



# **DEKALB COUNTY BOARD OF EDUCATION STONE MOUNTAIN, GEORGIA**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017  
(Including Independent Auditor's Reports)**



DEKALB COUNTY BOARD OF EDUCATION

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DEKALB COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL



# DEPARTMENT OF AUDITS AND ACCOUNTS

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Atlanta, Georgia 30334-8400

**GREG S. GRIFFIN**  
STATE AUDITOR  
(404) 656-2174

April 10, 2019

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeKalb County Board of Education (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2017, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) *Statement No. 77, Tax Abatement Disclosures*, GASB *Statement No. 80, Blending Requirements for Certain Component Units*, and GASB *Statement No. 82, Pension Issues*. Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through viii, and pages 35 through 40, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Greg S. Griffin".

Greg S. Griffin  
State Auditor

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

## Introduction

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

## Financial Highlights

Key financial highlights for 2017 fiscal year are as follows:

- ❑ In total, net position increased \$35.0 million to \$1.023 billion. This represents a 3.5 percent increase from 2016 due primarily to governmental activities since the Board has no business-type activities.
- ❑ General revenues accounted for \$591.5 million in revenue or 48.0 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$641.5 million or 52.0 percent of total revenues of \$1.233 billion.
- ❑ The Board had \$1,198 billion in expenses related to governmental activities; \$641.5 million of these expenses were offset by program specific charges for services, grants or contributions.
- ❑ Among major funds, the general fund has \$1,121.7 million in revenues and \$1,124.0 million in expenditures. The general fund's "Net Change in Fund Balances" was (\$2.18) million, which is a decrease from the prior year \$37.3 million. The fund balance reflects the full accrual of all contracted salaries and benefits unpaid at June 30 in full compliance with GASB 34 regulations.

## Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the DeKalb County Board of Education as a financial whole, or as an entire operating entity.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole Board, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. *Fund financial statements* provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Board's most significant funds. In the case of the DeKalb County Board of Education, the general fund is by far the most significant fund.



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

## Reporting the Board as a Whole

### *Statement of Net Position and the Statement of Activities*

While this document includes a number of funds used by the Board to provide programs and activities, a view of the Board as a whole requires looking at all financial transactions to ask the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Governmental Activities - All of the Board's programs and services are reported here including instruction, pupil services, improvement of instructional services, educational media services, general administration, school administration, business administration, maintenance and operation of plant, student transportation services, central support services, enterprise operations, food services and interest on debt.

## Reporting the Board's Most Significant Funds

### *Fund Financial Statements*

Fund financial reports provide detailed information about the Board's major funds. The Board uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Board's most significant funds. The Board's major governmental funds are the general fund, capital projects funds, and the debt service fund.

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

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

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

**The Board as a Whole**

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

Table 1  
Net Assets  
(In Thousands)

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
<b>Assets</b>		
Current and Other Assets	\$ 707,557	\$ 574,569
Capital Assets, Net	1,436,090	1,355,289
<b>Total Assets</b>	<b>2,143,647</b>	<b>1,929,858</b>
<b>Deferred Outflows of Resources</b>		
Related to Defined Benefit Pension Plans	287,400	101,992
<b>Liabilities</b>		
Current and Other Liabilities	194,255	877,873
Long-Term Liabilities	1,208,742	98,978
<b>Total Liabilities</b>	<b>1,402,997</b>	<b>976,851</b>
<b>Deferred Inflows of Resources</b>		
Related to Defined Benefit Pension Plans	5,024	66,992
<b>Net Position</b>		
Net Investment in Capital Assets	1,350,766	1,257,234
Restricted	270,683	291,733
Unrestricted (Deficit)	(598,423)	(560,960)
<b>Total Net Assets</b>	<b>\$ 1,023,026</b>	<b>\$ 988,007</b>

Total net position increased \$35.0 million.

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

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

**Table 2**  
**Change in Net Position**  
**(In Thousands)**

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 21,360	\$ 7,755
Operating Grants and Contributions	612,930	592,007
Capital Grants and Contributions	7,192	11,895
Total Program Revenues	<u>641,482</u>	<u>611,657</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	464,657	449,703
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	105,555	102,677
Other Sales Tax	14,027	14,186
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings	1,628	826
Miscellaneous	5,678	8,661
Total General Revenues	<u>591,545</u>	<u>576,053</u>
Total Revenues	<u>1,233,027</u>	<u>1,187,710</u>
<b>Program Expenses:</b>		
Instruction	748,604	683,818
Support Services		
Pupil Services	60,796	33,737
Improvement of Instructional Services	33,414	30,582
Educational Media Services	13,314	12,478
General Administration	18,121	12,835
School Administration	65,911	62,378
Business Administration	8,629	7,048
Maintenance and Operation of Plant	103,017	88,432
Student Transportation Services	57,867	55,211
Central Support Services	19,828	17,767
Other Support Services	1,268	3,223
Operations of Non-Instructional Services		
Enterprise Operations	1,118	1,445
Food Services	61,830	58,939
Interest on Short-Term and Long-Term Debt	4,291	4,942
Total Expenses	<u>1,198,008</u>	<u>1,072,835</u>
Increase in Net Position	<u>\$ 35,019</u>	<u>\$ 114,875</u>

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

**Governmental Activities**

Instruction, Pupil Services and Improvement of Instructional Services comprises 70.3 percent of governmental program expenses. The Operations of Non-instructional Services amounted to 5.3 percent of the total governmental program expenses. These operations consist primarily of the School Nutrition.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the net cost of services for fiscal year 2017 compared to fiscal year 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**  
**(in Thousands)**

	Net Cost of Services	Net Cost of Services
	Fiscal	Fiscal
	Year 2017	Year 2016
	_____	_____
Instruction	\$ 274,364	\$ 244,846
Support Services:		
Pupil Services	54,865	29,032
Improvement of Instructional Services	15,252	10,561
Educational Media Services	521	(335)
General Administration	6,867	2,338
School Administration	41,295	37,760
Business Administration	8,629	6,787
Maintenance and Operation of Plant	72,663	58,713
Student Transportation Services	52,438	46,174
Central Support Services	19,680	17,796
Other Support Services	799	665
Operations of Non-Instructional Services:		
Enterprise Operations	1,118	(358)
Food Services	6,534	5,156
Interest on Short-Term and Long-Term Debt	1,501	2,042
	_____	_____
Total Expenses	\$ <u>556,526</u>	\$ <u>461,177</u>

Although program revenues make up 52.0 percent of the revenues, the Board is still primarily dependent upon tax revenues for governmental activities. More than 36.7 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 46.4 percent.

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

**The Board's Funds**

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources \$1.380 billion and expenditures and other financing uses of \$1.279 billion. There was an increase in fund balance of \$103.3 million in the capital project funds due to increase in financing sources during the year. The general fund had a decrease in fund balance of \$2.2 million. This decrease in fund balance was mainly the result of an increase in expenditures from \$1.034 billion in 2016 to \$1.124 billion in 2017.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2017, the Board amended its general fund budget as needed from time to time. The Board uses site-based budgeting based on FTE student allocations. The anticipated budgeted revenues and other sources for the original general fund budget were \$1.128 billion and anticipated budgeted expenditures and other uses were \$1.121 billion. The budgeting systems are designed to monitor and control total site based budgets and provide flexibility for site management.

For the general fund, final budgeted revenues and other sources of \$1.160 billion were under performed by the actual of \$38.3 million. This difference was due mainly to receiving less than expected miscellaneous and federal revenues that was offset by better than expected sales and state revenues. In addition, charges for services revenues included in actual revenues were budgeted in miscellaneous revenues.

Actual expenditures and other uses of \$1.124 billion were 3.5 percent less than the final budgeted total of \$1.64 billion.

General fund expenditures exceeded revenues by \$2.3 million resulting in a decrease in "Fund Balance" for the year.

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2017 the Board had \$1.436 billion invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2017 balances compared with fiscal year 2016 balances.

**Table 4**  
**Capital Assets**  
**(Net of Depreciation, in Thousands)**

	Governmental Activities	
	Fiscal	Fiscal
	Year 2017	Year 2016
Land	\$ 63,772	\$ 44,485
Construction In Progress	50,947	35,131
Building and Improvements	1,245,399	1,206,651
Improvements Other Than Buildings	24,266	24,038
Equipment	51,705	44,984
Total	\$ 1,436,089	\$ 1,355,289

The primary increase occurred in Building and Improvements. Due to the ongoing population growth in the county, the Board has numerous projects including new buildings, additions, and renovations.

***Debt***

At June 30, 2017, the Board had \$9.5 million in compensated absences. There is \$150.3 million in general obligation bonds and \$11.9 million in premiums mainly from the fiscal year 2017 issue. \$33.2 million of the outstanding debt is due within one year.

Table 5 summarizes long-term debt outstanding and compares fiscal year 2017 balances to fiscal year 2016 balances.

**Table 5**  
**Debt at June 30**  
**(in Thousands)**

	Governmental Activities	
	Fiscal	Fiscal
	Year 2017	Year 2016
Qualified School Construction Bonds	\$ 33,841	\$ 38,959
Capital Leases	-	16,117
Compensated Absences	9,501	9,187
General Obligation Bonds	150,325	33,300
Unamortized Bond Premium	11,866	1,415
Total	\$ 205,533	\$ 98,978

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

The Board maintains an underlying AA and Aa3 credit rating from Standard & Poor's Ratings Services and Moody's Investors Service, respectively.

### **Current Issues**

State funding was higher in 2017 than 2016 due to an increase in "Quality Basic Education" and state grants revenue of \$27.3 million. Federal grant revenue decreased in 2017 by 8.46% from 2016. Combined state and federal revenues used in general fund operations in 2017 increased by \$16.3 million from 2016.

Local revenue within DeKalb County School District is increasing. Property tax revenues had been impacted by the revaluation of property due to foreclosures and weak sales during the recession. Digest values are documented to be increasing by at least 4.99% during fiscal year 2017. Overall, total general fund revenues have been increasing for the last two years. Prior to the 2009 fiscal year, the tax digest in DeKalb County had never seen a decrease in value. However, for the last three years, substantial digest increases have been documented.

During 2013, the Board reduced annual budgeted expenditures to address the challenges of prior reduced revenues. The reduced annual budget enabled the DeKalb County School District to eliminate the deficit from fiscal year 2012. As of the end of fiscal year 2017, the Board has rebuilt the School District's financial reserves which are now in compliance with the School District's policy relating to fund balance targets. The Board remains committed to maintaining the School District's financial reserves.

Current financial statements reflect the School District's liability for the unfunded portion of the pension plan administered through the Teachers Retirement System of Georgia (TRS) and Employees Retirement System of Georgia (ERS). This amount is currently being calculated based on actuarial estimates and is reflected on the government-wide financial statements as deferred inflows and outflows of resources and net pension liability.

The School District adopted GASB Statement No. 68 and No. 71 in the fiscal year 2015, which resulted in a material restatement of beginning net position.

