



# DEKALB COUNTY BOARD OF EDUCATION STONE MOUNTAIN, GEORGIA

ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018  
(Including Independent Auditor's Reports)



DEKALB COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL



## DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
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**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

October 5, 2020

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, 2018, 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 governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2018, 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 2018, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. The School District restated beginning net position for the effect of GASB Statement No. 75. Our opinions are not modified with respect to this matter.

As described in Notes 7, 16 and 17, on June 9, 2020, the School District Board voted to approve a \$117,500,000 settlement of the Gold litigation, a class action lawsuit filed on behalf of certain individuals actively employed by the DeKalb County School District before July 27, 2009 on an annual contract basis. The lawsuit was filed against the School District and the Board in March 2011 over the then Board's 2009 decision to suspend certain employer contributions to a tax-sheltered annuity plan. This loss was reported as a special item on the Statement of Activities.

### ***Other Matters***

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

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

### *Other Information*

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

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary 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 October 5, 2020 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

## INTRODUCTION

The discussion and analysis of the DeKalb County Board of Education's (School District) financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2018. 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 the 2018 are as follows:

- ❑ In total, net position decreased \$991.9 million to \$31.1 million. This represents a 96.9 percent decrease from 2017 due primarily to the implementation of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits other than pensions* (OPEB) that requires districts to recognize and disclose the School District's proportionate share of the net OPEB liability; the result of the School District's promise to provide postemployment benefits to its employees. The most common OPEB plan is the State Health Benefit Plan. In fiscal year 2018 the School District's net OPEB liability totaled \$860.4 million.
- ❑ General revenues excluding special item loss of \$117.5 million totaled \$637.2 million in revenue or 48.3 percent of total revenues excluding special item. Program specific revenues in the form of charges for services and grants and contributions accounted for \$683.2 million or 51.7 percent of total revenues of \$1.320 billion.
- ❑ The Board had \$1.329 billion in expenses related to governmental activities; \$683.2 million of these expenses were offset by program specific charges for services, grants or contributions.
- ❑ Among major funds, the general fund has \$1.197 billion in revenues and \$1.199 billion in expenditures. The general fund's "Net Change in Fund Balances" was (\$1.4) million, which is an increase from the prior year (\$2.18) million. The fund balance reflects the accrual of all contracted salaries and benefits unpaid at June 30 in full compliance with GASB No. 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.

## 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 2018?" 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.



DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 fund, 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, 2018

**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 2018 compared to fiscal year 2017.

**Table 1**  
**Net Position**  
(In Thousands)

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017 (1)
<b>Assets</b>		
Current and Other Assets	\$ 656,065	\$ 707,557
Capital Assets, Net	1,480,278	1,436,090
<b>Total Assets</b>	2,136,343	2,143,647
<b>Deferred Outflows of Resources</b>		
Related to Defined Benefit Pension Plans	206,780	-
Related to OPEB Plan	41,071	287,400
<b>Total Deferred Outflows of Resources</b>	247,851	287,400
<b>Liabilities</b>		
Current Liabilities	189,412	194,255
Long-Term Liabilities	2,088,151	1,208,742
<b>Total Liabilities</b>	2,277,563	1,402,997
<b>Deferred Inflows of Resources</b>		
Related to Defined Benefit Pension Plans	9,970	5,024
Related to OPEB Plan	65,516	-
<b>Total Deferred Inflows of Resources</b>	75,486	5,024
<b>Net Position</b>		
Net Investment in Capital Assets	1,370,870	1,350,766
Restricted	279,070	270,683
Unrestricted (Deficit)	(1,618,795)	(598,423)
<b>Total Net Position</b>	\$ 31,145	\$ 1,023,026

Total Net position decreased \$991.9 million.

- (1) Fiscal Year 2017 balances do not reflect the effects of the Restatement of Net Position. See Note 15 in the Notes to the Basic Financial Statements for additional information.

DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table 2 shows the Changes in Net Position for fiscal year ending 2018 compared to 2017.

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

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017 (1)
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 34,325	\$ 21,360
Operating Grants and Contributions	637,067	612,930
Capital Grants and Contributions	11,802	7,192
Total Program Revenues	<u>683,194</u>	<u>641,482</u>
General Revenues:		
Property Taxes - Maintenance and Operations	501,955	464,657
Sales Tax - Special Purpose Local Option Tax for Capital Projects	108,525	105,555
Other Sales Taxes	13,829	14,027
Investment Earnings	4,106	1,628
Miscellaneous	8,799	5,678
Special Item	(117,500)	-
Total General Revenues and Special Item	<u>519,714</u>	<u>591,545</u>
Total Revenues and Special Item	<u>1,202,908</u>	<u>1,233,027</u>
<b>Program Expenses:</b>		
Instruction	802,451	748,604
Support Services		
Pupil Services	69,824	60,796
Improvement of Instructional Services	39,541	33,414
Educational Media Services	14,819	13,314
General Administration	15,591	18,121
School Administration	69,048	65,911
Business Administration	8,317	8,629
Maintenance and Operation of Plant	138,464	103,017
Student Transportation Services	83,021	57,867
Central Support Services	20,013	19,828
Other Support Services	1,063	1,268
Operations of Non-Instructional Services		
Enterprise Operations	1,569	1,118
Food Services	61,491	61,830
Interest on Debt	4,020	4,291
Total Expenses	<u>1,329,232</u>	<u>1,198,008</u>
Change in Net Position	(126,324)	35,019
Beginning Net Position (restated)	<u>157,469</u>	<u>988,007</u>
Ending Net Position	<u>\$ 31,145</u>	<u>\$ 1,023,026</u>

(1) Fiscal Year 2017 balances do not reflect the effects of the Restatement of Net Position.  
See Note 15 in the Notes to the Basic Financial Statements for additional information.

DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Governmental Activities**

Instruction, pupil services and improvement of instructional services comprises 68.6 percent of governmental program expenses. The operations of non-instructional services amounted to 5.0 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 2018 compared to fiscal year 2017. 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	
	Fiscal Year 2018	Fiscal Year 2017
Instruction	\$ 339,520	\$ 274,364
Support Services:		
Pupil Services	39,296	54,865
Improvement of Instructional Services	22,987	15,252
Educational Media Services	8,435	521
General Administration	8,822	6,867
School Administration	39,331	41,295
Business Administration	3,023	8,629
Maintenance and Operation of Plant	82,398	72,663
Student Transportation Services	52,744	52,438
Central Support Services	10,971	19,680
Other Support Services	582	799
Operations of Non-Instructional Services:		
Enterprise Operations	860	1,118
Food Services	33,049	6,534
Interest on Short-Term and Long-Term Debt	4,020	1,501
Total Expenses	\$ 646,038	\$ 556,526

(1) Fiscal Year 2017 balances do not reflect the effects of the Restatement of Net Position. See Note 15 in the Notes to the Basic Financial Statements for additional information.

Although program revenues make up 51.7 percent of the revenues, excluding special item, the Board is still primarily dependent upon tax revenues for governmental activities. More than 40 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue excluding special item support is 47.9 percent.

