 | - | 6,047 |
| Other support services | - | - | - | - |
| Other non-instructional services | - | - | 369,237 | - |
| Community service | - | 1,672,290 | - | - |
| Total expenditures | <u>759,317</u> | <u>1,850,328</u> | <u>369,237</u> | <u>3,706,303</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(8,336)</u> | <u>(183,212)</u> | <u>(128,664)</u> | <u>(952,364)</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 28,061 | - | 130,000 | 952,364 |
| Transfers out | - | - | - | - |
| Total other financing sources | <u>28,061</u> | <u>-</u> | <u>130,000</u> | <u>952,364</u> |
| Net change in fund balances | 19,725 | (183,212) | 1,336 | - |
| FUND BALANCES, beginning of year | <u>-</u> | <u>564,855</u> | <u>8,251</u> | <u>-</u> |
| FUND BALANCES, end of year | <u>\$ 19,725</u> | <u>\$ 381,643</u> | <u>\$ 9,587</u> | <u>\$ -</u> |

Special Revenue Funds

| South Metro | Title I | Title II | Title III | All Other Special Revenue | Title IV |
|------------------------|-------------------|------------------|------------------|--------------------------------------|------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 3,000 | \$ - |
| 3,725,732 | - | - | - | 115,459 | - |
| 401,949 | 19,756,925 | 1,996,428 | 670,347 | 949,200 | 1,115,823 |
| <u>4,127,681</u> | <u>19,756,925</u> | <u>1,996,428</u> | <u>670,347</u> | <u>1,067,659</u> | <u>1,115,823</u> |
| 2,529,884 | 8,645,263 | - | 282,201 | - | 765,453 |
| 598,051 | 3,191,009 | - | 90,036 | 222,769 | 35,000 |
| 3,480 | 7,198,484 | 1,941,109 | 292,056 | 648,398 | 539,530 |
| 31,186 | 251,802 | 55,319 | - | 28,972 | - |
| 975,171 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 25,007 | - | - | 4,908 | - |
| - | 98,968 | - | 6,153 | - | - |
| - | - | - | - | 352,129 | - |
| - | - | - | - | - | - |
| <u>4,137,772</u> | <u>20,399,055</u> | <u>1,996,428</u> | <u>670,446</u> | <u>1,257,176</u> | <u>1,339,983</u> |
| <u>(10,091)</u> | <u>(642,130)</u> | <u>-</u> | <u>(99)</u> | <u>(189,517)</u> | <u>(224,160)</u> |
| 10,091 | 642,130 | - | 99 | 189,517 | 224,160 |
| - | - | - | - | - | - |
| <u>10,091</u> | <u>642,130</u> | <u>-</u> | <u>99</u> | <u>189,517</u> | <u>224,160</u> |
| - | - | - | - | - | - |
| - | - | - | - | 19,294 | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 19,294</u> | <u>\$ -</u> |

(Continued)

CLAYTON COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | | Total Nonmajor Governmental Funds |
|--|-------------------------|--------------------|------------------------|----------------------------|--|
| | Title VI-B Preschool | Title VI-B | Vocational Programs | School Discretionary | |
| REVENUES | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ 7,419,530 | \$ 9,353,595 |
| State sources | - | - | - | - | 6,969,104 |
| Federal sources | 169,147 | 9,260,140 | 589,464 | - | 35,263,054 |
| Total revenues | <u>169,147</u> | <u>9,260,140</u> | <u>589,464</u> | <u>7,419,530</u> | <u>51,585,753</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Instruction | 107,416 | 7,136,137 | 589,420 | 7,446,548 | 31,438,282 |
| Pupil services | 61,448 | 1,655,593 | - | - | 5,857,706 |
| Improvement of instructional services | 283 | 611,401 | 44 | - | 11,866,913 |
| General administration | - | - | - | - | 367,279 |
| School administration | - | - | - | - | 975,171 |
| Business services | - | - | - | - | 23,956 |
| Student transportation | - | 132,310 | - | - | 210,039 |
| Other support services | - | - | - | - | 105,121 |
| Other non-instructional services | - | - | - | - | 721,366 |
| Community service | - | - | - | - | 1,672,290 |
| Total expenditures | <u>169,147</u> | <u>9,535,441</u> | <u>589,464</u> | <u>7,446,548</u> | <u>54,226,645</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>(275,301)</u> | <u>-</u> | <u>(27,018)</u> | <u>(2,640,892)</u> |
| OTHER FINANCING SOURCES | | | | | |
| Transfers in | - | 417,317 | - | - | 2,593,739 |
| Transfers out | - | (142,016) | - | - | (142,016) |
| Total other financing sources | <u>-</u> | <u>275,301</u> | <u>-</u> | <u>-</u> | <u>2,451,723</u> |
| Net change in fund balances | - | - | - | (27,018) | (189,169) |
| FUND BALANCES, | | | | | |
| beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,760,878</u> | <u>4,353,278</u> |
| FUND BALANCES, end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,733,860</u></u> | <u><u>\$ 4,164,109</u></u> |