### **Factors Bearing on the District's Future**

Principal among the factors bearing upon the School District's future are the January 2016 attainment of the status of full accreditation from the SACs organization. Additionally, the return of the School District's Fund Balance to substantially fully funded relative to internal Board Policy gives to the School District much more flexibility relative to salary and benefit increases, enhanced educational programs, and substantial technological improvements which, will greatly increase the efficacy, and thereby student performance, of the School District's educational initiatives. Finally the School District received its five (5) year accreditation certification from the SACs organization in March 2017 which granted full accreditation out to June 30, 2022.

### **Contacting the Board's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Michael J. Bell, Chief Financial Officer, at the DeKalb County Board of Education, 1701 Mountain Industrial Boulevard, Stone Mountain, Georgia, 30083.

DEKALB COUNTY BOARD OF EDUCATION



DEKALB COUNTY BOARD OF EDUCATION

EXHIBIT "A"

STATEMENT OF NET POSITION  
JUNE 30, 2017

<b>ASSETS</b>	<b>Governmental Activities</b>
Cash and cash equivalents	\$ 328,365,455
Investments	272,053,679
Receivables, net:	
Interest	98,494
Taxes	23,484,484
State Government	70,915,772
Federal Government	10,280,070
Other	147,777
Inventory	2,211,395
Capital assets, non-depreciable	114,718,772
Capital assets, depreciable (net of accumulated depreciation)	1,321,370,579
Total assets	<u>2,143,646,477</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to deferred benefit pension plans	<u>287,399,965</u>
<b>LIABILITIES</b>	
Accounts payable	19,350,494
Salaries and benefits payable	140,616,285
Interest payable	1,781,808
Claims incurred but not reported (IBNR)	9,006,189
Contracts payable	19,341,346
Retainage payable	4,159,008
Long-term liabilities:	
Due within one year	33,162,156
Due in more than one year	172,370,719
Net pension liability	1,003,208,799
Total liabilities	<u>1,402,996,804</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to deferred benefit pension plans	<u>5,023,970</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,350,766,311
Restricted for:	
Continuation of federal programs	1,584,572
Debt service	21,265,346
Capital projects	247,832,760
Unrestricted (deficit)	(598,423,322)
Total net position	<u>\$ 1,023,025,667</u>

DEKALB COUNTY BOARD OF EDUCATION

EXHIBIT "B"

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 748,603,861	\$ 19,126,929	\$ 451,121,900	\$ 3,990,733	\$ (274,364,299)
Support services:					
Pupil services	60,796,494	-	5,931,814	-	(54,864,680)
Improvement of instructional services	33,414,463	-	18,162,640	-	(15,251,823)
Educational media services	13,314,342	-	12,793,009	-	(521,333)
General administration	18,120,541	-	11,253,718	-	(6,866,823)
School administration	65,910,690	-	24,615,108	-	(41,295,582)
Business administration	8,629,400	-	-	-	(8,629,400)
Maintenance and operation of facilities	103,016,517	-	30,353,118	-	(72,663,399)
Student transportation services	57,866,976	-	5,017,937	410,986	(52,438,053)
Central support services	19,828,399	-	148,501	-	(19,679,898)
Other support services	1,268,397	-	469,416	-	(798,981)
Other operations of non-instructional services:					
Enterprise Operations	1,117,702	-	-	-	(1,117,702)
Food services	61,829,994	2,233,429	53,063,053	-	(6,533,512)
Interest on short-term and long-term debt	4,290,504	-	-	2,789,871	(1,500,633)
<b>Total governmental activities</b>	<b>\$ 1,198,008,280</b>	<b>\$ 21,360,358</b>	<b>\$ 612,930,214</b>	<b>\$ 7,191,590</b>	<b>(556,526,118)</b>
General revenues:					
Taxes:					
Property taxes:					
For maintenance and operations					
					464,657,053
Sales taxes:					
Special Purpose Local Option Sales Tax:					
For capital projects					
					105,555,124
Other taxes					
					14,027,145
Investment Earnings					
					1,627,911
Miscellaneous					
					5,677,659
Total general revenues					
					591,544,892
Change in net position					
					35,018,774
Net position, beginning of year					
					988,006,894
Net position, end of year					
					\$ 1,023,025,668

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

<u>ASSETS</u>	<u>General Fund</u>	<u>Capital Project Fnd</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 194,124,106	\$ 134,193,727	\$ 47,622	\$ 328,365,455
Investments	-	272,053,679	-	272,053,679
Receivables, net:				
Interest	-	98,494	-	98,494
Taxes	14,587,512	8,896,972	-	23,484,484
State Government	70,915,772	-	-	70,915,772
Federal Government	10,280,070	-	-	10,280,070
Other	147,777	-	-	147,777
Inventories	2,211,395	-	-	2,211,395
 Total assets	 \$ 292,266,632	 \$ 415,242,872	 \$ 47,622	 \$ 707,557,126
 <u>LIABILITIES</u>				
Accounts payable	\$ 9,152,743	\$ 10,197,751	\$ -	\$ 19,350,494
Salaries and benefits payable	140,612,289	3,996	-	140,616,285
Contracts payable	-	19,341,346	-	19,341,346
Retainage payable	-	4,159,008	-	4,159,008
 Total liabilities	 149,765,032	 33,702,101	 -	 183,467,133
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	9,683,182	-	-	9,683,182
 Total deferred inflows of resources	 9,683,182	 -	 -	 9,683,182
 <u>FUND BALANCES</u>				
Nonspendable	2,211,395	-	-	2,211,395
Restricted	972,863	381,540,771	47,622	382,561,256
Assigned	1,626,740	-	-	1,626,740
Unassigned	128,007,420	-	-	128,007,420
 Total fund balances	 132,818,418	 381,540,771	 47,622	 514,406,811
 Total liabilities, deferred inflows of resources and fund balances	 \$ 292,266,632	 \$ 415,242,872	 \$ 47,622	 \$ 707,557,126

DEKALB COUNTY BOARD OF EDUCATION

EXHIBIT "D"

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017

Total fund balances - governmental funds \$ 514,406,811

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

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

Land	\$ 63,771,925	
Construction in progress	50,946,847	
Buildings and improvements	1,737,701,430	
Equipment	129,061,624	
Land improvements	34,692,613	
Accumulated depreciation	<u>(580,085,088)</u>	1,436,089,351

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

Net pension liability		(1,003,208,799)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds		282,375,995
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Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.

Property taxes		9,683,182
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Long-term liabilities and related items are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Bonds payable	\$ (150,325,000)	
Accrued interest	(1,781,808)	
Compensated absences payable	(9,501,358)	
Qualified school construction bonds payable	(33,840,570)	
Unamortized bond premiums	(11,865,947)	
Claims and judgements payable	<u>(9,006,189)</u>	<u>(216,320,872)</u>

Net position of governmental activities	\$	<u><u>1,023,025,668</u></u>
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DEKALB COUNTY BOARD OF EDUCATION

EXHIBIT "E"

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

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 467,734,059	\$ -	\$ -	\$ 467,734,059
Sales taxes	14,027,145	105,555,124	-	119,582,269
State funds	493,789,146	4,401,719	-	498,190,865
Federal funds	118,135,267	-	-	118,135,267
Charges for services	21,360,358	-	-	21,360,358
Investment earnings	1,123,366	504,545	-	1,627,911
Miscellaneous	5,577,133	2,789,871	-	8,367,004
Total revenues	<u>1,121,746,474</u>	<u>113,251,259</u>	<u>-</u>	<u>1,234,997,733</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	689,586,443	-	-	689,586,443
Support services:				
Pupil services	58,563,201	-	-	58,563,201
Improvement of instructional services	30,988,963	-	-	30,988,963
Educational media services	12,654,324	-	-	12,654,324
General administration	17,520,124	-	-	17,520,124
School administration	62,687,531	-	-	62,687,531
Business administration	7,738,560	542,157	-	8,280,717
Maintenance and operation of facilities	102,368,093	-	-	102,368,093
Student transportation services	52,897,074	139,923	-	53,036,997
Central support services	19,813,639	2,963	-	19,816,602
Other support services	1,268,397	-	-	1,268,397
Enterprise Operations	1,117,702	-	-	1,117,702
Food services operation	61,127,097	-	-	61,127,097
Capital outlay	3,632,000	114,580,027	-	118,212,027
Debt service:				
Principal	1,957,130	33,278,285	-	35,235,415
Dues and Fees	-	500	-	500
Interest	94,127	3,558,222	1,332,000	4,984,349
Total expenditures	<u>1,124,014,405</u>	<u>152,102,077</u>	<u>1,332,000</u>	<u>1,277,448,482</u>
Revenues over (under) expenditures	<u>(2,267,931)</u>	<u>(38,850,818)</u>	<u>(1,332,000)</u>	<u>(42,450,749)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	-	131,025,000	-	131,025,000
Premium on bonds issued	-	12,490,790	-	12,490,790
Transfers in	-	-	1,332,000	1,332,000
Transfers out	-	(1,332,000)	-	(1,332,000)
Sale of capital assets	85,620	14,906	-	100,526
Total other financing sources (uses)	<u>85,620</u>	<u>142,198,696</u>	<u>1,332,000</u>	<u>143,616,316</u>
Net change in fund balances	(2,182,311)	103,347,878	-	101,165,567
<b>FUND BALANCES, beginning of year</b>	<u>135,000,729</u>	<u>278,192,893</u>	<u>47,622</u>	<u>413,241,244</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 132,818,418</u>	<u>\$ 381,540,771</u>	<u>\$ 47,622</u>	<u>\$ 514,406,811</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds		\$	101,165,567
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:			
Capital outlay	\$	124,241,504	
Depreciation expense		<u>(36,608,749)</u>	87,632,755
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position:			(6,832,741)
Taxes reported on the statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.			(3,077,006)
Repayment of the principal of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:			
General obligation bonds issued, including premium	\$	(143,515,790)	
Bond principal retirements		14,000,000	
Capital lease payments		16,117,130	
Qualified school construction bond payment		<u>5,118,285</u>	(108,280,375)
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.			
Pension expense			(36,838,261)
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Accrued interest on long-term debt	\$	(1,345,088)	
Amortization of bond premium		2,039,433	
Compensated absences		(313,963)	
Claims and judgements		<u>868,453</u>	<u>1,248,835</u>
Change in net position of governmental activities (Exhibit "B")		\$	<u><u>35,018,774</u></u>

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

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	<u>ASSETS</u>	<u>Agency Funds</u>
Cash and Cash Equivalents		\$ 2,160,508
Investments		<u>1,249</u>
Total assets		<u>\$ 2,161,757</u>
	<u>LIABILITIES</u>	
Funds held for others		<u>\$ 2,161,757</u>
Total liabilities		<u>\$ 2,161,757</u>

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## **NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY**

### **REPORTING ENTITY**

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

### **CHARTER SCHOOLS**

The Chamblee Charter High School, Chestnut Elementary School, Kingsley Charter Elementary School, Peachtree Charter Middle School and Smoke Rise Elementary Charter Schools are responsible for the public education of all students attending its schools. The Charter Schools were created through a contract between the School District and the Charter School whereby all State funding associated with the students attending the Charter Schools and certain specified local funds are turned over to the Charter School to cover the cost of its operations. The financial statements of the Charter Schools have been included with the School District's general fund.