**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 \$1.344 billion and expenditures and other financing uses of \$1.389 billion. There was a decrease in fund balance of \$44.0 million in the capital projects fund due to transfers out during the year. The general fund had a decrease in fund balance of \$1.4 million. This decrease in fund balance was mainly the result of an increase in expenditures from \$1.124 billion in 2017 to \$1.199 billion in 2018.

DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**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 2018, 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 \$1.190 billion and anticipated budgeted expenditures and other uses were \$1.208 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 \$1.229 billion were under performed by the actual by \$31.9 million. This difference was due mainly to receiving less than expected miscellaneous and federal revenues that was offset some by better than expected state and tax revenue and investment income and charges for service.

Actual expenditures and other uses of \$1.199 billion were 3.7 percent less than the final budgeted total of \$1.245 billion.

General fund expenditures exceeded revenues by \$1.497 million resulting in a decrease in "Fund Balance" for the year.

**Capital Assets and Long-Term Liabilities**

*Capital Assets*

At the end of fiscal year 2018, the Board had \$1.480 billion invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2018 balances compared with fiscal year 2017 balances.

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

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017
Land	\$ 70,909	\$ 63,772
Construction in Progress	48,750	50,947
Land Improvements	23,197	24,266
Buildings and Improvements	1,286,928	1,245,399
Equipment	50,494	51,705
Total	\$ 1,480,278	\$ 1,436,089

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.

*Long-Term Liabilities*

At June 30, 2018, the Board had \$6.6 million in compensated absences. There was \$131.0 million in general obligation bonds, \$9.4 million in unamortized bond premiums from the fiscal year 2017 issue and \$117.5 million in claims and judgements. \$8 million of the long-term liabilities are due within one year.

The claim and judgement liability is for the settlement of the Gold class action lawsuit filed against the School District and the Board in March 2011, for a breach of contract. The settlement will be paid out by the School District to the Settlement Administrator over a five-year period.

DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Table 5 summarizes long-term liabilities outstanding and compares fiscal year 2018 balances to fiscal year 2017 balances.

**Table 5**  
**Long-Term Liabilities at June 30**  
**(In Thousands)**

	Governmental Activities	
	Fiscal Year 2018	Fiscal Year 2017
General Obligations Bonds	\$ 131,025	\$ 150,325
Unamortized Bond Premium	9,368	11,866
Qualified School Construction Bonds	28,722	33,841
Compensated Absences	6,639	9,501
Claims and Judgments	117,500	-
<b>Total</b>	<b>\$ 293,254</b>	<b>\$ 205,533</b>

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 2018 than 2017 due to an increase in "Quality Basic Education" and state grants revenue. Federal grant revenue decreased in 2018 by \$546 thousand from 2017. Combined state and federal revenues used in general fund operations in 2018 increased by \$24.6 million from 2017.

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 during fiscal year 2018. 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 five 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 2018, 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.

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

In December 2019, a strain of coronavirus (COVID-19) began to spread worldwide, resulting in a severe impact to the United States economy in March 2020. The spread of COVID-19 has had a negative impact on virtually all businesses and individuals which comprise the tax base of all levels of government. The extent of this impact is uncertain but is expected to have negative results on financial operations, however the impact cannot be reasonably estimated at this time.

DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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. The School District is also continually assessing and preparing for future events that may impact its financial position.

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 Masana Mailliard, Interim 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  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

**EXHIBIT "A"**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 341,834,375
Investments	186,336,086
Receivables, Net	
Interest	226,067
Taxes	25,642,004
State Government	80,721,286
Federal Government	16,391,362
Other	2,247,878
Inventory	2,665,915
Capital Assets, Non-Depreciable	119,659,028
Capital Assets, Depreciable (Net of Accumulated Depreciation)	1,360,618,643
Total Assets	2,136,342,644
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to Defined Benefit Pension Plans	206,780,453
Related to OPEB Plan	41,070,954
Total Deferred Outflows of Resources	247,851,407
<b>LIABILITIES</b>	
Accounts Payable	11,279,944
Salaries and Benefits Payable	146,705,013
Payroll Withholdings Payable	2,260,190
Interest Payable	1,581,220
Claims Incurred but not Reported (IBNR)	10,594,841
Contracts Payable	12,981,791
Retainages Payable	4,008,807
Net Pension Liability	934,512,670
Net OPEB Liability	860,384,832
Long-Term Liabilities	
Due Within One Year	7,968,498
Due in More Than One Year	285,285,524
Total Liabilities	2,277,563,330
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to Defined Benefit Pension Plans	9,969,545
Related to OPEB Plans	65,516,110
Total Deferred Inflows of Resources	75,485,655
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,370,869,719
Restricted for	
Continuation of Federal Programs	2,601,129
Debt Service	1,039,280
Capital Projects	275,429,562
Unrestricted (Deficit)	(1,618,794,624)
Total Net Position	\$ 31,145,066

**DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 802,450,859	\$ 13,168,510
Support Services		
Pupil Services	69,824,194	2,985,734
Improvement of Instructional Services	39,541,174	1,588,612
Educational Media Services	14,818,694	621,665
General Administration	15,590,978	661,852
School Administration	69,047,721	2,906,286
Business Administration	8,317,032	335,077
Maintenance and Operation of Plant	138,464,228	4,646,010
Student Transportation Services	83,021,054	2,713,413
Central Support Services	20,013,278	884,386
Other Support Services	1,062,979	47,003
Operations of Non-Instructional Services		
Enterprise Operations	1,569,480	69,365
Food Services	61,491,049	3,696,762
Interest on Short-Term and Long-Term Debt	4,019,678	-
	\$ 1,329,232,398	\$ 34,324,675

General Revenues:

Taxes:

Property Taxes:

For Maintenance and Operations

Sales Taxes:

Special Purpose Local Option Sales Tax:

For Capital Projects

Other Taxes

Investment Earnings

Miscellaneous

Special Items - Lawsuit Settlement

Total general revenues and Special Item

Change in Net Position

Net Position - Beginning of Year (restated)

Net Position - End of Year

**EXHIBIT "B"**

<u>PROGRAM REVENUES</u>		<u>NET (EXPENSES)</u>
<u>OPERATING</u>	<u>CAPITAL</u>	<u>REVENUES</u>
<u>GRANTS AND</u>	<u>GRANTS AND</u>	<u>AND CHANGES IN</u>
<u>CONTRIBUTIONS</u>	<u>CONTRIBUTIONS</u>	<u>NET POSITION</u>
\$ 449,554,539	\$ 207,684	\$ (339,520,126)
27,542,815	-	(39,295,645)
14,654,640	311,332	(22,986,590)
5,734,740	27,310	(8,434,979)
6,105,458	1,163	(8,822,505)
26,809,932	-	(39,331,503)
4,899,466	59,862	(3,022,627)
42,858,548	8,561,671	(82,397,999)
25,030,707	2,532,728	(52,744,206)
8,158,289	-	(10,970,603)
433,596	-	(582,380)
639,874	-	(860,241)
24,644,735	100,345	(33,049,207)
-	-	(4,019,678)
<u>\$ 637,067,339</u>	<u>\$ 11,802,095</u>	<u>(646,038,289)</u>
		501,954,854
		108,524,858
		13,829,039
		4,106,460
		8,798,868
		<u>(117,500,000)</u>
		<u>519,714,079</u>
		(126,324,210)
		<u>157,469,276</u>
		<u>\$ 31,145,066</u>