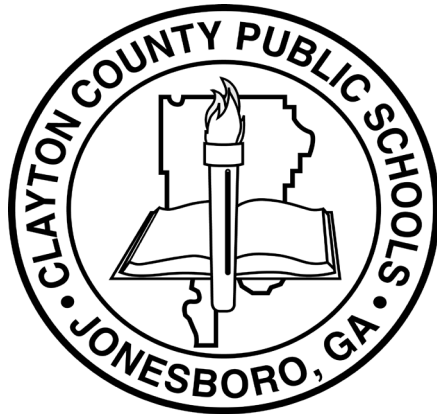
CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|-------------------------------------|-------------------------|--------------|--------------|--------------------------|
| <u>STUDENT ACTIVITY FUND</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 550,018 | \$ 2,227,543 | \$ 2,161,591 | \$ 615,970 |
| LIABILITIES | | | | |
| Due to student organizations | | | | |
| Elementary Schools: | | | | |
| Brown | 2,807 | 42,341 | 41,856 | 3,292 |
| Callaway | 1,551 | 5,584 | 6,482 | 653 |
| Church Street | 3,491 | 12,639 | 12,894 | 3,236 |
| East Clayton | 2,062 | 5,141 | 5,372 | 1,831 |
| Edmonds | 1,014 | 2,103 | 2,842 | 275 |
| Fountain | 2,928 | 4,263 | 3,505 | 3,686 |
| Harper | 2,017 | 2,726 | 3,325 | 1,418 |
| Hawthorne | 1,705 | 6,974 | 6,247 | 2,432 |
| Haynie | 6,307 | 2,877 | 4,798 | 4,386 |
| Huie | 1,379 | 4,218 | 3,871 | 1,726 |
| Jackson | 8,884 | 6,245 | 13,571 | 1,558 |
| Kemp Primary | 2,884 | 15,862 | 12,855 | 5,891 |
| Kilpatrick | 993 | 5,631 | 5,504 | 1,120 |
| King | 1,118 | 6,147 | 6,254 | 1,011 |
| Lake City | 8,491 | 1,630 | 9,455 | 666 |
| Lake Ridge | 514 | 11,305 | 11,711 | 108 |
| Lee Street | 2,179 | 2,967 | 3,710 | 1,436 |
| Marshall | 2,789 | 11,549 | 10,904 | 3,434 |
| McGarrah | 5,330 | 8,586 | 8,630 | 5,286 |
| Morrow | 6,718 | 2,444 | 8,669 | 493 |
| Mt. Zion | 5,757 | 2,917 | 2,832 | 5,842 |
| Mt. Zion Primary | 1,081 | 7,033 | 6,613 | 1,501 |
| Northcutt | 3,258 | 5,949 | 5,849 | 3,358 |
| Oliver | 585 | 25,808 | 22,527 | 3,866 |
| Pointe South | 2,260 | 4,333 | 4,157 | 2,436 |
| Riverdale | 4,023 | 9,985 | 9,422 | 4,586 |
| River's Edge | 1,364 | 16,033 | 16,415 | 982 |
| Smith | 9,232 | 17,616 | 18,248 | 8,600 |
| Suder | 692 | 4,750 | 4,817 | 625 |
| Swint | 1,596 | 5,149 | 2,740 | 4,005 |
| Tara | 1,515 | 13,734 | 11,810 | 3,439 |
| Unidos | 2,503 | 2,593 | 2,648 | 2,448 |
| West Clayton | 793 | 1,719 | 1,663 | 849 |
| White Academy | 6,386 | 37,768 | 33,594 | 10,560 |
| Total Elementary Schools | 117,071 | 363,383 | 370,077 | 110,377 |