## **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **BASIS OF PRESENTATION**

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

### **GOVERNMENT-WIDE STATEMENTS:**

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

The Statement of Net Position presents the School District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories as follows:

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

3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

### **FUND FINANCIAL STATEMENTS**

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund type:

- Agency funds are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

### **BASIS OF ACCOUNTING**

The basis of accounting determines when transactions are reported on the financial statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

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

#### **NEW ACCOUNTING PRONOUNCEMENTS**

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information; (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. See note 14 for further disclosure of tax abatements in accordance with this standard.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting

purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the School District's financial statements.

### **CASH AND CASH EQUIVALENTS**

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

### **INVESTMENTS**

The School District can invest its funds as permitted by O.C.G.A. §36-83-4. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity.

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. All other investments are reported at fair value.

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

### **RECEIVABLES**

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

### **INVENTORIES**

#### **Consumable Supplies**

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

#### **Food Inventories**

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

**CAPITAL ASSETS**

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

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

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

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets.

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 100,000.00	20 to 40 years
Buildings and Improvements	\$ 100,000.00	Up to 50 years
Improvements other than Buildings	\$ 100,000.00	50 years
Equipment		
Outdoor Equipment	\$ 5,000.00	15 to 20 years
Vehicles	\$ 5,000.00	8 years
Kitchen Equipment	\$ 5,000.00	15 years
Computers	\$ 5,000.00	5 years
Miscellaneous	\$ 5,000.00	7 to 20 years
Buses	\$ 5,000.00	15 years
Intangible Assets	\$ 1,000,000.00	15 years

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

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

### COMPENSATED ABSENCES

Compensated absences payable consists of vacation leave employees earned based on services already rendered.

Vacation leave of 10 to 20 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 30 days in addition to vacation earned during the current year of service, but no more than one-half of the earned but unused vacation or the previous year. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal-year end.

Members of the Teachers Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual School Districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School District's financial statements.

### LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS

In the School District's government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the straight-line method. To conform to generally accepted accounting principles, bond premiums and discounts should be amortized using the effective interest method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the governmental fund financial statements, the School District recognizes the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs are reported as debt service expenditures.

### PENSIONS

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

### FUND BALANCES

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

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

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

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

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

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

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

### USE OF ESTIMATES

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

### PROPERTY TAXES

The DeKalb County Board of Commissioners adopted the property tax levy for the 2016 tax digest year (calendar year) on July 19, 2016 (levy date) based on property values as of January 1, 2016. Taxes were due on November 15, 2016 (lien date) and could be paid in two installments on September 30, 2015 and November 15, 2016 (due dates). Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. The DeKalb County Tax Commissioner bills and collects the property taxes for the School District, withholds 1.25% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2017, for maintenance and operations amounted to \$448,391,939.

The tax millage rate levied for the 2016 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>23.38</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$19,342,120 during fiscal year ended June 30, 2017.

### SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$105,555,124 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

### NOTE 3: BUDGETARY DATA

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

level of budgetary control was established by the Board at the aggregate function level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

The Superintendent is authorized by the Board to approve adjustments of no more than 10% of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 10% of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

#### **NOTE 4: DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS**

##### **COLLATERALIZATION OF DEPOSITS**

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

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

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and



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- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

**CATEGORIZATION OF DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2017, the School District had deposits with a carrying amount of \$216,740,738, and a bank balance of \$224,569,586. The bank balances insured by Federal depository insurance were \$751,248.62 and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name were \$11,270,314.

At June 30, 2017, \$212,548,024 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	137,385,766
Uninsured with collateral held by the pledging financial institution		-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name		<u>75,162,258</u>
Total	\$	<u><u>212,548,024</u></u>

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

Statement of Net Position		
Cash and cash equivalents	\$	328,365,455
Statement of Fiduciary Net Position		
Cash and cash equivalents		<u>2,160,508</u>
Total cash and cash equivalents		<u>330,525,963</u>
Add:		
Deposits with original maturity of three months or more reported as investments		1,249
Less:		
Cash on hand		74,125
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		<u>113,712,349</u>
Total carrying value of deposits - June 30, 2017	\$	<u><u>216,740,738</u></u>

**CATEGORIZATION OF CASH EQUIVALENTS**

The School District reported cash equivalents of \$113,712,349 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2017, was 56 days.

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at [www.audits.ga.gov/SGD/CAFR.html](http://www.audits.ga.gov/SGD/CAFR.html).

**CATEGORIZATION OF INVESTMENTS**

At June 30, 2017, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> <u>Less Than 1 Year</u>
Debt Securities		
U. S. Treasury Money Market Funds		
First American Government Obligation Fund	\$ 272,053,679	\$ 272,053,679

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

At June 30, 2017, \$272,053,679 of the School District's applicable investments were held by the investment's counterparty, not in the School District's name.

**Credit Quality Risk**

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those prescribed O.C.G.A. §36-83-4. The School District does not have a formal policy that would further limit its investment choices or one that addresses credit risk.

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The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Ratings AAAm
Debt Securities		
U. S. Treasury Money Market Funds		
First American Government Obligation Fund	\$ 272,053,679	\$ 272,053,679

**Fair Value Measurements**

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

The investment in First American Government Obligation Fund classified as Level 2 of the fair value hierarchy is valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in First American Government Obligation Fund. This investment is 100% of the School District's total investments.

**NOTE 5: CAPITAL ASSETS**

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

	Balances July 1, 2016	Increases	Decreases	Transfers	Balances June 30, 2017
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 44,485,478	\$ 19,325,447	\$ 39,000	\$ -	\$ 63,771,925
Construction in Progress	35,131,075	87,813,546	195,590	(71,802,184)	50,946,847
<b>Total Capital Assets Not Being Depreciated</b>	<b>79,616,553</b>	<b>107,138,993</b>	<b>234,590</b>	<b>(71,802,184)</b>	<b>114,718,772</b>
Capital Assets Being Depreciated					
Buildings and Improvements	1,676,612,510	3,642,164	13,192,592	70,639,348	1,737,701,430
Equipment	117,449,992	13,460,347	1,725,314	(123,401)	129,061,624
Land Improvements	33,406,376	-	-	1,286,237	34,692,613
Less Accumulated Depreciation for:					
Buildings and Improvements	469,961,489	28,761,461	6,420,815	-	492,302,135
Equipment	72,465,784	6,789,171	1,898,940	-	77,356,015
Land Improvements	9,368,821	1,058,117	-	-	10,426,938
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>1,275,672,784</b>	<b>(19,506,238)</b>	<b>6,598,151</b>	<b>71,802,184</b>	<b>1,321,370,579</b>
<b>Governmental Activity Capital Assets - Net</b>	<b>\$ 1,355,289,337</b>	<b>\$ 87,632,755</b>	<b>\$ 6,832,741</b>	<b>\$ -</b>	<b>\$ 1,436,089,351</b>

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Current year depreciation expense by function is as follows:

Instruction		\$	30,456,638
Support Services			
Improvements of Instructional Services	\$		1,184,178
Educational Media Services			121,655
General Administration			4,244
Business Administration			98,794
Maintenance and Operation of Plant			280,242
Student Transportation Services			4,071,279
Food Services			391,719
		\$	36,608,749

**NOTE 6: INTERFUND TRANSFERS**

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

Transfers to	Transfers From Capital Projects Fund
Debt Service Fund	\$ <u>1,332,000</u>

Transfers are used to move Special Purpose Local Option Sales Tax (SPLOST) revenues collected in the capital projects fund to the debt service fund to fund the bond interest payments.

**NOTE 7: LONG-TERM LIABILITIES**

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

	Governmental Activities				
	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
General Obligation Bonds	\$ 33,300,000	\$ 131,025,000	\$ 14,000,000	\$ 150,325,000	\$ 19,300,000
Unamortized Bond Premiums	1,414,590	12,490,790	2,039,433	11,865,947	2,497,854
Qualified School Construction Bonds	38,958,855	-	5,118,285	33,840,570	5,118,285
Capital Leases	16,117,130	-	16,117,130	-	-
Compensated Absences	9,187,394	6,173,020	5,859,056	9,501,358	6,246,017
	\$ 98,977,969	\$ 149,688,810	\$ 43,133,904	\$ 205,532,875	\$ 33,162,156

**GENERAL OBLIGATION DEBT OUTSTANDING**

The School District's bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The School District repays general obligation bonds from voter-approved property taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

During the current year, the School District approved to issue general obligation sales tax bonds totaling \$131,025,000 for acquiring or constructing capital facilities. Advances up to the principal face amount of these bonds are made to the District by the bond Purchaser.

Voters have authorized \$200,000,000 of general obligation debt. Of the total amount originally authorized, \$68,975,000 remains unissued.

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General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Amount Issued	Amount Outstanding
General Government - Series 2012	4.00%	\$ 33,300,000	\$ 19,300,000
General Government - Series 2017	4.00%	131,025,000	131,025,000
		<u>\$ 164,325,000</u>	<u>\$ 150,325,000</u>

The following schedule details debt service requirements to maturity for the School District's total general obligation bonds payable:

Fiscal Year Ending June 30:	General Obligation Debt		Unamortized Bond Premium
	Principal	Interest	
2018	\$ 19,300,000	\$ 6,329,192	\$ 2,497,854
2019	-	5,241,000	2,081,798
2020	36,655,000	4,507,900	2,081,798
2021	37,145,000	3,031,900	2,081,798
2022	37,755,000	1,533,900	2,018,798
2023	19,470,000	389,400	1,040,900
Total Principal and Interest	<u>\$ 150,325,000</u>	<u>\$ 21,033,292</u>	<u>\$ 11,865,946</u>

**QUALIFIED SCHOOL CONSTRUCTION BONDS (QSCB)**

On May 1, 2011 the School District entered into a lease agreement with the Georgia Municipal Association, Inc., for the purchase of a replacement high school. The Georgia Municipal Association, Inc. sold \$57,770,000 in Qualified School Construction Taxable Certificates of Participation Bonds (QSCBS) and \$5,690,000 in Certificates of Participation Tax-Exempt Bonds to fund the construction of the new school. The lease agreement with Georgia Municipal Association provides that the School District owns the high school and is responsible for the payment of principal and interest on the Certificate of Participation and QSCBS.

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows School Districts to borrow without incurring interest costs.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the School District may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. To qualify for this subsidy the School District is required to periodically file appropriate documents with the Internal Revenue Service. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The interest subsidy received by the School District in fiscal year 2017 was \$2,789,871, which funded all but \$461,542 of interest expense due on the QSCB.