**DEKALB COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

**EXHIBIT "C"**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 182,017,772	\$ 159,768,981	\$ 47,622	\$ 341,834,375
Investments	-	186,336,086	-	186,336,086
Receivables, Net				
Interest	-	226,067	-	226,067
Taxes	16,422,521	9,219,483	-	25,642,004
State Government	80,721,286	-	-	80,721,286
Federal Government	16,391,362	-	-	16,391,362
Other	2,247,878	-	-	2,247,878
Inventory	2,665,915	-	-	2,665,915
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 300,466,734</u>	<u>\$ 355,550,617</u>	<u>\$ 47,622</u>	<u>\$ 656,064,973</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 10,434,833	\$ 845,111	\$ -	\$ 11,279,944
Salaries and Benefits Payable	146,705,013	-	-	146,705,013
Payroll Withholdings Payable	2,255,147	5,043	-	2,260,190
Contracts Payable	-	12,981,791	-	12,981,791
Retainages Payable	-	4,008,807	-	4,008,807
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>159,394,993</u>	<u>17,840,752</u>	<u>-</u>	<u>177,235,745</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable Revenue - Property Taxes	9,683,182	-	-	9,683,182
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Deferred Inflows of Resources	<u>9,683,182</u>	<u>-</u>	<u>-</u>	<u>9,683,182</u>
<b><u>FUND BALANCES</u></b>				
Nonspendable	2,665,915	-	-	2,665,915
Restricted	1,584,572	337,709,865	47,622	339,342,059
Assigned	3,968,598	-	-	3,968,598
Unassigned	123,169,474	-	-	123,169,474
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>131,388,559</u>	<u>337,709,865</u>	<u>47,622</u>	<u>469,146,046</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 300,466,734</u>	<u>\$ 355,550,617</u>	<u>\$ 47,622</u>	<u>\$ 656,064,973</u>

**DEKALB COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Total fund balances - governmental funds (Exhibit "C")	\$	469,146,046
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Land	\$ 70,908,640	
Construction in progress	48,750,388	
Buildings and improvements	1,804,387,284	
Equipment	125,091,170	
Land improvements	34,692,613	
Accumulated depreciation	<u>(603,552,424)</u>	1,480,277,671
Some liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Net pension liability	\$ (934,512,670)	
Net OPEB liability	<u>(860,384,832)</u>	(1,794,897,502)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Related to pensions	\$ 196,810,908	
Related to OPEB	<u>(24,445,156)</u>	172,365,752
Taxes that are not available to pay for current period expenditures are deferred in the funds.		
		9,683,182
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	\$ (131,025,000)	
Accrued interest payable	(1,581,220)	
Compensated absences	(6,638,645)	
Qualified school construction bonds payable	(28,722,285)	
Unamortized bond premiums	(9,368,092)	
Claims and judgments payable	<u>(128,094,841)</u>	<u>(305,430,083)</u>
Net position of governmental activities (Exhibit "A")	\$	<u><u>31,145,066</u></u>

**DEKALB COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

**EXHIBIT "E"**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
<b><u>REVENUES</u></b>				
Property Taxes	\$ 501,954,854	\$ -	\$ -	\$ 501,954,854
Sales Taxes	13,829,039	108,524,858	-	122,353,897
State Funds	518,982,692	10,489,419	-	529,472,111
Federal Funds	117,588,878	-	-	117,588,878
Charges for Services	34,324,675	-	-	34,324,675
Investment Earnings	2,121,032	1,985,428	-	4,106,460
Miscellaneous	8,393,032	338,695	-	8,731,727
Total Revenues	<u>1,197,194,202</u>	<u>121,338,400</u>	<u>-</u>	<u>1,318,532,602</u>
<b><u>EXPENDITURES</u></b>				
Current				
Instruction	743,428,910	-	-	743,428,910
Support Services				
Pupil Services	67,522,409	-	-	67,522,409
Improvement of Instructional Services	35,926,486	-	-	35,926,486
Educational Media Services	14,058,965	-	-	14,058,965
General Administration	14,967,797	-	-	14,967,797
School Administration	65,725,712	-	-	65,725,712
Business Administration	7,577,769	32,684	-	7,610,453
Maintenance and Operation of Plant	105,069,593	1,523,000	-	106,592,593
Student Transportation Services	61,363,865	11,723,611	-	73,087,476
Central Support Services	20,000,399	720	-	20,001,119
Other Support Services	1,062,979	-	-	1,062,979
Enterprise Operations	1,568,680	-	-	1,568,680
Food Services Operation	60,417,638	-	-	60,417,638
Capital Outlay	-	117,889,372	-	117,889,372
Debt Services				
Principal	-	5,118,285	19,300,000	24,418,285
Dues and Fees	-	800	-	800
Interest	-	3,251,642	6,329,192	9,580,834
Total Expenditures	<u>1,198,691,202</u>	<u>139,540,114</u>	<u>25,629,192</u>	<u>1,363,860,508</u>
Revenues over (under) Expenditures	<u>(1,497,000)</u>	<u>(18,201,714)</u>	<u>(25,629,192)</u>	<u>(45,327,906)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Sale of Capital Assets	67,141	-	-	67,141
Transfers In	-	-	25,629,192	25,629,192
Transfers Out	-	(25,629,192)	-	(25,629,192)
Total Other Financing Sources (Uses)	<u>67,141</u>	<u>(25,629,192)</u>	<u>25,629,192</u>	<u>67,141</u>
Net Change in Fund Balances	(1,429,859)	(43,830,906)	-	(45,260,765)
Fund Balances, Beginning of year	<u>132,818,418</u>	<u>381,540,771</u>	<u>47,622</u>	<u>514,406,811</u>
Fund Balances, End of year	<u>\$ 131,388,559</u>	<u>\$ 337,709,865</u>	<u>\$ 47,622</u>	<u>\$ 469,146,046</u>

**DEKALB COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds (Exhibit "E")	\$	(45,260,765)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense:</p>		
Capital outlay	\$ 87,346,249	
Depreciation expense	<u>(38,707,979)</u>	48,638,270
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position.</p>		
		(4,449,950)
<p>The repayment of the principal of long-term debt is reported as an expenditure in the governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consists of:</p>		
General obligation bond payment	\$ 19,300,000	
Qualified school construction bond payment	<u>5,118,285</u>	24,418,285
<p>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. This adjustment combines the net changes in the following balances:</p>		
Amortization of bond premium	\$ 2,497,855	
Accrued interest on bonds	200,588	
Pension expense	(16,868,958)	
OPEB expense	(19,273,597)	
Compensated Absences	2,862,713	
Claims and judgments	<u>(119,088,651)</u>	<u>(149,670,050)</u>
<p>Change in Net Position of governmental activities (Exhibit "B")</p>		
	\$	<u>(126,324,210)</u>

DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

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	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	\$ 2,363,444
Investments	<u>1,249</u>
Total Assets	<u>\$ 2,364,693</u>
<b><u>LIABILITIES</u></b>	
Accounts Payable and Accrued Liabilities	\$ 603
Funds Held for Others	<u>2,364,090</u>
Total Liabilities	<u>\$ 2,364,693</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 (collectively the "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 Schools whereby all State funding associated with the students attending the Charter Schools and certain specified local funds are turned over to the Charter Schools 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 accounting principles generally accepted in the United States of America ("U.S. 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. 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 60 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 resources 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 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The adoption of this statement has a significant impact on the School District's financial statements. As noted in the Restatement of Net Position note disclosure, the School District restated beginning net position for the cumulative effect of this accounting change.