CLAYTON COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | <u>Balance</u> <u>July 1, 2018</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2019</u> |
|---|---------------------------------------|---------------------|---------------------|--|
| LIABILITIES (CONTINUED) | | | | |
| Due to student organizations (Continued) | | | | |
| Middle Schools: | | | | |
| Adamson | \$ 7,459 | \$ 18,660 | \$ 19,198 | \$ 6,921 |
| Babb | 8,079 | 31,059 | 27,389 | 11,749 |
| Elite Scholars | 4,616 | 59,141 | 59,141 | 4,616 |
| Forest Park | 1,935 | 29,155 | 28,494 | 2,596 |
| Jonesboro | 3,128 | 20,903 | 20,217 | 3,814 |
| Kendrick | 12,412 | 42,414 | 38,733 | 16,093 |
| Lovejoy | 5,387 | 14,709 | 17,799 | 2,297 |
| Morrow | 10,554 | 45,541 | 39,550 | 16,545 |
| Mundy's Mill | 13,291 | 34,015 | 31,828 | 15,478 |
| North Clayton | 13,064 | 35,605 | 16,415 | 32,254 |
| Pointe South | 3,080 | 23,630 | 23,740 | 2,970 |
| Rex Mill | 17,230 | 84,956 | 72,391 | 29,795 |
| Riverdale | 3,835 | 10,129 | 10,990 | 2,974 |
| Roberts | 34,473 | 31,937 | 36,880 | 29,530 |
| Sequoyah | 2,827 | 16,211 | 15,165 | 3,873 |
| Total Middle Schools | <u>141,370</u> | <u>498,065</u> | <u>457,930</u> | <u>181,505</u> |
| High Schools and Special Purpose Programs: | | | | |
| Drew | \$ 38,621 | \$ 139,055 | \$ 131,804 | \$ 45,872 |
| Forest Park | 14,834 | 65,531 | 52,889 | 27,476 |
| Jonesboro | 15,093 | 127,775 | 121,083 | 21,785 |
| Lovejoy | 46,488 | 148,393 | 167,306 | 27,575 |
| Morrow | 50,036 | 157,988 | 162,683 | 45,341 |
| Mt. Zion | 14,470 | 158,417 | 162,564 | 10,323 |
| Mundy's Mill | 23,972 | 140,507 | 113,404 | 51,075 |
| North Clayton | 18,468 | 94,989 | 105,033 | 8,424 |
| Riverdale | 23,021 | 74,975 | 64,615 | 33,381 |
| Perry Center | 1,100 | 15,154 | 13,910 | 2,344 |
| Stilwell | 45,058 | 238,744 | 234,822 | 48,980 |
| South Metro | 416 | - | - | 416 |
| Eddie White | - | 4,567 | 3,471 | 1,096 |
| Total High Schools and Special Purpose Programs | <u>291,577</u> | <u>1,366,095</u> | <u>1,333,584</u> | <u>324,088</u> |
| Total due to student organizations | <u>550,018</u> | <u>2,227,543</u> | <u>2,161,591</u> | <u>615,970</u> |
| Total Liabilities | <u>\$ 550,018</u> | <u>\$ 2,227,543</u> | <u>\$ 2,161,591</u> | <u>\$ 615,970</u> |



Single Audit Section

**Clayton County
Public Schools**



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

**To the Superintendent and Members of the
Clayton County Board of Education
Jonesboro, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clayton County Board of Education as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Clayton County Board of Education's basic financial statements and have issued our report thereon dated April 14, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 through 2019-006 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-007 to be a significant deficiency.