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Debt currently outstanding under Qualified School Construction Bonds is as follows:

Description	Amount Issued	Amount Outstanding
Georgia Municipal Association-COP Series 2011A	\$ 57,770,000	\$ 28,150,570
Georgia Municipal Association-COP Series 2011B	5,690,000	5,690,000
	<u>\$ 63,460,000</u>	<u>\$ 33,840,570</u>

The following is a schedule of total Qualified School Construction Bond payments:

Fiscal Year Ending June 30:	Principal	Interest
2018	\$ 5,118,285	\$ 3,251,643
2019	5,118,285	3,251,643
2020	5,118,285	3,251,643
2021	5,118,285	3,251,643
2022-2023	13,367,430	5,119,289
Total Principal and Interest	<u>\$ 33,840,570</u>	<u>\$ 18,125,861</u>

**COMPENSATED ABSENCES**

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

**NOTE 8: RISK MANAGEMENT**

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions and acts of God. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years. Coverage is provided through agreements by the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), errors and omissions liability, and crime risks. Payment of excess insurance for the system varies by line of coverage.

The School District has established a limited risk management program for workers' compensation claims. The School District accounts for claims within the general fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$1,000,000 loss per occurrence, up to \$25,000,000.

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2016	\$ <u>7,971,579</u>	\$ <u>8,833,382</u>	\$ <u>6,930,319</u>	\$ <u>9,874,642</u>
2017	\$ <u>9,874,642</u>	\$ <u>5,660,299</u>	\$ <u>6,528,752</u>	\$ <u>9,006,189</u>

**UNEMPLOYMENT COMPENSATION**

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

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2016	\$ <u>-</u>	\$ <u>79,320</u>	\$ <u>79,320</u>	\$ <u>-</u>
2017	\$ <u>-</u>	\$ <u>91,840</u>	\$ <u>91,840</u>	\$ <u>-</u>

**SURETY BOND**

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ <u>1,000,000</u>

**NOTE 9: FUND BALANCE CLASSIFICATION DETAILS**

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2017:

Nonspendable		
Inventories	\$	2,211,395
Restricted		
Continuation of Federal Programs	\$	972,863
Capital Projects		358,579,701
Debt Service		<u>23,008,692</u>
Assigned		
School Activity Accounts		1,626,740
Unassigned		<u>128,007,420</u>
Fund Balance, June 30, 2017	\$	<u>514,406,811</u>

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

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of not less than 5% and 7% of budgeted expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with O.C.G.A. § 20-2-167(a)5. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

**NOTE 10: SIGNIFICANT COMMITMENTS**

**COMMITMENTS UNDER CONSTRUCTION CONTRACTS**

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

Project	Unearned Executed Contracts (1)
John Rober Lewis ES	\$ 21,020,440.00
Dunwood HS	822,780.00
Cross Keys North ES	4,376,819.00
New Cross Keys HS	3,160,000.00
Cross Keys HS	477,173.00
Cross Keys North ES	4,122,396.00
Chamblee HS	1,025,917.00
Lakeside HS	1,239,975.00
Indian Creek ES	521,372.00
Cedar Grove HS	204,970.00
Avondale Stadium	891,089.00
Panola Ways ES	1,352,729.00
Miller Grover MS	2,098,020.00
Stone Mountain HS	4,273,059.00
Henderson MS	888,160.00
Rockbridge ES	6,237,224.00
Rober Shaw ES	998,684.00
Rainbow ES	946,933.00
	\$ 54,657,740.00

(1) The amounts described are not reflected in the basic financial statements.

**NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES**

**FEDERAL GRANTS**

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



## LITIGATION

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

## **NOTE 12: POST-EMPLOYMENT BENEFITS**

### **GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND**

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

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

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

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

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

July 1, 2016 – June 30, 2017	\$945.00 per member per month
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For non-certificated school personnel:

July 1, 2016 – December 31, 2016	\$746.20 per member per month
January 1, 2017 – June 30, 2017	\$846.20 per member per month

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No additional contribution was required by the Board for fiscal year 2017 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	\$ 114,419,499
2016	100%	\$ 105,571,344
2015	100%	\$ 95,446,410

**NOTE 13: RETIREMENT PLANS**

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

**TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)**

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

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

**Contributions:** Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2017. The School District's contractually required contribution rate for the year ended June 30, 2017 was 14.27%, of annual School District payroll, of which 14.19% of payroll was required from the School District and 0.08% of payroll was required from the state. For the current fiscal year, employer contributions to the pension plan were \$82,226,356 and \$447,245 from the School District and the State, respectively.

## EMPLOYEES' RETIREMENT SYSTEM

**Plan description:** The Employees' Retirement System of Georgia (ERS) is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at [www.ers.ga.gov/formspubs/formspubs](http://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 24 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. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2017 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. 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. Employer contributions to the pension plan were \$256,903 for the current fiscal year.

## PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

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

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

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

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$1,557,141.

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

At June 30, 2017, the School District reported a liability of \$1,003,208,799 for its proportionate share of the net pension liability for TRS (\$1,001,496,009) and ERS (\$1,712,790).

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

School District's proportionate share of the net pension liability	\$	1,001,496,009
State of Georgia's proportionate share of the net pension liability associated with the School District		7,883,562
Total	\$	1,009,379,571

The net pension liability for TRS and ERS was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2016.

At June 30, 2016, the School District's TRS proportion was 4.854299%, which was an increase of 0.141603% from its proportion measured as of June 30, 2015. At June 30, 2016, the School District's ERS proportion was 0.036208%, which was a decrease of 0.001631% from its proportion measured as of June 30, 2015.

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At June 30, 2017, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$11,997,914.

The PSERS net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of \$120,124,437 for TRS, \$307,517 for ERS and \$1,966,910 for PSERS and revenue of \$1,043,277 for TRS and \$1,966,910 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,919,591	\$ 4,952,404	\$ -	\$ 3,956
Changes of assumptions	25,957,393		14,508	
Net difference between projected and actual earnings on pension plan investments	126,693,369		174,143	
Changes in proportion and differences between School District contributions and proportionate share of contributions	37,157,702	24,535		43,075
School District contributions subsequent to the measurement date	82,226,356	-	256,903	-
<b>Total</b>	<b>\$ 286,954,411</b>	<b>\$ 4,976,939</b>	<b>\$ 445,554</b>	<b>\$ 47,031</b>

The School District contributions subsequent to the measurement date of \$82,226,356 for TRS and \$256,903 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2018	\$ 31,334,856.00	\$ (15,524.00)
2019	\$ 31,334,807.00	\$ 5,053.00
2020	\$ 80,254,184.00	\$ 93,888.00
2021	\$ 53,974,420.00	\$ 58,203.00
2022	\$ 2,852,849.00	\$ -

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

**Teachers Retirement System:**

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

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

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

**Employees' Retirement System:**

Inflation	2.75%
Salary increases	3.25% – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP- 2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

**Public School Employees Retirement System:**

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

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

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

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

<u>Asset class</u>	<u>TRS Target allocation</u>	<u>ERS/PSERS Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	30.00%	(0.50)%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative		5.00%	10.50%
Total	<u>100.00%</u>	<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 TRS, ERS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS, ERS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<b>Teachers Retirement System:</b>	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 1,558,840,893	\$ 1,001,496,009	\$ 542,614,367

<b>Employees' Retirement System:</b>	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 2,321,149	\$ 1,712,790	\$ 1,194,348

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS, ERS and PSERS financial report which is publicly available at [www.trsga.com/publications](http://www.trsga.com/publications) and <http://www.ers.ga.gov/formspubs/formspubs.html>.

**DEFINED CONTRIBUTION PLAN**

On July 11, 1983, DeKalb County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public Schools Employees Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board selected Fidelity Investments as the provider of this plan. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to eight percent of the employee's base pay. The employee becomes vested in the plan when the first contribution is made.

Funds accumulated in the employer paid accounts become available to the employee upon retirement or when the employee reaches age 59 1/2.

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

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	\$ 4,627,343
2016	100%	\$ 4,184,257
2015	100%	\$ 3,927,701



**NOTE 14: TAX ABATEMENTS**

DeKalb County Development Authority enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to DeKalb County.

For the fiscal year ended June 30, 2017, DeKalb County abated property taxes due to the School District on the 2016 tax levy totaling \$5,822,806. Included in that amount abated, the following is an individual tax abatement agreement that exceeded 10 percent of the total amount abated:

- A 100 percent school property tax abatement was granted to PTREE and an 85 percent school property tax abatement was granted to PSUMIT in the amounts of \$622,591 and \$736,663 respectively. This abatement resulted in a loss of tax revenue to the School District that would not have been sustained had the abatement not been granted.

**NOTE 15: SUBSEQUENT EVENTS**

The School District is a defendant in a lawsuit for a breach of contract. The Georgia Court of Appeals issued an opinion reversing the grant of summary judgement to the School District on June 1, 2018. On June 21, 2018, the School District filed a Writ of Certiorari with the Georgia Supreme Court challenging the opinion issued by the Court of Appeals. The parties are currently waiting for a decision from the Georgia Supreme Court on the School District's petition. At this time, we are unable to determine whether an unfavorable outcome from this matter is probable or remote or to estimate the amount or range of potential loss.