In fiscal year 2018, the School District adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The adoption of this statement did not have an impact on the School District's financial statements.

In fiscal year 2018, the School District adopted GASB Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this statement did not have an impact on the School District's financial statements.

In fiscal year 2018, the School District adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash

and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of this statement did not have an 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 food 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:

	Capitalization Policy	Estimated Useful Life
Land	ALL	N/A
Land Improvements	\$ 100,000	20 to 40 years
Buildings and Additions	\$ 100,000	Up to 50 years
Building Improvements	\$ 100,000	Up to 50 years
Equipment		
Outdoor Equipment	\$ 5,000	15 to 20 years
Vehicles	\$ 5,000	8 years
Kitchen Equipment	\$ 5,000	15 years
Computers	\$ 5,000	5 years
Miscellaneous	\$ 5,000	5 to 20 years
Buses	\$ 5,000	15 years
Intangible Asset	\$ 1,000,000	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 12 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 for 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 U.S. GAAP, 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.

### **POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

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

### **FUND BALANCES**

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

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

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

**Restricted** consists of resources that can be used only for specific purposes pursuant to 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 U.S. GAAP 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 2017 tax digest year (calendar year) on July 11, 2017 (levy date) based on property values as of January 1, 2017. Taxes were due on November 15, 2017 and could be paid in two installments on October 2, 2017 and November 15, 2017. Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. 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, 2018, for maintenance and operations amounted to \$480,281,538.

The tax millage rate levied for the 2017 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>23.28 mills</u>
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$21,673,316 during fiscal year ended June 30, 2018.

### SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$108,524,858 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 U.S. GAAP.



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
- (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.

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The School District participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased in amount of up to 125% if economic or financial conditions warrant. The program lists the types of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

**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, 2018, the School District had deposits with a carrying amount of \$241,201,097 and a bank balance of \$252,400,806. The bank balances insured by Federal depository insurance were \$751,249, the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name were \$86,185,340, the bank balances uninsured and undercollateralized were \$82,439,606, and the balances included in the State's Secure Deposit Program (SDP) were \$83,024,611.

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

Cash and cash equivalents		
Statement of Net Position	\$	341,834,375
Statement of Fiduciary Net Position		<u>2,363,444</u>
 Total cash and cash equivalents		 344,197,819
 Add:		
Deposits with original maturity of three months or more reported as investments		1,249
 Less:		
Cash on hand		87,125
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		<u>102,910,846</u>
 Total carrying value of deposits - June 30, 2019	 \$	 <u>241,201,097</u>

**CATEGORIZATION OF CASH EQUIVALENTS**

The School District reported cash equivalents of \$102,910,846 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 Securities Exchange Commission (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 AAAf 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, 2018 was 10 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, 2018, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less than 1 year</u>
Debt Securities		
U. S. Treasury Money Market Funds		
First American Government Obligation Fund	\$ <u>186,336,806</u>	\$ <u>186,336,086</u>

**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, 2018, \$186,336,086 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.

The investments subject to credit quality risk are reflected below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Credit Quality Ratings AAAm</u>
Debt Securities		
U. S. Treasury Money Market Funds		
First American Government Obligation Fund	\$ <u>186,336,806</u>	\$ <u>186,336,086</u>

**Fair Value Measurements**

The School District categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. 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

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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, 2017	Increases	Decreases	Transfers	Balances June 30, 2018
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 63,771,925	\$ 7,136,715	\$ -	\$ -	\$ 70,908,640
Construction in Progress	50,946,847	139,753,469	62,966,654	(78,983,274)	48,750,388
Total Capital Assets Not Being Depreciated	<u>114,718,772</u>	<u>146,890,184</u>	<u>62,966,654</u>	<u>(78,983,274)</u>	<u>119,659,028</u>
Capital Assets Being Depreciated					
Buildings and Improvements	1,737,701,430	2,352,575	8,813,271	73,146,550	1,804,387,284
Equipment	129,061,624	1,070,144	10,877,322	5,836,724	125,091,170
Land Improvements	34,692,613	-	-	-	34,692,613
Less Accumulated Depreciation for:					
Buildings and Improvements	492,302,135	30,163,958	5,006,533	-	517,459,560
Equipment	77,356,015	7,475,597	10,234,110	-	74,597,502
Land Improvements	10,426,938	1,068,424	-	-	11,495,362
Total Capital Assets, Being Depreciated, Net	<u>1,321,370,579</u>	<u>(35,285,260)</u>	<u>4,449,950</u>	<u>78,983,274</u>	<u>1,360,618,643</u>
Governmental Activities Capital Assets - Net	<u>\$ 1,436,089,351</u>	<u>\$ 111,604,924</u>	<u>\$ 67,416,604</u>	<u>\$ -</u>	<u>\$ 1,480,277,671</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 32,203,119
Support Services	
Improvements of Instructional Services	\$ 1,136,499
Educational Media Services	99,695
General Administration	4,244
Business Administration	218,524
Maintenance and Operation of Plant	225,856
Student Transportation Services	4,453,737
Food Services	366,305
	<u>\$ 38,707,979</u>

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**NOTE 6: INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfers to	Transfers From Capital Projects Fund
Debt Service Fund	\$ <u>25,629,192</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 and principal payments.

**NOTE 7: LONG-TERM LIABILITIES**

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

	Governmental Activities				Due Within One Year
	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	
General Obligation (G.O.) Bonds	\$ 150,325,000	\$ -	\$ 19,300,000	\$ 131,025,000	-
Unamortized Bond Premiums	11,865,947	-	2,497,855	9,368,092	2,081,798
Qualified School Construction Bonds	33,840,570	-	5,118,285	28,722,285	5,118,285
Compensated Absences	9,501,358	6,337,726	9,200,439	6,638,645	768,415
Claim and Judgement	-	117,500,000	-	117,500,000	-
	<u>\$ 205,532,875</u>	<u>\$ 123,837,726</u>	<u>\$ 36,116,579</u>	<u>\$ 293,254,022</u>	<u>\$ 7,968,498</u>

**GENERAL OBLIGATION DEBT OUTSTANDING**

The School District's bonded debt consists 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 sales taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

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

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Amount Issued	Amount Outstanding
General Government - Series 2017	4.00%	\$ <u>131,025,000</u>	\$ <u>131,025,000</u>

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

Fiscal Year Ended June 30:	General Obligation Debt		Unamortized Bond Premium
	Principal	Interest	
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	2,081,798
2023	19,470,000	389,400	1,040,900
Total Principal and Interest	<u>\$ 131,025,000</u>	<u>\$ 14,704,100</u>	<u>\$ 9,368,092</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 (QSCB) 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, Inc. 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 QSCB.