Compliance and Other Matters

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

Clayton County Board of Education's Responses to Findings

Clayton County Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Clayton County Board of Education's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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 Clayton County Board of Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 14, 2021



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

To the Superintendent and Members of the
Clayton County Board of Education
Jonesboro, Georgia

Report on Compliance for Each Major Federal Program

We have audited Clayton County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Clayton County Board of Education's major federal programs for the year ended June 30, 2019. Clayton County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Clayton County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 14, 2021

CLAYTON COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Contract or Project Number | Total Expenditures |
|--|---------------------------|----------------------------------|-----------------------|
| U. S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through Georgia Department of Education: | | | |
| Child Nutrition Cluster | | | |
| School Breakfast Program | 10.553 | N/A | \$ 9,199,135 |
| USDA Commodities | 10.555 | N/A | 2,575,792 |
| National School Lunch Program | 10.555 | N/A | 24,092,268 |
| National School Snack Program | 10.555 | N/A | 388,380 |
| Total Child Nutrition Cluster | | | 36,255,575 |
| Passed through Georgia Department of Education: | | | |
| Fresh Fruits and Vegetables | 10.582 | N/A | 344,188 |
| Total U. S. Department of Agriculture | | | 36,599,763 |
| U. S. DEPARTMENT OF EDUCATION | | | |
| Passed through Georgia Department of Technical and Adult Education: | | | |
| Adult Education | 84.002 | N/A | 353,631 |
| Passed through Georgia Department of Education: | | | |
| Title I Programs - Improving Academic Achievement | 84.010 | N/A | 19,756,190 |
| Title I Programs - School Improvement Grant | 84.010 | N/A | 735 |
| | | | 19,756,925 |
| Title IV-B, Special Education Cluster | | | |
| Title VI-B Flowthrough | 84.027 | N/A | 9,095,102 |
| Title VI-B High Cost | 84.173 | N/A | 142,016 |
| Building Capacity | 84.027 | N/A | 23,022 |
| Title VI-B South Metro | 84.027 | N/A | 401,949 |
| Title VI-B Preschool | 84.173 | N/A | 169,147 |
| Total Title IV-B, Special Education Cluster | | | 9,831,236 |
| Title II - Improving Teacher Quality | 84.367 | N/A | 1,984,877 |
| Title II - Advanced Placement | 84.367 | N/A | 11,550 |
| | | | 1,996,427 |
| Title III - Limited English Proficient | 84.365 | N/A | 664,812 |
| Title III - Language Instruction for English Learners (EL) | 84.365 | N/A | 5,535 |
| | | | 670,347 |

(Continued)

CLAYTON COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Contract or Project Number | Total Expenditures |
|--|---------------------------|----------------------------------|-----------------------|
| U. S. DEPARTMENT OF EDUCATION (CONTINUED) | | | |
| Passed through Georgia Department of Education (Continued) | | | |
| Title IV - Part A Student Support and Academic Enrichment | 84.424 | N/A | \$ 1,115,823 |
| Engaging Minds | 84.351C | N/A | 318,749 |
| Education for Homeless Children and Youth | 84.196 | N/A | 70,870 |
| Vocational Education - Basic Grants to States | | | |
| Program Improvement | 84.048 | N/A | 554,735 |
| Perkins Carryover | 84.048 | N/A | 34,729 |
| | | | 589,464 |
| Subtotal - Passed through Georgia Department of Education | | | 34,703,472 |
| Passed through Georgia State University Research Foundation | | | |
| Collaboration and Resources for Encouraging and Supporting Transformations in Education | 84.336 | N/A | 94,626 |
| Subtotal - Passed through Georgia State University Research Foundation | | | 94,626 |
| Passed through Georgia Institute of Technology | | | |
| GEAR UP | 84.334 | N/A | 30,291 |
| Subtotal - Passed through Georgia Institute of Technology | | | 30,291 |
| Total U. S. Department of Education | | | 34,828,389 |
| U. S. DEPARTMENT OF DEFENSE | | | |
| Direct Program: | | | |
| Junior ROTC | 12.000 | N/A | 607,084 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed through Georgia Department of Early Care and Learning | | | |
| Child Care and Development Block Grant | 93.575 | N/A | 23,421 |
| Total Child Care and Development Fund Cluster | | | 23,421 |
| Total U. S. Department of Health and Human Services | | | 23,421 |
| Total Expenditures of Federal Awards | | | \$ 72,058,657 |

CLAYTON COUNTY BOARD OF EDUCATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

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

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

NOTE 2. DE MINIMIS COST RATE

The School System elected not to use the 10% de minimis cost rate for the year ended June 30, 2019.