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

	2017	2016	2015
School District's proportion of the net pension liability	4.854299%	4.712696%	4.712930%
School District's proportionate share of the net pension liability	\$ 1,001,496,009	\$ 717,461,169	\$ 595,416,542
State of Georgia's proportionate share of the net pension liability associated with the School District	7,883,562	5,869,616	4,485,967
Total	<u>\$ 1,009,379,571</u>	<u>\$ 723,330,785</u>	<u>\$ 599,902,509</u>
School District's covered payroll	\$ 536,892,957	\$ 501,452,947	\$ 483,104,365
School District's proportionate share of the net pension liability as a percentage of its covered payroll	186.54%	143.08%	123.25%
Plan fiduciary net position as a percentage of the total pension liability	76.06%	81.44%	84.03%

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

	2017	2016	2015
School District's proportion of the net pension liability	0.036208%	0.037839%	0.038132%
School District's proportionate share of the net pension liability	\$ 1,712,790	\$ 1,533,008	\$ 1,430,186
State of Georgia's proportionate share of the net pension liability associated with the School District	-	-	-
Total	<u>\$ 1,712,790</u>	<u>\$ 1,533,008</u>	<u>\$ 1,430,186</u>
School District's covered payroll	\$ 841,877	\$ 917,547	\$ 900,182
School District's proportionate share of the net pension liability as a percentage of its covered payroll	203.45%	167.08%	158.88%
Plan fiduciary net position as a percentage of the total pension liability	72.34%	76.20%	77.99%

DEKALB COUNTY BOARD OF EDUCATION

SCHEDULE "3"

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

	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributions	\$ 82,226,356	\$ 76,015,170	\$ 65,941,063	\$ 59,325,216	\$ 56,336,367	\$ 56,477,235	\$ 57,198,715	\$ 57,802,494
Contributions in relation to the contractually required contributions	82,226,356	76,015,170	65,941,063	59,325,216	56,336,367	56,477,235	57,198,715	57,802,494
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 579,389,485	\$ 536,892,957	\$ 501,452,947	\$ 483,104,365	\$ 493,745,552	\$ 549,402,309	\$ 556,407,731	\$ 593,458,300
Contributions as a percentage of covered payroll	14.19%	14.16%	13.15%	12.28%	11.41%	10.28%	10.28%	9.74%

**DEKALB COUNTY BOARD OF EDUCATION**

**SCHEDULE "4"**

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

	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributions	\$ 256,903	\$ 208,112	\$ 201,493	\$ 166,174	\$ 104,823	\$ 76,992	\$ 57,962	\$ 61,212
Contributions in relation to the contractually required contributions	256,983	208,112	201,493	166,174	104,823	76,992	57,962	61,212
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 1,035,482	\$ 841,877	\$ 917,547	\$ 900,182	\$ 723,163	\$ 689,713	\$ 587,676	\$ 619,629
Contributions as a percentage of covered payroll	24.81%	24.72%	21.96%	18.46%	14.50%	11.16%	9.86%	9.88%

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

**Teachers Retirement System of Georgia:**

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

*Method and assumptions used in calculations of actuarially determined contributions* : The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2017 reported in that schedule:

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

**Employees' Retirement System of Georgia:**

*Changes of assumptions* : There were no changes in assumptions or benefits that affect the measurement of the total pension liability since the prior measurement date.

*Method and assumptions used in calculations of actuarially determined contributions* : The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2017 reported in that schedule:

Valuation date	June 30, 2014
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22.6 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	5.45 – 9.25%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

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

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

Valuation date	June 30, 2014
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22.6 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of living adjustments	1.50% semi-annually

DEKALB COUNTY BOARD OF EDUCATION

SCHEDULE "6"

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

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 467,117,816	\$ 467,117,816	\$ 467,734,059	\$ 616,243
Other taxes	6,800,000	6,800,000	14,027,145	7,227,145
State funds	483,453,293	484,079,607	493,789,146	9,709,539
Federal funds	118,211,837	147,160,781	118,135,267	(29,025,514)
Charges for services	2,979,658	2,979,658	21,360,358	18,380,700
Investment income	526,000	526,000	1,123,366	597,366
Miscellaneous	48,474,697	51,489,406	5,577,133	(45,912,273)
Total revenues	<u>1,127,563,301</u>	<u>1,160,153,268</u>	<u>1,121,746,474</u>	<u>(38,406,794)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	694,833,780	708,521,659	689,586,443	18,935,216
Support services:				
Pupil services	37,255,667	46,746,137	58,563,201	(11,817,064)
Improvement of instructional services	31,995,538	44,300,231	30,988,963	13,311,268
Educational media services	13,284,988	13,324,303	12,654,324	669,979
General administration	17,275,830	19,224,904	17,520,124	1,704,780
School administration	69,133,792	64,312,642	62,687,531	1,625,111
Business administration	11,247,381	8,502,686	7,738,560	764,126
Maintenance and operation of plant	96,443,090	103,616,025	102,368,093	1,247,932
Student transportation services	61,763,084	63,483,419	52,897,074	10,586,345
Central support services	22,365,002	22,077,373	19,813,639	2,263,734
Other support services	3,434,782	2,984,844	1,268,397	1,716,447
Enterprise Operations	1,019,249	1,019,249	1,117,702	(98,453)
Food services operation	60,031,700	60,986,423	61,127,097	(140,674)
Capital outlay	-	3,632,000	3,632,000	-
Debt service:				
Principal	1,290,512	1,290,512	1,957,130	(666,618)
Interest	150,000	150,000	94,127	55,873
Total expenditures	<u>1,121,524,395</u>	<u>1,164,172,407</u>	<u>1,124,014,405</u>	<u>40,158,002</u>
Excess (deficiency) of revenues over expenditures	6,038,906	(4,019,139)	(2,267,931)	1,751,208
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	85,620	85,620
Net change in fund balances	6,038,906	(4,019,139)	(2,182,311)	1,836,828
<b>FUND BALANCES, beginning of year</b>	<u>135,000,729</u>	<u>135,000,729</u>	<u>135,000,729</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 141,039,635</u>	<u>\$ 130,981,590</u>	<u>\$ 132,818,418</u>	<u>\$ 1,836,828</u>



**DEKALB COUNTY BOARD OF EDUCATION**

**SCHEDULE "7"**

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

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	17165GA324N1099	\$ 10,691,976
National School Lunch Program	10.555	17165GA324N1099	<u>50,508,065</u>
Total Child Nutrition Cluster			61,200,041
Pass-Through from Georgia Department of Education			
Food Services			
Child Nutrition Discretionary Grants Limited Availability	10.579	16165GA350N8103	<u>16,000</u>
Total U. S. Department of Agriculture			<u>61,216,041</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	1,208,257
Grants to States	84.027	H027A160073	18,426,436
Preschool Grants	84.173	H173A150081	283,482
Preschool Grants	84.173	H173A160081	373,317
State Personnel Development Grant	84.323	H323A150020	<u>2,438</u>
Total Special Education Cluster			<u>20,293,930</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A160010	1,076,593
Education for Homeless Children and Youth	84.196	S196A150011	31,624
Education for Homeless Children and Youth	84.196	S196A160011	15,222
English Language Acquisition Grants	84.365	S365A150010	858,242
English Language Acquisition Grants	84.365	S365A160010	840,731
Improving Teacher Quality State Grants	84.367	S367A150001	1,401,461
Improving Teacher Quality State Grants	84.367	S367A160001	1,309,632
Migrant Education - State Grant Program	84.011	S011A160011	131
Title I Grants to Local Educational Agencies	84.010	S010A150010	10,604,339
Title I Grants to Local Educational Agencies	84.010	S010A160010	27,244,076
Pass-Through from Georgia State University			
Teacher Quality Partnership Program	84.336	U336S140036	<u>152,129</u>
Total Other Programs			<u>43,534,180</u>
Total U. S. Department of Education			<u>63,828,110</u>
Justice, U.S. Department of			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>31,085</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.UNKNOWN		521,480
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		169,877
Department of the Navy			
R.O.T.C. Program	12.UNKNOWN		<u>1,059,863</u>
Total U. S. Department of Defense			<u>1,751,220</u>
Total Expenditures of Federal Awards			<u>\$ 126,826,456</u>

N/A = Not Available

**DEKALB COUNTY BOARD OF EDUCATION**

**SCHEDULE "7"**

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

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Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Dekalb County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position of changes in net assets of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

SCHEDULE OF STATE REVENUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 8,591,416	-	\$ 8,591,416
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	27,687,638	-	27,687,638
Kindergarten Program - Early Intervention Program	17,266,129	-	17,266,129
Primary Grades (1-3) Program	73,503,398	-	73,503,398
Primary Grades - Early Intervention (1-3) Program	32,501,946	-	32,501,946
Upper Elementary Grades (4-5) Program	34,365,325	-	34,365,325
Upper Elementary Grades - Early Intervention (4-5) Program	17,883,266	-	17,883,266
Middle School (6-8) Program	62,745,016	-	62,745,016
High School General Education (9-12) Program	61,821,314	-	61,821,314
Vocational Laboratory (9-12) Program	14,728,008	-	14,728,008
Students with Disabilities	75,080,201	-	75,080,201
Gifted Student - Category VI	33,623,061	-	33,623,061
Remedial Education Program	4,710,072	-	4,710,072
Alternative Education Program	4,667,004	-	4,667,004
English Speakers of Other Languages (ESOL)	27,165,907	-	27,165,907
Media Center Program	12,782,153	-	12,782,153
20 Days Additional Instruction	3,688,229	-	3,688,229
Staff and Professional Development	2,334,394	-	2,334,394
Principal Staff and Professional Development	39,708	-	39,708
Indirect Cost			
Central Administration	9,965,659	-	9,965,659
School Administration	24,456,907	-	24,456,907
Facility Maintenance and Operations	30,353,118	-	30,353,118
Amended Formula Adjustment	(7,125,310)	-	(7,125,310)
QBE Contra Account	(98,617,373)	-	(98,617,373)
Categorical Grants			
Pupil Transportation	4,623,892	-	4,623,892
Nursing Services	1,995,466	-	1,995,466
Other State Programs			
Charter Schools - Facilities	243,655	-	243,655
Food Services	1,328,540	-	1,328,540
GNETS State Grant	3,262,235	-	3,262,235
Math and Science Supplements	1,077,085	-	1,077,085
Preschool Handicapped Program	2,344,105	-	2,344,105
Pupil Transportation - State Bonds	1,312,676	-	1,312,676
Residential Treatment Centers Grant	213,578	-	213,578
Rule 10 Special Education State Grant	180,000	-	180,000
Teacher of the Year	507	-	507
Teachers Retirement	447,245	-	447,245
CTAE Programs	834,428	-	834,428
Vocational Education	53,223	-	53,223
Residential and Reintegration Services	98,184	-	98,184
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects	-	4,401,719	4,401,719
Office of the State Treasurer			
Public School Employees Retirement	1,557,141	-	1,557,141
	\$ 493,789,146	\$ 4,401,719	\$ 498,190,865

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DEKALB COUNTY BOARD OF EDUCATION

SCHEDULE "9"