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 2018 was \$2,811,169, which funded all but \$440,474 of interest expense due on the QSCB.

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	\$ 23,032,285
Georgia Municipal Association - COP Series 2011B	5,690,000	5,690,000
	<u>\$ 63,460,000</u>	<u>\$ 28,722,285</u>

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

Fiscal Year Ended June 30:	Principal	Interest
2019	\$ 5,118,285	\$ 3,251,643
2020	5,118,285	3,251,643
2021	5,118,285	3,251,643
2022	5,118,285	3,251,643
2023	8,249,145	1,867,646
Total Principal and Interest	\$ 28,722,285	\$ 14,874,218

**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.

**CLAIM AND JUDGEMENT**

On June 9, 2020, the School District Board voted to approve the settlement of the Gold lawsuit, for a breach of contract for \$117,500,000. The settlement, to be paid out by the School District to the Settlement Administrator over a five-year period is recorded as a long-term liability on the Statement of Net Position.

The following schedule reports the annual settlement payments:

Fiscal Year Ended June 30:	Settled Payments
2021	\$ 27,500,000
2022	22,500,000
2023	22,500,000
2024	22,500,000
2025	22,500,000
Total	\$ 117,500,000

**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.



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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.

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>
2017	\$ 9,874,642	\$ 5,660,299	\$ 6,528,752	\$ 9,006,189
2018	\$ 9,006,189	\$ 5,533,852	\$ 7,275,793	\$ 7,264,248

**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>
2017	\$ -	\$ 91,840	\$ 91,840	\$ -
2018	\$ -	\$ 98,793	\$ 98,793	\$ -

**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, 2018:

Nonspendable		
Inventories		\$ 2,665,915
Restricted		
Continuation of Federal Programs	\$ 1,584,572	
Capital Projects	335,136,987	
Debt Service	<u>2,620,500</u>	339,342,059
Assigned		
School Activity Accounts		3,968,598
Unassigned		<u>123,169,474</u>
Fund Balance, June 30, 2018		\$ <u>469,146,046</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% to 7% of budgeted expenditures.

**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, 2018:

Project	Unearned Executed Contracts (1)
Allgood Elementary School	\$ 292,190
Austin Elementary School	8,741,230
Bus Parking Pavement	450,517
Cary Reynolds Elementary School	243,168
Chamblee High School	1,011,422
Chapel Hill Elementary School	323,411
Cross Keys High School	477,173
Cross Keys North Elementary School	302,184
Dunwoody High School	817,540
Indian Creek Elementary School	355,794
John R. Lewis Elementary School	4,612,677
New Cross Keys High School	2,789,860
Pleasantdale Elementary School	17,630,336
Smoke Rise Elementary School	424,090
Southwest DeKalb High School	589,871
Stone Mountain High School	8,398,560
	\$ 47,460,023

(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: OTHER POST-EMPLOYMENT BENEFITS**

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

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

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

**Contributions:** As established by the Board, the School OPES Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were \$32,283,037 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPES Fund.

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

At June 30, 2018, the School District reported a liability of \$860,384,832 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the School District's proportion was 6.123753%, which was an increase of 0.067958% from its proportion measured as of June 30, 2016.

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For the year ended June 30, 2018, the School District recognized OPEB expense of \$51,556,634. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 65,516,110
Changes in proportion and differences between School District contributions and proportionate share of contributions	251,648	-
	8,536,269	
School District contributions subsequent to the measurement date	32,283,037	-
Total	\$ 41,070,954	\$ 65,516,110

School District contributions subsequent to the measurement date of \$32,283,037 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB
2019	\$ (10,185,261)
2020	(10,185,261)
2021	(10,185,261)
2022	(10,185,261)
2023	(10,248,173)
2024	(5,738,976)
	\$ (56,728,193)

**Actuarial assumptions:** The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

**OPEB:**

Inflation	2.75%
Salary increases	
TRS	3.25 – 9.00%, including inflation
PSERS	N/A
Long-term expected rate of return	3.88%, compounded annually, net of investment expense, and including inflation

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Healthcare cost trend rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.75%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2022

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

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

Additionally, there was a change of assumptions that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the School OPEB Fund is based on their current or last employer payroll location. Current and former employees of public school districts, libraries, regional educational service agencies and community colleges are allocated to the School OPEB Fund irrespective of retirement system affiliation. In addition, the discount rate increased from 3.07% to 3.58%.

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

Asset class	Target allocation	Long-Term Expected Real Rate of Return*
Local Government Investment Pool	100.00%	1.13%

\*Rate shown is net of the 2.75% assumed rate of inflation.

**Discount Rate:** In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax- exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2115. Based on these assumptions, the School OPEB Fund’s fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2029. Therefore, the calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the School District’s proportionate share of the net OPEB liability to changes in the discount rate:** The following presents the School District’s proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1 percentage-point higher (4.58%) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	\$ 1,021,552,868	\$ 860,384,832	\$ 733,190,609

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 713,161,004	\$ 860,384,832	\$ 1,052,070,030

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

**NOTE 13: RETIREMENT PLANS**

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

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

**Plan Description:** All teachers of the School District as defined in O.C.G.A §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through the 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 TRS 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 survivor’s 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 2018. The School District's contractually required contribution rate for the year ended June 30, 2018 was 16.81%, of annual School District payroll, of which 16.79% of payroll was required from the School District and 0.02% of payroll was required from the state. For the current fiscal year, employer contributions to the pension plan were \$103,010,906 and \$131,404 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, 2018 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 \$264,402 for the current fiscal year.

**PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)**

**Plan Description:** Public Schools Employees Retirement System (“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 TRS. 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 \$1,695,397.

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

At June 30, 2018, the School District reported a liability of \$934,512,670 for its proportionate share of the net pension liability for TRS (\$932,748,101) and ERS (\$1,764,569).

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	\$	932,748,101
State of Georgia's proportionate share of the net pension liability associated with the School District		5,136,236
Total	\$	937,884,337

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The net pension liability for TRS and ERS was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 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, 2017.

At June 30, 2017, the School District's TRS proportion was 5.018739%, which was an increase of 0.164440% from its proportion measured as of June 30, 2016. At June 30, 2017, the School District's ERS proportion was 0.043448%, which was an increase of 0.007240% from its proportion measured as of June 30, 2016.

At June 30, 2018, 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 \$8,973,183.