NOTE 3. SUBRECIPIENTS

The School System did not pass through any funds to subrecipients for the year ended June 30, 2019.

NOTE 4. USDA COMMODITIES PROGRAM

The amounts shown for the USDA Commodities Program (Non-cash assistance commodities) on the schedule of expenditures of federal awards represent the federally assigned value of nonmonetary assistance for donated commodities received by the School System during the current fiscal year.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

A. SUMMARY OF AUDIT RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

Yes No

Significant deficiencies identified?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal Control over major programs:
Material weaknesses identified?

Yes No

Significant deficiencies identified?

Yes None Reported

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

Unmodified

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

Yes No

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster:

10.553
10.555
10.555
10.555

U.S. Department of Agriculture
Child Nutrition Cluster
School Breakfast Program
USDA Commodities
National School Lunch Program
National School Snack Program

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

\$2,161,760

Auditee qualified as low-risk auditee?

Yes No

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

B. FINDINGS: FINANCIAL STATEMENTS AUDIT

2019-001. Reconciliation of Fund Equity and Recording of Prior Year Audit Entries

Criteria: All adjusting audit entries from the prior year should be posted to the School System general ledger and equity reconciled to the balances reported in the prior year financial statements.

Condition: The School System did not record prior year audit entries nor reconcile beginning equity balances to the prior year financial statements.

Context: We addressed this matter with School System officials who determined the appropriate entries to record to encompass the prior year audit entries so that beginning equity agreed to the prior year financial statements.

Effect: Adjustments were recorded as follows:

- General Fund – a decrease to fund balance of \$280,218, an increase to taxes receivable of \$10,377,426, an increase to the allowance for uncollectible property taxes and to deferred property taxes of \$5,203,377 and a decrease to expenditures of \$250,889.
- School Food Service Fund – a decrease to net position of \$33,232,519, a decrease of \$1,325,740 to due from other funds, an increase to capital assets of \$5,345,498, an increase to accumulated depreciation of \$4,398,065, an increase of \$743,446 to pension related deferred outflows, an increase of \$82,162 to pension related deferred inflows, an increase to OPEB related deferred outflows of \$2,214,415, an increase to OPEB related deferred inflows of \$2,802,765, an increase of \$3,700,100 to the net pension liability, an increase of \$29,107,242 to the net OPEB liability, an increase to compensated absences of \$101,654, and a decrease in expenses of 18,150.
- All Other Special Revenue Funds – an increase to fund balance of \$78,330, a decrease to accounts payable of \$76,764, and an increase to expenditures of \$1,566.
- ASEP Fund – an increase to fund balance and expenditures of \$10,440.
- Performing Arts Center Fund – an increase to net position of \$3,086,375, an increase to capital assets of \$7,314,542, an increase to accumulated depreciation of \$4,171,938, and a decrease to expenses of \$56,229.

Recommendation: We recommend the School System strengthen internal controls to ensure that all audit entries are posted after audit completion, and beginning equity is reconciled to the prior year financial statements.

Views of Responsible Officials and Planned Corrective Action: Management concurs and has implemented steps to ensure that all audit entries are recorded after the completion of the audit, and beginning equity is reconciled to the prior year financial statements.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

B. FINDINGS: FINANCIAL STATEMENTS AUDIT

2019-002. Reconciliation of Pooled Cash Account

Criteria: Good, sound internal controls require the reconciliation of bank accounts on at least a monthly basis.

Condition: The School System currently maintains a pooled cash fund whereby the account balances of six bank accounts are pooled together and allocated over the School System's General Fund and all special revenue funds. During our audit of pooled cash, we noted that the bank reconciliations prepared did not agree to the total of the pooled cash general ledger accounts of the School System's funds.