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

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	ESTIMATED COMPLETION DATE
2007 Sales Tax - Authorized Projects						
1. Lease-hold improvements for Rock Chapel ES, Princeton ES, and Dunwoody ES (COPS 05/07)	\$ 66,000,000.00	\$ 73,991,524.02	\$ 14,062,886.10	\$ 59,928,637.92	\$ -	Dec-16
2. Renovations/expansion at SWD HS, Towers HS, Columbia HS, McNair HS, and emergency HVAC	25,000,000.00	22,888,015.35	-	22,888,015.35	22,888,015.35	Completed
3. Cross Keys HS Renovation and Career Tech	16,927,348.00	17,909,849.64	-	17,909,849.64	17,909,849.64	Completed
4. Tucker HS replacement	66,330,016.00	60,359,593.17	-	60,359,593.17	60,359,593.17	Completed
5. Roofing Portfolio #1	9,677,168.00	12,238,001.23	-	12,238,001.23	12,238,001.23	Completed
6. HVAC Portfolio #1	17,168,224.00	12,000,530.99	292,060.35	11,708,470.64	12,000,530.99	Completed
7. ADA Code Requirements Portfolio #1	4,730,336.00	3,607,327.90	-	3,607,327.90	3,607,327.90	Completed
8. Local School Priority Requests (LSPR)	5,156,419.00	7,421,713.65	-	7,421,713.65	7,421,713.65	Completed
9. Site improvements	13,417,986.00	7,753,950.66	552,563.62	7,201,387.04	7,753,950.66	Completed
10. Druid Hills HS improvements	9,739,800.00	17,980,312.63	-	17,980,312.63	17,980,312.63	Completed
11. Renovation and expansion of relocated DeKalb School of the Arts	10,000,000.00	5,404,226.51	-	5,404,226.51	5,404,226.51	Completed
12. Renovation and expansion of Mountain Industrial Center	29,836,296.00	31,587,438.27	-	31,587,438.27	31,587,438.27	Completed
13. Purchase of land	3,000,000.00	18,676.47	-	18,676.47	18,676.47	Completed
14. Additions to Chamblee HS, Clarkston HS, Druid Hills HS, Dunwoody HS, Lakeside HS, and Redan HS	63,292,805.00	51,436,425.96	160,720.90	51,275,705.06	51,436,425.96	Completed
15. Technology-Refresh cycle	19,418,581.00	26,482,053.33	230,828.92	26,251,224.41	26,482,053.33	Completed
16. Lithonia HS addition and improvements	11,447,624.00	25,488.00	-	25,488.00	25,488.00	Completed
17. MLK Jr HS addition and improvements	10,178,779.00	15,575,340.21	881,309.00	14,694,031.21	15,575,340.21	Completed
18. Miller Grove HS addition and improvements	5,874,487.00	5,142,911.18	-	5,142,911.18	5,142,911.18	Completed
19. Dunwoody HS addition and improvements	4,819,395.00	19,774,546.64	-	19,774,546.64	19,774,546.64	Completed
20. Clarkston HS improvements	4,000,000.00	11,759,987.13	-	11,759,987.13	11,759,987.13	Completed
21. HVAC Portfolio #2	10,716,737.00	8,550,426.40	19,135.79	8,531,290.61	8,550,426.40	Completed
22. Roofing Portfolio #2	10,681,471.00	4,124,513.16	-	4,124,513.16	4,124,513.16	Completed
23. ADA Code Requirements Portfolio #2	2,052,729.00	2,683,108.92	-	2,683,108.92	2,683,108.92	Completed
24. School buses	12,000,000.00	12,026,695.05	-	12,026,695.05	12,026,695.05	Completed
25. Technology-Media Center upgrades	10,000,000.00	9,977,929.17	68,404.54	9,909,524.63	9,977,929.17	Completed
26. HVAC Portfolio #3	17,408,662.00	9,482,722.78	104,013.86	9,378,708.92	9,482,722.78	Completed
27. Roofing Portfolio #3	7,125,137.00	3,264,672.84	-	3,264,672.84	3,264,672.84	Completed
28. Other improvements and supporting services	-	68,911,566.02	323,644.71	48,173,355.52	-	Dec-23
29. Bond Interest Payments	-	56,021,915.62	-	56,021,915.62	56,021,915.62	Completed
	\$ 466,000,000.00	\$ 578,401,462.90	\$ 16,695,567.79	\$ 541,291,329.32	\$ 435,498,372.86	

**DEKALB COUNTY BOARD OF EDUCATION**

SCHEDULE "9"

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

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	ESTIMATED COMPLETION DATE
2012 Sales Tax - Authorized Projects						
1. Americans with Disabilities Act (ADA) Improvements	\$ 2,342,500.00	\$ 2,067,991.00	\$ 975,419.32	\$ 248,700.95	\$ -	Sep-18
2. Stadiums	9,557,400.00	10,234,240.00	4,557,069.23	3,527,113.40	-	Sep-17
3. Capital Renewal Program	84,892,200.00	87,811,643.98	28,128,361.59	18,001,057.92	-	Aug-18
4. Code Requirements	2,342,500.00	1,920,248.00	973,541.73	165,642.40	-	Sep-18
5. Coralwood Diagnostic Center Addition	9,932,200.00	9,804,210.00	-	-	-	Apr-19
6. Early Learning Center	2,717,300.00	2,682,284.00	-	-	-	Jun-18
7. Arts School at former Avondale MS	4,029,100.00	3,977,167.00	56,958.60	116,549.31	-	Dec-18
8. Renovation of Southwest DeKalb HS <sup>4</sup> and Stone Mountain HS	11,056,600.00	33,224,366.00	4,077,148.59	22,115,519.53	-	Aug-18
9. Replacement of Austin ES, Fernbank ES, Gresham Park ES, Pleasantdale ES, Peachcrest ES, Rockbridge ES, Smoke Rise ES	135,021,700.00	143,102,953.00	22,631,527.01	59,514,962.26	-	Jun-20
10. Henderson MS Renovation/Addition	14,992,000.00	19,090,623.91	10,732,929.87	6,395,146.22	-	Aug-17
11. Redan HS Renovation/Addition	20,988,800.00	21,851,406.26	2,001,968.80	19,849,437.46	-	Jan-18
12. Chamblee HS Replacement	55,001,900.00	54,992,632.00	5,567,557.98	16,760,316.01	-	Jun-19
13. McNair MS Replacement	35,043,800.00	34,592,213.00	371,809.31	4,931.60	-	Nov-18
14. Local School Priority Requests	5,153,500.00	3,202,479.00	-	2,902,294.25	2,902,294.25	Completed
15. Demolition	2,342,500.00	3,312,309.00	330,446.85	2,762,280.21	-	Aug-18
16. Safety/Security Systems Upgrade	2,342,500.00	2,292,719.24	236,720.00	2,055,999.24	2,292,719.24	Completed
17. Technology Equipment and Infrastructure Refresh	36,261,900.00	34,244,407.00	1,270,912.81	31,550,634.08	-	Aug-18
18. School Buses	9,463,700.00	12,800,319.00	-	12,800,247.61	12,800,247.61	Completed
19. Service Vehicles	1,592,900.00	2,252,530.33	145,310.00	2,107,220.33	2,252,530.33	Completed
20. Other capital improvements and supporting services (Includes Bond Series 2012 Bond Issuance Costs, Principal Payments and 2011 COPs Interest Payments)	29,925,000.00	101,853,960.11	23,564,955.40	20,215,546.00	-	Oct-18
	\$ 475,000,000.00	\$ 585,310,701.83	\$ 105,622,637.09	\$ 221,093,598.78	\$ 20,247,791.43	

DEKALB COUNTY BOARD OF EDUCATION

SCHEDULE "9"

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

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	ESTIMATED COMPLETION DATE
2017 Sales Tax - Authorized Projects						
(1) Sprinkler Installation A	\$ 1,230,000.00	\$ 1,230,000.00	\$ -	\$ -	\$ -	May-24
(2) Sprinkler Installation B	1,250,000.00	1,250,000.00	-	-	-	Jul-24
(3) Sprinkler Installation C	1,420,000.00	1,420,000.00	-	-	-	Sep-24
(4) Life Safety Set-aside	3,530,000.00	3,530,000.00	-	-	-	Jun-24
(5) Fence installation A	803,000.00	803,000.00	-	-	-	Nov-21
(6) Fence installation B	916,000.00	916,000.00	-	-	-	Jan-22
(7) Fence installation C	751,000.00	751,000.00	-	-	-	May-22
(8) Security Vestibules A	917,000.00	917,000.00	-	-	-	Jan-23
(9) Security Vestibules B	1,069,000.00	1,069,000.00	-	-	-	Oct-22
(10) Druid Hills HS	616,000.00	616,000.00	-	-	-	Jan-22
(11) Hambrick ES	370,000.00	370,000.00	-	-	-	Oct-22
(12) New Cross Keys MS (at Cross Keys HS)	10,005,000.00	10,005,000.00	170.00	-	-	Jun-20
(13) Freedom MS	8,485,000.00	8,485,000.00	-	-	-	Apr-23
(14) Peachtree MS	14,100,000.00	14,100,000.00	-	-	-	May-23
(15) Cedar Grove HS	6,030,000.00	6,030,000.00	170.00	-	-	Jan-21
(16) Chamblee HS	21,540,000.00	21,540,000.00	170.00	-	-	Oct-20
(17) Clarkston HS	18,040,000.00	18,040,000.00	-	-	-	Sep-21
(18) New Cross Keys HS	84,800,000.00	84,800,000.00	-	-	-	Jun-22
(19) Dunwoody HS	17,690,000.00	17,690,000.00	250.00	-	-	Sep-22
(20) Lakeside HS	26,990,000.00	26,990,000.00	-	-	-	Jun-22
(21) John Lewis ES	31,500,000.00	31,500,000.00	7,421,106.66	-	-	Apr-19
(22) New ES for Cross Keys North	30,500,000.00	30,500,000.00	8,259,744.50	-	-	Jul-20
(23) Indian Creek ES	28,500,000.00	28,500,000.00	-	-	-	Feb-20
(24) Turf Installation A	5,320,000.00	5,320,000.00	-	-	-	May-23
(25) Turf Installation B	5,510,000.00	5,510,000.00	-	-	-	23-Feb
(26) Playground replacement	1,311,000.00	1,311,000.00	-	-	-	Aug-18
(27) Plumbing fixture replacement	1,917,000.00	1,917,000.00	-	-	-	Oct-22
(28) Redan MS	807,000.00	807,000.00	-	-	-	Oct-22
(29) Lead-in-Water Testing Set-Aside	923,000.00	923,000.00	-	-	-	TBD
(30) Accessibility improvements and plumbing fixtures at 4 schools	1,593,000.00	1,593,000.00	-	-	-	Jul-23
(31) ADA restroom upgrades	402,000.00	402,000.00	-	-	-	Jan-23
(32) Druid Hills MS	855,000.00	855,000.00	-	-	-	Nov-23
(33) Midvale ES	516,000.00	516,000.00	-	-	-	Oct-22
(34) Henderson Mill ES	7,020,000.00	7,020,000.00	-	-	-	Oct-23
(35) Toney ES	6,790,000.00	6,790,000.00	-	-	-	Jan-22
(36) Kitredge Magnet	6,045,000.00	6,045,000.00	-	-	-	Nov-23
(37) E.L. Miller ES	4,243,000.00	4,243,000.00	-	-	-	Jan-22
(38) Stoneview	4,860,000.00	4,860,000.00	-	-	-	Mar-23
(39) Cary Reynolds ES	5,635,000.00	5,635,000.00	-	-	-	Nov-23
(40) Briar Vista ES	4,160,000.00	4,160,000.00	-	-	-	Dec-23
(41) Champion Theme MS	6,063,000.00	6,063,000.00	-	-	-	Apr-23
(42) Livsey ES	4,100,000.00	4,100,000.00	-	-	-	Jan-24
(43) DeKalb HS of Technology-South	3,860,000.00	3,860,000.00	-	-	-	Jun-23
(44) Fairington ES	2,439,000.00	2,469,000.00	-	-	-	Feb-23
(45) Dresden ES	3,570,000.00	3,570,000.00	-	-	-	Feb-24
(46) Kingsly ES	2,610,000.00	2,610,000.00	-	-	-	Nov-23
(47) Hawthorne ES	4,510,000.00	4,540,000.00	-	-	-	Apr-24
(48) Salem MS	4,530,000.00	4,530,000.00	-	-	-	Jul-23
(49) Rock Chapel ES	3,210,000.00	3,210,000.00	-	-	-	Aug-23
(50) Bus Parking Pavement	2,570,000.00	2,570,000.00	-	-	-	Nov-18
(51) Parking Addition	1,579,000.00	1,579,000.00	-	-	-	May-24
(52) Technology: ERP/Finance/HR System (Bond, Initial Capital)	2,000,000.00	2,000,000.00	1,738,338.22	-	-	Mar-19
(53) Technology: ERP/Finance/HR System (Sales Tax and State Reimbursements)	10,000,000.00	10,000,000.00	487,851.80	-	-	Oct-20
(54) Technology: Computer Refresh A (Bond)	13,000,000.00	13,000,000.00	2,790,295.00	-	-	Mar-19
(55) Technology: Computer Refresh B (Sales Tax and State Reimbursements)	9,000,000.00	9,000,000.00	-	-	-	Jan-23
(56) Technology: Telecommunications Upgrade	6,000,000.00	6,000,000.00	-	-	-	Jan-22
(57) Technology: Safety and Security	10,000,000.00	10,000,000.00	1,355,753.16	-	-	Jan-22
(58) Technology: Active Boards A (Bonds)	2,000,000.00	2,000,000.00	-	-	-	Mar-19
(59) Technology: Active Boards B (Sales Tax and State Reimbursements)	8,000,000.00	8,000,000.00	-	-	-	Jan-23
(60) Technology: Infrastructure	5,000,000.00	5,000,000.00	-	-	-	Jan-22
(61) School Bus Purchase A (Bond)	20,573,900.00	20,573,900.00	139,923.00	-	-	Sep-17
(62) School Bus Purchase B (Sales Tax and State Reimbursements)	4,575,100.00	4,575,100.00	-	-	-	Jun-20
(63) Support Vehicle Purchase	1,483,000.00	1,483,000.00	-	-	-	17-Sep
(64) Music Instruments	10,000,000.00	10,000,000.00	-	-	-	Aug-22
(66) Portables	2,199,000.00	2,199,000.00	1,781,704.65	-	-	Sep-17
(67) Small Kitchen Equipment	1,169,000.00	1,169,000.00	-	-	-	Feb-21
(68) Bond Costs	8,400,000.00	8,400,000.00	303,138.74	-	-	Jan-23
(63) Program Contingency	20,600,000.00	20,600,000.00	-	-	-	Jun-23
(69) DCSD Salary	5,000,000.00	5,000,000.00	-	-	-	Sep-22
(64) General Services	1,000,000.00	1,000,000.00	-	-	-	Aug-22
(65) Program Consultants	13,000,000.00	13,000,000.00	-	-	-	Aug-22
	\$ 561,000,000.00	\$ 561,060,000.00	\$ 24,278,615.73	\$ -	\$ -	
	\$ 1,502,000,000.00	\$ 1,724,772,164.73	\$ 146,596,820.61	\$ 762,384,928.10	\$ 455,746,164.29	