The PSERS net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 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, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$119,935,573 for TRS, \$260,133 for ERS and \$1,808,446 for PSERS and revenue of \$405,850 for TRS and \$1,808,446 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, 2018, 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	\$ 34,890,524	\$ 3,520,093	\$ 19,335	\$ 14
Changes of assumptions	20,446,995	-	4,017	
Net difference between projected and actual earnings on pension plan investments	-	6,418,867	-	4,394
Changes in proportion and differences between School District contributions and proportionate share of contributions	47,919,344	16,868	188,033	9,309
School District contributions subsequent to the measurement date	<u>103,075,410</u>	<u>-</u>	<u>236,795</u>	<u>-</u>
Total	<u>\$ 206,332,273</u>	<u>\$ 9,955,828</u>	<u>\$ 448,180</u>	<u>\$ 13,717</u>



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The School District contributions subsequent to the measurement date of June 30, 2017 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, 2019. 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
2019	\$ 11,713,938	\$ 87,498
2020	62,443,952	140,394
2021	35,376,074	19,809
2022	(17,354,384)	(50,033)
2023	1,121,455	-
	\$ 93,301,035	\$ 197,668

**Actuarial assumptions.** The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, 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, 2016 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%, 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 two 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 seven years for males and set forward three years for females was used for death after disability retirement. There is a margin for future mortality

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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% to 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, 2016 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

Post-retirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward three 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 five 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% to 11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9% to 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, 2016 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:

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

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

**Discount Rate:** The discount rate used to measure the total TRS, 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	\$ 1,530,749,071	\$ 932,748,101	\$ 440,129,709
<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	\$ 2,490,601	\$ 1,764,569	\$ 1,145,241

**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 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 8% 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 59½.

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

Fiscal Year	Percentage Contributed	Required Contribution
2018	100%	\$ 4,527,384
2017	100%	\$ 4,627,343
2016	100%	\$ 4,184,257

**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, 2018, DeKalb County abated property taxes due to the School District on the 2017 tax levy totaling \$3,829,492. Included in that amount abated, the following are individual abatement agreements that exceeded 10 percent of the total amount abated:

- A 33 percent property tax abatement to a residential rental property. The abatement amounted to \$388,440.
- A 24 percent property tax abatement to a residential and retail rental property. The abatement amounted to \$602,187.

**NOTE 15: RESTATEMENT OF PRIOR YEAR NET POSITION**

For fiscal year 2018, the School District made prior period adjustments due to the adoption of GASB Statement No. 75, as described in “New Accounting Pronouncements”, which require the restatement of the June 30, 2017, net position in Governmental Activities. The result is a decrease in net position at July 1, 2017 of \$865,556,391. This change is in accordance with generally accepted accounting procedures.

Net Position, July 1, 2017 as previously reported	\$	1,023,025,667
Prior period adjustment - Implementation of GASB No. 75: Net OPEB Liability (measurement date)		(897,486,126)
Deferred Outflows - School District's Contributions made during fiscal year 2017		<u>31,929,735</u>
Net Position, July 1, 2017, as restated	\$	<u>157,469,276</u>

**NOTE 16: SPECIAL ITEM**

On June 9, 2020, the School District Board voted to approve a \$117,500,000 settlement of the Gold litigation, a class action lawsuit filed on behalf of certain individuals actively employed by the DeKalb County School District before July 27, 2009 on an annual contract basis. The lawsuit was filed against the School District and the Board in March 2011 over the then Board’s 2009 decision to suspend certain employer contributions to a tax-sheltered annuity plan. This loss was reported as a special item on the Statement of Activities.

**NOTE 17: SUBSEQUENT EVENTS**

The School District’s settlement of the Gold lawsuit, for a breach of contract received preliminary approval on July 9, 2020 and final approval on September 17, 2020 from the Superior Court of DeKalb County Georgia. The Gold lawsuit was a class action lawsuit filed on behalf of certain individuals actively employed by the DeKalb County School District before July 27, 2009 on an annual contract basis. The Gold lawsuit was filed against the School District and the Board in March 2011 over the then Board’s 2009 decision to suspend certain employer contributions to a tax-sheltered annuity plan. The principal terms of the settlement are \$117,500,000 to be paid out by the School District to the Settlement Administrator over a five-year period as disclosed in the long-term liability note disclosure.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018

EXHIBIT "H"

In December 2019, a strain of coronavirus (COVID-19) began to spread worldwide, resulting in a severe impact to the United States economy in March 2020. The spread of COVID-19 has had a negative impact on virtually all businesses and individuals which comprise the tax base of all levels of government. The extent of this impact is uncertain but is expected to have negative results on financial operations, however the impact cannot be reasonably estimated at this time.

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DEKALB COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 TEACHERS RETIREMENT SYSTEM OF GEORGIA  
 FISCAL YEARS ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	5.018739%	4.854299%	4.712696%	4.712930%
School District's proportionate share of the net pension liability	\$ 932,748,101	\$ 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	<u>5,136,236</u>	<u>7,883,562</u>	<u>5,869,616</u>	<u>4,485,967</u>
Total	<u>\$ 937,884,337</u>	<u>\$ 1,009,379,571</u>	<u>\$ 723,330,785</u>	<u>\$ 599,902,509</u>
School District's covered payroll	\$ 579,389,485	\$ 536,892,957	\$ 501,452,947	\$ 483,104,965
School District's proportionate share of the net pension liability as a percentage of its covered payroll	160.99%	186.54%	143.08%	123.25%
Plan fiduciary net position as a percentage of the total pension liability	79.33%	76.06%	81.44%	84.03%

**DEKALB COUNTY BOARD OF EDUCATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA**  
**FISCAL YEARS ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.043448%	0.036208%	0.037839%	0.038132%
School District's proportionate share of the net pension liability	\$ 1,764,569	\$ 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>\$ 1,764,569</u>	<u>\$ 1,712,790</u>	<u>\$ 1,533,008</u>	<u>\$ 1,430,186</u>
School District's covered payroll	\$ 1,035,482	\$ 841,877	\$ 917,547	\$ 900,182
School District's proportionate share of the net pension liability as a percentage of its covered payroll	170.41%	203.45%	167.08%	158.88%
Plan fiduciary net position as a percentage of the total pension liability	76.33%	72.34%	76.20%	77.99%



**DEKALB COUNTY BOARD OF EDUCATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**SCHOOL OPEB FUND**  
**FISCAL YEAR ENDED JUNE 30, 2018**

	2018
School District's proportion of the net OPEB liability	6.123753%
School District's proportionate share of the net OPEB liability	\$ 860,384,832
State of Georgia's proportionate share of the net OPEB liability associated with the School District	-
Total	\$ 860,384,832
School District's covered payroll	\$ 531,360,186
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	161.92%
Plan fiduciary net position as a percentage of the total OPEB liability	1.61%

DEKALB COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 TEACHERS RETIREMENT SYSTEM OF GEORGIA  
 FISCAL YEARS ENDED JUNE 30, 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributions	\$ 103,010,906	\$ 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	103,010,906	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	\$ 613,539,685	\$ 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	16.79%	14.19%	14.16%	13.15%	12.28%	11.41%	10.28%	10.28%	9.74%