Context: We addressed this matter with School System officials who determined the appropriate entries to record so that the pooled cash reconciliation agreed to the pooled cash general ledger accounts for each of the funds.

Effect: Adjustments were recorded as follows:

- General Fund – a \$618,300 decrease to the pooled cash account, an increase of \$195,638 to transfers to other funds and an increase in expenditures of \$422,662.
- School Food Service Fund – an increase to the cash account of \$195,638 and an increase in transfers from other funds of the same amount.

Recommendation: We recommend the pooled cash account be reconciled on at least a monthly basis and all differences between general ledger and bank balances be investigated on a timely basis by the appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected.

Views of Responsible Officials and Planned Corrective Action: Management concurs and has implemented steps to ensure that the pooled cash account is reconciled to the general ledger on a monthly basis.

2019-003. Recording of Receivables and Recognition of Revenue

Criteria: Generally accepted accounting principles require revenues be recognized in the accounting period in which they become both measureable and available to finance expenditures of the current period. The School System considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for amounts related to reimbursement based grants, which are considered available when all eligibility criteria has been met.

Condition: Internal controls were not in place to ensure that all revenues and receivables were properly recorded as of and for the fiscal year ended June 30, 2019.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

B. FINDINGS: FINANCIAL STATEMENTS AUDIT

2019-003. Recording of Receivables and Recognition of Revenue (Continued)

Context: We addressed this matter with School System officials who determined the appropriate entries to record to properly reflect receivables and revenue at June 30, 2019.

Effect: Adjustments were recorded as follows:

- General Fund – an increase to taxes receivable of \$6,816,444, an increase of \$3,124,858 to both the allowance for uncollectible property taxes and deferred property taxes, and an increase of \$566,728 to property tax revenue.
- General Fund – an increase to intergovernmental revenue of \$151,242, an increase to grant revenue of \$151,242, an increase to transfers from other funds of \$142,016 and an increase to expenditures of \$142,016.
- School Food Service Fund – an increase to the cash account of \$195,638 and an increase in transfers from other funds of the same amount.
- Title I Fund – a decrease to deferred revenue and an increase to revenue of \$4,623,548, and an increase to intergovernmental accounts receivable and grant revenue of \$502,290.
- Title III Fund – An increase to intergovernmental accounts receivable and an increase to grant revenue of \$1,101.
- Title VI-B – A decrease to intergovernmental accounts receivable of \$157,897, a decrease to deferred revenue of \$287,357, an increase to grant revenue of \$271,476 and an increase to transfers out of \$142,016.
- Adult Education Fund – an increase to intergovernmental accounts receivable and transfers in from other funds of \$20,501.
- All Other Special Revenue Fund – a reclassification of \$50,258 from other federal grant revenue to Fresh Fruits and Vegetables grant revenue.

Recommendation: We recommend the School System establish procedures to ensure all revenue transactions subsequent to year end are reviewed to determine reporting in the proper period.

Views of Responsible Officials and Planned Corrective Action: Management concurs and has implemented steps to ensure that all revenues and receivables are properly reported at year end.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

B. FINDINGS: FINANCIAL STATEMENTS AUDIT

2019-004. Recording of Accrued Salaries and Benefits Payable

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: At June 30, 2019, accrued salaries and benefits payable balances per the general ledger did not agree to the detail calculations provided by the School System.

Context: We addressed this matter with School System officials who determined the appropriate entries to record to properly reflect accrued salaries and benefits at June 30, 2019.