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

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

April 10, 2019

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

### **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**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeKalb County Board of Education (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated April 10, 2019.

#### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item FS 2017-001, to be a material weakness.

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 FS 2017-002, to be a significant deficiency.

### **Compliance and Other Matters**

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

### **School District's Response to Findings**

The School District's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor



# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

April 10, 2019

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

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

### Report on Compliance for Each Major Federal Program

We have audited the DeKalb County Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

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

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

## **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* as item FA 2017-001 and FA 2017-002, that we consider to be significant deficiencies.

The School District's response to the internal control over compliance finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

DEKALB COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FS-6441-13-02**                      **Capital Asset Maintenance**

**Control Category:**                      Capital Assets  
**Internal Control Impact:**              Material Weakness  
**Compliance Impact:**                  None

**Finding Status:**                          Unresolved – See Corrective Action/Responses

Management concurs with this finding. The IT and Finance Division has partially implemented a new Financial Management Information System (FMIS), MUNIS, which when completed will ensure that capital assets will be tracked and reported properly.

Estimated Completion Date: April 30, 2019

Contact Person: Dr. Michael J. Bell, CFO  
Telephone: (678) 676-0133  
E-mail: [Michael\\_bell@dekalbschools.ga.org](mailto:Michael_bell@dekalbschools.ga.org)

**FS-2014-002**                      **Capital Asset Maintenance**

**Control Category:**                      Capital Assets  
**Internal Control Impact:**              Significant Deficiency  
**Compliance Impact:**                  None

**Finding Status:**                          Unresolved – See Corrective Action/Responses

Management concurs with this finding. The IT and Finance Division has partially implemented a new Financial Management Information System (FMIS), MUNIS, which when completed will ensure that capital assets will be tracked and reported properly.

Estimated Completion Date: April 30, 2019

Contact Person: Dr. Michael J. Bell, CFO  
Telephone: (678) 676-0133  
E-mail: [Michael\\_bell@dekalbschools.ga.org](mailto:Michael_bell@dekalbschools.ga.org)



DEKALB COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**FA-2016-001**

**Controls over Equipment**

<b>Compliance Requirement:</b>	Equipment and Real Property Management
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	Nonmaterial Noncompliance
<b>Federal Awarding Agency:</b>	U.S. Department of Agriculture
<b>Pass-Through Entity:</b>	Georgia Department of Education
<b>CFDA Number and Title:</b>	Child Nutrition Cluster (CFDA 10.553 and 10.555)
<b>Federal Award Number:</b>	16165GA324N1099
<b>Questioned Costs:</b>	None Identified

**Finding Status:** Unresolved – See Corrective Action/Responses

Management concurs with this finding. The School Nutrition Department (SNS) is in the process of implementing new procedures to strengthen the equipment records and ensure complete and accurate tracking and reporting in accordance with all applicable federal, state and local requirements. Additionally, the SNS department will create a new position dedicated to management and oversight of Equipment and Real Property to ensure effective internal control processes, including performance of an annual inventory.

Estimated Completion Date: June 30, 2019

Contact Person: Dr. Michael J. Bell  
Telephone: (678) 676-0133;  
E-mail: michael\_bell@dekalbschoolsga.org



SECTION IV  
FINDINGS AND QUESTIONED COSTS

DEKALB COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2017

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issue:  
 Governmental Activities; General Fund; Capital Projects Fund; Debt  
 Service Fund; Aggregate Remaining Fund Information Unmodified

Internal control over financial reporting:

- Material weakness identified? Yes
- Significant deficiency identified? Yes

Noncompliance material to financial statements noted: No

**Federal Awards**

Internal Control over major programs:

- Material weakness identified? No
- Significant deficiency identified? Yes

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? No

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-001	<u>Controls over Financial Reporting</u>
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None

### Description:

The School District did not have adequate controls in place over the financial statement reporting process to ensure all required activity was correctly included in the financial statement information presented for audit. The original financial statements, as presented for audit, contained numerous material and significant errors and omissions.

### Criteria:

Management is responsible for having adequate controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The School District's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total changes in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

Chapter II – 2 *Annual Financial Reporting of the Financial Management for Georgia Local Units of Administration* provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

### Condition:

The following errors and omissions were noted in the School District's financial statements and note disclosures as presented for audit:

- A material audit adjustment was proposed and accepted by the School District to correctly report cash and funds held for others. School activity agency account balances for cash and funds held for others were overstated by \$196,599 due to the financial statements not being properly adjusted for the current year activity.
- A significant audit adjustment was proposed and accepted by the School District to properly report cash, expenditures and revenue for school activity governmental account balances. The balance for cash was overstated by \$21,784 and expenditures and charges for services revenues were understated by \$14,050,108 and \$14,028,324, respectively, due to the financial statements not being properly adjusted for the current year activity.
- A material audit reclassification was proposed and accepted by the School District to correctly report cash and investments. Cash was overstated and investments were understated by \$34,552,492 due to incorrectly classifying cash accounts as investments during the financial statement preparation process on the capital projects fund financial statements.

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- A material audit adjustment was proposed and accepted by the School District to correctly report prepaid assets and expenditures. Prepaid assets were overstated and bond principal payment expenditures were understated by \$14,000,000 due to an error in recording the early payment on the general obligation bond series 2012 in the capital projects fund financial statements.
- Multiple audit adjustments were proposed and accepted by the School District to properly report accounts payable, contracts payable, retainage payable and expenditures. The net effect of the entries was that accounts payable was overstated by \$1,705,642, contracts payable was understated by \$3,693,000, retainage payable was overstated by \$2,755,465 and capital outlay was overstated by \$768,107. The affected accounts were misstated due to improper classification and errors in recording payables related to construction projects on the capital projects fund.
- A material audit reclassification totaling \$70,941,482 was proposed and accepted by the School District to correctly report functional expenses and expenditures. Instructional expenses/expenditures were understated and pupil services expenses/expenditures were overstated by \$70,491,482 due to mapping errors performed during the financial statement preparation process on both the government-wide and general fund financial statements.
- Material errors were noted for the SPLOST schedule due to keying errors and the lack of consideration of financial statement adjustments during completion of the schedule by entity personnel. Audit adjustments were proposed by the auditor and accepted by the School District to properly report the SPLOST schedule.
- A review of federal grant fund balances revealed that several grants were not properly closed out at year-end. Federal programs should be reviewed each year to determine if fund should be refunded to the grantor or if a transfer or receivable is necessary to cover a deficit balance.
- Numerous other immaterial correction and reclassification entries were proposed by the auditor and accepted by the School District to properly present the School District's financial statements, note disclosures, and supplementary information.

### Cause:

In discussing this deficiency with the School District, they stated that the cause was a direct result of the lack of review of the financial statements and note disclosures as prepared by their consultant.

### Effect or Potential Effect:

Material and significant misstatements and misclassifications were included in the financial statements presented for audit. Numerous adjustments were necessary for the School District's financial statements to be in conformity with GAAP. The lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations.

### Recommendation:

The School District should strengthen their internal controls and preparation and review procedures over financial reporting to ensure that the financial statements, including disclosures, presented for audit are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of the applicable GAAP, GASB pronouncements and knowledge of the School District's activities and operations. The School District should also consider implementing the use of a review checklist to assist in the review process over the financial statements.

### Views of Responsible Officials:

We concur with this finding.

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

FS 2017-002 Controls over Capital Assets  
Control Category: Capital Assets  
Internal Control Impact: Significant Deficiency  
Compliance Impact: None  
Repeat of Prior Year Finding: FS-2016-001, FS-2015-001, FS-2014-002, and FS-6441-13-02

**Description:**

Adequate policies and procedures were not in place to ensure capital assets inventory records are properly maintained.