DEKALB COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA  
 FISCAL YEARS ENDED JUNE 30, 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributions	\$ 264,402	\$ 256,903	\$ 208,112	\$ 201,493	\$ 166,174	\$ 104,823	\$ 76,992	\$ 57,962	\$ 61,212
Contributions in relation to the contractually required contributions	264,402	256,903	208,112	201,493	166,174	104,823	76,992	57,962	61,212
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 1,065,707	\$ 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%	24.81%	24.72%	21.96%	18.46%	14.50%	11.16%	9.86%	9.88%

DEKALB COUNTY BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
SCHOOL OPEB FUND  
FISCAL YEARS ENDED JUNE 30, 2018

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	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 32,283,037	\$ 31,929,735
Contributions in relation to the contractually required contributions	<u>32,283,037</u>	<u>31,929,735</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 552,356,240	\$ 531,360,186
Contributions as a percentage of covered payroll	5.84%	6.01%

**DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2018**

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**Teachers Retirement System of Georgia:**

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

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

**Employees' Retirement System of Georgia:**

**Changes of assumptions :** On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

**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).

**School OPEB Fund:**

**Changes of benefit terms :** In the June 30, 2010 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in a Medicare Advantage plan to receive the State subsidy.

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

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

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

**DEKALB COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**GENERAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 494,370,158	\$ 494,370,158	\$ 501,954,854	\$ 7,584,696
Other taxes	7,800,000	7,800,000	13,829,039	6,029,039
State funds	511,414,408	509,868,257	518,982,692	9,114,435
Federal funds	119,213,281	158,830,687	117,588,878	(41,241,809)
Charges for services	2,999,204	2,999,204	34,324,675	31,325,471
Investment income	524,000	524,000	2,121,032	1,597,032
Miscellaneous	45,862,717	49,394,778	8,393,032	(41,001,746)
<b>Total revenues</b>	<b>1,182,183,768</b>	<b>1,223,787,084</b>	<b>1,197,194,202</b>	<b>(26,592,882)</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	724,059,061	740,086,833	743,428,910	(3,342,077)
Support services:				
Pupil services	64,213,663	66,507,418	67,522,409	(1,014,991)
Improvement of instructional services	36,499,505	51,516,988	35,926,486	15,590,502
Educational media services	13,552,013	14,434,188	14,058,965	375,223
General administration	18,075,608	19,161,293	14,967,797	4,193,496
School administration	65,541,428	65,716,610	65,725,712	(9,102)
Business administration	8,712,018	8,872,225	7,577,769	1,294,456
Maintenance and operation of plant	107,509,707	107,184,507	105,069,593	2,114,914
Student transportation services	58,719,959	62,430,241	61,363,865	1,066,376
Central support services	21,429,777	21,491,621	20,000,399	1,491,222
Other support services	1,016,415	1,077,010	1,062,979	14,031
Enterprise Operations	1,054,249	1,054,249	1,568,680	(514,431)
Food services operation	61,283,738	61,283,738	60,417,638	866,100
Debt service	50,000	50,000	-	50,000
<b>Total expenditures</b>	<b>1,181,717,141</b>	<b>1,220,866,921</b>	<b>1,198,691,202</b>	<b>22,175,719</b>
Excess (deficiency) of revenues over expenditures	466,627	2,920,163	(1,497,000)	(4,417,163)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers from other funds	7,592,186	5,363,416	-	(5,363,416)
Sale or compensation for loss of fixed assets	-	-	67,141	67,141
Operating transfers to other funds	(26,302,186)	(24,073,416)	-	24,073,416
<b>Total other financing sources (uses)</b>	<b>(18,710,000)</b>	<b>(18,710,000)</b>	<b>67,141</b>	<b>18,777,141</b>
Net change in fund balances	(18,243,373)	(15,789,837)	(1,429,859)	14,359,978
<b>FUND BALANCES, beginning of year</b>	<b>141,039,635</b>	<b>130,981,590</b>	<b>132,818,418</b>	<b>1,836,828</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 122,796,262</b>	<b>\$ 115,191,753</b>	<b>\$ 131,388,559</b>	<b>\$ 16,196,806</b>

**DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2018**

**SCHEDULE "9"**

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	18185GA324N1099	\$ 10,401,263
National School Lunch Program	10.555	18185GA324N1100	46,773,923
Total U. S. Department of Agriculture			57,175,186
Education, U. S. Department of Special Education Cluster Pass-Through From Georgia Department of Education Special Education			
Grants to States	84.027	H027A160073	404,958
Grants to States	84.027	H027A170073	18,429,962
Preschool Grants	84.173	H173A170081	386,331
Total Special Education Cluster			19,221,251
Other Programs Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A170010	1,030,591
Education for Homeless Children and Youth	84.196	S196A160011	47,526
English Language Acquisition Grants	84.365	S365A160010	857,110
English Language Acquisition Grants	84.365	S365A170010	117,864
Improving Teacher Quality State Grants	84.367	S367A160001	2,009,294
Migrant Education - State Grant Program	84.011	S011A170011	20,940
Student Support and Academic Enrichment Program	84.424A	S424A170011	122,038
Title I Grants to Local Educational Agencies	84.010	S010A160010	4,059,472
Title I Grants to Local Educational Agencies	84.010	S010A170010	33,906,406
Pass-Through From Georgia State University Teacher Quality Partnership Program	84.336	U336S140036	19,565
Total Other Programs			42,190,806
Total U. S. Department of Education			61,412,057
Justice, U.S. Department of Edward Byrne Memorial Justice Assistance Grant Program	16.738		33,550
Defense, U. S. Department of Direct			
Department of the Air Force R.O.T.C. Program			920,884
Department of the Army R.O.T.C. Program			185,404
Department of the Navy R.O.T.C. Program			1,104,801
Total U. S. Department of Defense			2,211,089
Total Expenditures of Federal Awards			\$ 120,831,882

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, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