Effect: Adjustments were recorded as follows:

- General Fund – an increase to accrued salaries and benefits payable of \$1,507,700 and an increase to salary and benefits expenditures in the same amount.
- Title I Fund – an increase to accrued salaries and benefits of \$139,842 and an increase to salary and benefits expenditures in the same amount.
- Title III Fund – an increase to accrued salaries and benefits of \$1,200 and an increase to salary and benefits expenditures in the same amount.
- Title IV Fund – an increase to accrued salaries and benefits of \$223,100 and an increase to salary and benefits expenditures in the same amount.
- Title VI-B – an increase to accrued salaries and benefits of \$259,419 and an increase to salary and benefits expenditures in the same amount.
- Adult Education Fund – an increase to accrued salaries and benefits of \$776 and an increase to salary and benefits expenditures in the same amount.
- South Metro Fund – an increase to accrued salaries and benefits of \$10,091 and an increase to salary and benefits expenditures in the same amount.
- Lottery Fund – an increase to accrued salaries and benefits of \$6,378 and an increase to salary and benefits expenditures in the same amount.
- All Other Special Revenue Funds – an increase to accrued salaries and benefits of \$4,016 and an increase to salary and benefits expenditures in the same amount.

Recommendation: We recommend the School System establish procedures to ensure salaries and benefits payable are properly recorded at year-end.

Views of Responsible Officials and Planned Corrective Action: Management concurs and has implemented steps to ensure that salaries and benefits payable are properly recorded at year end.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

B. FINDINGS: FINANCIAL STATEMENTS AUDIT

2019-005. Transfers to Cover Expenditures in Excess of Grant Revenues

Criteria: For reimbursement based grants, funding is considered available when all eligibility criteria have been met. All of the School System grants from the federal and state government are reimbursement based. Once expenditures of the grant program have been incurred, the School System applies for reimbursement; therefore, revenues and expenditures should equal in any given fiscal year, unless some expenditures are funded by General Fund unrestricted revenues in accordance with budgetary authorizations. Either way, the special revenue funds that account for grant programs do not have fund balance.

Condition: At June 30, 2019, expenditures exceeded grant revenue in the following special revenue funds: Title I Fund, Title III Fund, Title IV Fund, Title VI-B Fund, South Metro Fund, Lottery Fund, and the All Other Special Revenue Fund. The result was an ending fund balance in each of these funds.

Context: We addressed this matter with School System officials who determined the appropriate entries to record to reflect a transfer from the General Fund to the special revenue funds to cover the excess expenditures, resulting in no fund balance in these funds at year end.

Effect: An entry was recorded to transfer a total of \$1,350,434 out of the General Fund and transfers in were recorded in the Title I Fund (\$642,130), Title III Fund (\$99), Title IV Fund (\$224,160), Title VI-B Fund (\$417,317), South Metro Fund (\$10,091), Lottery Fund (\$6,379), and the All Other Special Revenue Fund (\$50,258).

Recommendation: We recommend the School System establish procedures to monitor the revenues and expenditures of the various special revenue funds to ensure transfers are made where needed to cover any expenditures in excess of grant revenues.

Views of Responsible Officials and Planned Corrective Action: Management concurs and has implemented steps to ensure that transfers from the General Fund are made to the special revenue funds as needed to cover expenditures in excess of grant revenues.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

B. FINDINGS: FINANCIAL STATEMENTS AUDIT

2019-006. Interfund Balances

Criteria: Internal controls should be in place to ensure interfund activity is properly recorded and reconciles between funds.

Condition: At June 30, 2019, the balance reflected in the School Food Service Fund as due to the General Fund did not reconcile to the balance in the General Fund.

Context: We addressed this matter with School System officials who determined the appropriate entry to adjust the interfund balance in the School Food Service Fund so that it reconciles with the General Fund.

Effect: An adjustment of \$284,834 was recorded in the School Food Service Fund to correct the interfund account balance.

Recommendation: We recommend the School System establish procedures to ensure interfund balances reconcile between funds.

Views of Responsible Officials and Planned Corrective Action: Management concurs and has implemented steps to ensure that interfund balances reconcile between funds.

2019-007. Recording of Depreciation for Capital Assets of Enterprise Funds

Criteria: Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting. Therefore capital assets and the related accumulated depreciation are included on the Statement of Net Position and the capital assets are depreciated using the straight-line method over the estimated useful life of the asset.

Condition: For the fiscal year ended June 30, 2019, the School System did not record depreciation expense in the School Food Service Fund or the Performing Arts Center Fund (both enterprise funds).

Context: We addressed this matter with School System officials who determined the appropriate entries to record depreciation expense in both the School Food Service Fund and the Performing Arts Center Fund.