**Criteria:**

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that capital asset inventory records are properly maintained. Chapter IV - 7, *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration provides that School Districts must establish capital asset policies, define system requirements, implement a capital asset system, and maintain capital asset inventory records.

**Condition:**

Our review of capital assets revealed the following items:

- The entity was unable to provide capital asset and construction in progress listings, which supported capital asset amounts reported within the financial statements exhibits and notes. An immaterial audit adjustment totaling \$12.9 million (net of accumulated depreciation) was proposed and accepted by the client to correctly report current year additions and depreciation.
- An immaterial misstatement was noted between the capital asset listing provided by the entity and beginning accumulated depreciation of \$6.5 million.
- Several immaterial adjustments were proposed and accepted by the client to correct capital asset amounts for unrecorded contracts and retainage payables and unearned executed contract amounts reported as significant commitments in the notes to the financial statements.
- Buses listed on the entity's capital asset listing were not depreciated according to the entity's estimated useful life within its capitalization policies resulting in an understatement of depreciation expense of \$224,699.00 and an understatement of assets totaling \$1,235,846.00.
- The School District has not formally adopted a capitalization policy to utilize in recording intangible assets in accordance with Governmental Accounting Standards Board Statement No. 51, *Accounting and Reporting for Intangible Assets*.
- Procedures were not in place to reconcile capital outlay expenditures to capital asset additions. These procedures would ensure that all assets meeting the capitalization thresholds were appropriately capitalized and recorded, the correct expense function is used when removing the expense to record the capital asset addition, and the capital asset addition is being added in the same year that the expense actually occurred.

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**Cause:**

Per discussion with management, the School District could not adequately implement internal controls to maintain capital assets activity due to legacy accounting system inadequacies.

**Effect or Potential Effect:**

The failure of the School District to maintain a complete and accurate capital asset listing can lead to inaccurate internal and external reporting, as well as noncompliance with generally accepted accounting principles.

**Recommendation:**

The School District should execute its plans to replace legacy systems and design and implement controls over capital assets to ensure (1) an ongoing analysis of capital projects is maintained and (2) capital asset inventory records are reviewed for accuracy and appropriate adjustments are made as necessary.

**Views of Responsible Officials:**

We concur with this finding.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

FA 2017-001	<u>Controls over Equipment</u>
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Number:	17175GA324N1099, 17175GA324N1100
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA 2016-001

**Description:**

The policies and procedures of the School District did not provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster.

**Criteria:**

2 CFR §200.313(d)(1) states, "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property." In addition, 2 CFR §200.313(d)(2) states, "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

### III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### Condition:

The School District did not maintain an adequate and complete equipment listing for the Child Nutrition Cluster. Our testing revealed the following deficiencies:

- Three out of the 15 equipment items selected from property records for testing could not be physically located. No documentation could not be provided to determine if the items had been moved to a new location or should have been reported as dispositions.
- Two out of the 15 equipment items selected from the property records for testing did not reflect the appropriate use and condition based upon physical inspection of the equipment.
- Five equipment items being utilized within the lunchrooms selected for physical inspection did not appear to be reported on the School District's equipment listings.
- Property records did not include the following required components: (1) Percentage of Federal participation in the project costs for the Federal award under which the property was acquired and (2) condition of property.

#### Cause:

The internal control process by which equipment items get aggregated and reported does not appear to be fully effective. In discussing the deficiency with management, they stated that communication difficulties exist between the responsible parties of purchasing equipment, labeling equipment, performance of the annual inventory, and recording equipment items on the listings. Additionally, personnel responsible for equipment record keeping found that equipment purchases were often difficult to accurately distinguish from other purchase types due to insufficient descriptions in the source data.

#### Effect or Potential Effect:

Failure to maintain a complete and accurate equipment listing and reconcile results of the physical inventory performed to the property records exposes the School District to unnecessary risk of error and misuse of equipment and/or Federal funds. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

#### Recommendation:

The School District should evaluate its design and implementation of the equipment reporting process and strengthen controls to ensure that the equipment records are complete and accurate. Communication between responsible parties should be streamlined and increased oversight to the equipment reporting process should be performed. During performance of the physical inventory, participants should consider whether the listing contains all necessary equipment, and fully communicate any items that appear to be missing from the inventory records. The equipment records should be updated to include all required components.

#### Views of Responsible Officials:

We concur with this finding.

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

### III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2017-002	<u>Controls over Procurement and Suspension and Debarment</u>
Compliance Requirement:	Procurement and Suspension and Debarment
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Special Education Cluster (CFDA 84.027 and 84.173)
Federal Award Numbers:	H027A150073, H027A160073, H173A150081, H173A160081
Questioned Costs:	None Identified

#### Description:

The policies and procedures of the School District did not provide adequate internal controls over procurement and suspension and debarment as it relates to the Special Education Cluster.

#### Criteria:

Provisions included in 2 CFR §200.320(b) provide guidance for procurement through small purchase procedures and state, "If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources." Additionally, provisions included in 2 §CFR 180.300 provide guidance regarding suspension and debarment compliance requirements for entering into a covered transaction. Before entering into a covered transaction, the School District is required to verify that the vendor is not excluded or disqualified by (1) checking System for Awards Management (SAM) exclusions, (2) collecting a certification from that entity, or (3) adding a clause or condition to the covered transaction with that entity.

#### Condition:

A review of 25 expenditures for compliance with procurement requirements revealed the following exceptions:

- The entity could not provide evidence that an adequate number of rate or price quotations were obtained from qualified sources for four small purchase expenditures reviewed.

In addition, a review of 14 expenditures for compliance with suspension and debarment requirements revealed the following exceptions:

- Three expenditures did not reflect evidence of supervisory review for suspension and debarment requirements.
- For one expenditure, documentation could not be provided to support the entity's verification that the vendor was not suspended or debarred or otherwise excluded from participating in the transaction.

#### Cause:

In discussing the deficiencies with management, they stated that internal control procedures related to procurement and suspension and debarment were not being followed appropriately. In addition, management did not adequately monitor the procurement and suspension and debarment internal control procedures.

#### Effect or Potential Effect:

Failure to follow appropriate procedures and monitor internal controls associated with procurement suspension and debarment compliance requirements could result in unallowable expenditures and/or the expenditure of funds with inappropriate vendors. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.



DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Recommendation:**

Management should ensure that control procedures associated with procurements are followed and monitored. In addition, the School District should obtain an adequate amount of price or rate quotations from qualified vendors for procurement transactions involving small purchases. Furthermore, management should document their review and approval on every expenditure indicating that vendors have been reviewed for potential suspension and debarment issues. Documentation should be maintained to support that verification procedures have been performed to ensure that each vendor has not been suspended or debarred or otherwise excluded from participating in the transaction, as well.

**Views of Responsible Officials:**

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION



Dr. R. Stephen Green, Superintendent/CEO

Dr. Michael A. Erwin, Board Chair  
Mr. Marshall D. Orson, Vice Chair  
Mr. Dijon DaCosta  
Mrs. Allyson Gevertz  
Mr. Stan O. Jester  
Dr. Joyce Morley  
Mrs. Vickie B. Turner

**CORRECTIVE ACTION PLAN – FINANCIAL STATEMENTS FINDINGS**

**FS 2017-001**                                 **Controls over Financial Reporting**  
**Control Category:**                   **Financial Reporting**  
**Internal Control Impact:**         **Material Weakness**  
**Compliance Impact:**             **None**

**Corrective Action Plan:**

Management concurs with this finding. Additional resources will be dedicated to the financial statement monitoring and reporting process to include the use of checklists and training of personnel. Additionally, the School District is in the process of implementing a new Financial Information System (FMIS) to assist in reducing such financial statement preparation misstatements.

Estimated Completion Date: 9/30/2019

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**FS 2017-002**                                 **Controls over Capital Assets**  
**Control Category:**                   **Capital Assets**  
**Internal Control Impact:**         **Significant Deficiency**  
**Compliance Impact:**             **None**  
**Repeat of Prior Year Finding:**     **FS-2016-001, FS-2015-001, FS-2014-002, and FS-6441-13-02**

**Corrective Action Plan:**

Management concurs with this finding. Additional resources will be committed as well as controls designed and implemented to the capital asset inventory management process to ensure records are properly maintained. Additionally, the School District is in the process of implementing a new Financial Information System (FMIS) to better control and assist with the capital asset activity.

Estimated Completion Date: 9/30/2019

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**CORRECTIVE ACTION PLAN – FEDERAL AWARD FINDINGS**

<b>FA 2017-001</b>	<b><u>Controls over Equipment</u></b>
<b>Compliance Requirement:</b>	<b>Equipment and Real Property Management</b>
<b>Internal Control Impact:</b>	<b>Significant Deficiency</b>
<b>Compliance Impact:</b>	<b>Nonmaterial Noncompliance</b>
<b>Federal Awarding Agency:</b>	<b>U.S. Department of Agriculture</b>
<b>Pass-Through Entity:</b>	<b>Georgia Department of Education</b>
<b>CFDA Number and Title:</b>	<b>10.553 and 10.555 Child Nutrition Cluster</b>
<b>Federal Award Number:</b>	<b>17175GA324N1099</b> <b>17175GA324N1100</b>
<b>Questioned Costs:</b>	<b>None Identified</b>
<b>Repeat of Prior Year Finding:</b>	<b>FA 2016-001</b>

**Corrective Action Plan:**

Management concurs with this finding. Controls will be designed and implemented to ensure complete and accurate tracking of equipment to include physical inventory audits in accordance with federal regulations, 2 CFR 200.313. Additionally, the School District is in the process of implementing a new Financial Information System (FMIS) to assist with the capital asset activity.

Estimated Completion Date: 9/30/19

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<b>FA 2017-002</b>	<b><u>Controls over Procurement and Suspension and Debarment</u></b>
<b>Compliance Requirement:</b>	<b>Procurement and Suspension and Debarment</b>
<b>Internal Control Impact:</b>	<b>Significant Deficiency</b>
<b>Compliance Impact:</b>	<b>Nonmaterial Noncompliance</b>
<b>Federal Awarding Agency:</b>	<b>U.S. Department of Education</b>
<b>Pass-Through Entity:</b>	<b>Georgia Department of Education</b>
<b>CFDA Number and Title:</b>	<b>84.027 and 84.173 Special Education Cluster</b>
<b>Federal Award Number:</b>	<b>H027A150073</b> <b>H027A160073</b> <b>H173A150081</b> <b>H173A160081</b>
<b>Questioned Costs:</b>	<b>None Identified</b>

**Corrective Action Plan:**

Management concurs with this finding. Procedures and policies will be designed and implemented to ensure compliance with the procurement provisions of 2 CFR 200.320. The Special Education Department will ensure, prior to procuring services, that an adequate number of rate, or price quotations are obtained from qualified sources, and verify and maintain documentation that a vendor is not excluded or disqualified, suspended or debarred.

Estimated Completion Date: 6/30/19

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Dr. R. Stephen Green  
DeKalb County School District Superintendent/CEO