Effect: An adjustment of \$165,527 was made to record depreciation expense and increase accumulated depreciation in the School Food Service Fund. An entry of \$146,167 was made to record depreciation expense and increase accumulated depreciation in the Performing Arts Center Fund.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

B. FINDINGS: FINANCIAL STATEMENTS AUDIT

2019-007. Recording of Depreciation for Capital Assets of Enterprise Funds (Continued)

Recommendation: We recommend the School System establish procedures to ensure capital assets of enterprise funds are depreciated each year and the entry is properly recorded in the general ledger.

Views of Responsible Officials and Planned Corrective Action: Management concurs and has implemented steps to ensure that depreciation expense is properly recorded in the enterprise funds.

C. FINDINGS AND QUESTIONED COSTS: MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported.

CLAYTON COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

None reported.



Clayton County Public Schools

Division of Business Services

1058 Fifth Avenue • Jonesboro, Georgia 30236 • (770) 473-2700

DR. MORCEASE J. BEASLEY
Superintendent of Schools

Mrs. Emma Benton
Chief Financial Officer

After more than 30 years of working on the AS/400 operating system, Clayton County Public Schools implemented a new Enterprise Resource Planning (ERP) system starting January 19, 2019. This new development involved the implementation of an industry-leading Enterprise Resource Planning system to transform business operations, allowing the District to achieve operational excellence, improve productivity while meeting stakeholders' expectations. While the implementation team has been working diligently to ensure a smooth transition with seamless experience; this has been a major undertaking and there were some interruptions while we adapt to the change. Rest assured that the implementation team made every effort to minimize any disruptions for stakeholders.

2019-001. Reconciliation of Fund Equity and Recording of Prior Year Audit Entries

Name of Contact Person Responsible for Corrective Action Plan: Emma Benton, Chief Financial Officer

Corrective Action Plan: Management will implement steps to ensure that all audit entries are recorded after the completion of each audit and beginning equity is reconciled to the prior year financial statements.

Anticipated Completion Date: Fiscal Year 2021

2019-002. Reconciliation of Pooled Cash Account

Name of Contact Person Responsible for Corrective Action Plan: Emma Benton, Chief Financial Officer

Corrective Action Plan: Management will implement steps to ensure that pooled cash is reconciled to the general ledger on a monthly basis.

Anticipated Completion Date: Fiscal Year 2020

2019-003. Recording of Receivables and Recognition of Revenue

Name of Contact Person Responsible for Corrective Action Plan: Emma Benton, Chief Financial Officer

Corrective Action Plan: Management will implement steps to ensure that all revenues and receivables are properly reported at year end.

Anticipated Completion Date: Fiscal Year 2020

2019-004. Recording of Accrued Salaries and Benefits Payable

Name of Contact Person Responsible for Corrective Action Plan: Emma Benton, Chief Financial Officer

Corrective Action Plan: Management will implement steps to ensure that salaries and benefits payable are properly recorded at year-end.

Anticipated Completion Date: Fiscal Year 2020

2019-005. Transfers to Cover Expenditures in Excess of Grant Funding

Name of Contact Person Responsible for Corrective Action Plan: Emma Benton, Chief Financial Officer

Corrective Action Plan: Management will implement steps to ensure that transfers from the General Fund are made to special revenue funds as needed to cover expenditures in excess of grant revenues.

Anticipated Completion Date: Fiscal Year 2020

2019-006. Interfund Balances

Name of Contact Person Responsible for Corrective Action Plan: Emma Benton, Chief Financial Officer

Corrective Action Plan: Management will implement steps to ensure that interfund balances reconcile between funds.

Anticipated Completion Date: Fiscal Year 2020

2019-007. Recording of Depreciation for Capital Assets of Enterprise Funds

Name of Contact Person Responsible for Corrective Action Plan: Emma Benton, Chief Financial Officer

Corrective Action Plan: Management will implement steps to ensure depreciation expense is properly recorded in the enterprise funds.

Anticipated Completion Date: Fiscal Year 2020

CLAYTON COUNTY BOARD OF EDUCATION

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