**Note 2. Summary of Significant Accounting Policies**

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

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

**Note 3: Indirect Cost Rate**

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

**DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
FISCAL YEAR ENDED JUNE 30, 2018**

**SCHEDULE "10"**

<u>AGENCY/FUNDING</u>	GOVERNMENTAL FUND TYPES		<u>TOTAL</u>
	GENERAL FUND	CAPITAL PROJECTS FUND	
<b>GRANTS</b>			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 9,064,819	\$ -	\$ 9,064,819
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	24,150,118	-	24,150,118
Kindergarten Program - Early Intervention Program	23,071,517	-	23,071,517
Primary Grades (1-3) Program	70,298,150	-	70,298,150
Primary Grades - Early Intervention (1-3) Program	43,838,595	-	43,838,595
Upper Elementary Grades (4-5) Program	32,127,617	-	32,127,617
Upper Elementary Grades - Early Intervention (4-5) Program	26,326,212	-	26,326,212
Middle School (6-8) Program	66,938,397	-	66,938,397
High School General Education (9-12) Program	63,990,888	-	63,990,888
Career Technical and Agricultural Education (9-12) Program (CTAE)	14,802,410	-	14,802,410
Students with Disabilities	80,716,450	-	80,716,450
Gifted Student - Category VI	34,531,721	-	34,531,721
Remedial Education Program	4,526,586	-	4,526,586
Alternative Education Program	4,874,301	-	4,874,301
English Speakers of Other Languages (ESOL)	31,251,536	-	31,251,536
Media Center Program	13,242,759	-	13,242,759
20 Days Additional Instruction	3,826,422	-	3,826,422
Staff and Professional Development	2,395,939	-	2,395,939
Principal Staff and Professional Development	40,370	-	40,370
Indirect Cost			
Central Administration	12,018,470	-	12,018,470
School Administration	25,399,342	-	25,399,342
Facility Maintenance and Operations	30,027,656	-	30,027,656
Amended Formula Adjustment	(8,163,717)	-	(8,163,717)
QBE Contra Account	(108,870,815)	-	(108,870,815)
Categorical Grants			
Pupil Transportation	4,632,160	-	4,632,160
Nursing Services	2,085,950	-	2,085,950
Other State Programs			
Charter Schools - Facilities	150,000	-	150,000
Food Services	1,349,875	-	1,349,875
GNETS State Grant	3,098,098	-	3,098,098
Math and Science Supplements	907,458	-	907,458
Preschool Handicapped Program	2,378,447	-	2,378,447
Pupil Transportation - State Bonds	541,237	-	541,237
Residential Treatment Centers Grant	411,969	-	411,969
Rule 10 Special Education State Grant	180,000	-	180,000
Teacher of the Year	507	-	507
Teachers' Retirement	131,404	-	131,404
CTAE Programs	836,421	-	836,421
Vocational Education	59,842	-	59,842
Residential and Reintegration Services	98,184	-	98,184
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects	-	10,489,419	10,489,419
Office of the State Treasurer			
Public School Employees Retirement	1,695,397	-	1,695,397
	<u>\$ 518,982,692</u>	<u>\$ 10,489,419</u>	<u>\$ 529,472,111</u>



DEKALB COUNTY BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF  
 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS  
 FISCAL YEAR ENDED JUNE 30, 2018

SCHEDULE "11"  
 (CONTINUED)

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	\$ -	\$ 73,991,524.02	\$ 73,991,524.02	Completed
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	-	12,000,530.99	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	8,217,406.70	463,456.04	7,753,950.66	8,217,406.70	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	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	51,439,625.96	3,200.00	51,436,425.96	51,439,625.96	Completed
15. Technology--Refresh cycle	19,418,581.00	26,482,053.33	-	26,482,053.33	26,482,053.33	Completed
16. Lithonia HS addition and improvements	11,447,624.00	25,488.00	-	25,488.00	25,488.00	Deemed Unnecessary
17. MLK Jr HS addition and improvements	10,178,779.00	15,575,340.21	-	15,575,340.21	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	-	8,550,426.40	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	-	9,977,929.17	9,977,929.17	Completed
26. HVAC Portfolio #3	17,408,662.00	9,485,063.28	2,340.50	9,482,722.78	9,485,063.28	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	-	48,538,042.60	41,042.37	48,497,000.23	48,538,042.60	Completed
29. Bond Interest Payments	-	56,021,915.62	-	56,021,915.62	56,021,915.62	Completed
	<u>\$ 466,000,000.00</u>	<u>\$ 558,496,936.02</u>	<u>\$ 510,038.91</u>	<u>\$ 557,986,897.11</u>	<u>\$ 558,496,936.02</u>	

**DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF  
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS  
FISCAL YEAR ENDED JUNE 30, 2018**

SCHEDULE "11"  
(CONTINUED)

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	\$ 2,570,274.85	\$ 1,115,534.37	\$ 1,224,120.27	\$ -	Sep 2019
2. Stadiums	9,557,400.00	10,532,998.65	2,448,816.02	8,084,182.63	10,532,998.65	Completed
3. Capital Renewal Program	84,892,200.00	113,920,419.42	36,110,983.33	46,129,419.51	-	Aug 2019
4. Code Requirements	2,342,500.00	2,818,505.48	750,267.08	1,139,184.13	-	Sep 2019
5. Coralwood Diagnostic Center Addition	9,932,200.00	8,004,210.00	10,000.00	-	-	Apr 2020
6. Early Learning Center	2,717,300.00	2,682,284.00	55,332.19	-	-	Jun 2019
7. Arts School at former Avondale MS	4,029,100.00	11,127,167.00	137,388.50	173,507.91	-	Dec 2020
8. Renovation of Southwest DeKalb HS <sup>4</sup> and Stone Mountain HS	11,056,600.00	35,525,148.58	4,663,285.56	26,192,668.12	-	Dec 2019
9. Replacement of Austin ES, Fernbank ES, Gresham Park ES, Pleasantdale ES, Peachcrest ES, Rockbridge ES, Smoke Rise ES	135,021,700.00	168,835,120.97	14,183,770.46	82,146,489.27	-	Jun 2021
10. Henderson MS Renovation/Addition	14,992,000.00	19,213,346.34	2,085,270.25	17,128,076.09	19,213,346.34	Completed
11. Redan HS Renovation/Addition	20,888,800.00	22,036,423.16	185,016.90	21,851,406.26	22,036,423.16	Completed
12. Chamblee HS Replacement	55,001,900.00	54,992,632.00	6,960,751.47	22,327,873.99	-	Dec 2021
13. McNair MS Replacement	35,043,800.00	42,592,213.00	7,494,914.28	376,740.91	-	Jun 2019
14. Local School Priority Requests	5,153,500.00	2,902,294.25	-	2,902,294.25	2,902,294.25	Completed
15. Demolition	2,342,500.00	4,412,309.00	975,153.90	3,092,727.06	4,067,880.96	Completed
16. Safety/Security Systems Upgrade	2,342,500.00	2,292,719.24	-	2,292,719.24	2,292,719.24	Completed
17. Technology Equipment and Infrastructure Refresh	36,261,900.00	34,252,207.00	-	32,821,546.89	-	Dec 2019
18. School Buses	9,463,700.00	12,800,247.61	-	12,800,247.61	12,800,247.61	Completed
19. Service Vehicles	1,592,900.00	2,252,530.33	-	2,252,530.33	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	84,466,228.93	32,121,963.68	43,780,501.40	-	Dec 2021
	<u>\$ 475,000,000.00</u>	<u>\$ 638,229,279.81</u>	<u>\$ 109,298,447.99</u>	<u>\$ 326,716,235.87</u>	<u>\$ 76,098,440.54</u>	

**DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF  
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS  
FISCAL YEAR ENDED JUNE 30, 2018**

SCHEDULE "11"  
(CONTINUED)

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
<b>2017 Sales Tax - Authorized Projects</b>						
(1) Making of site, facility and technology improvements deemed necessary to improve safety and security, such as enhancing surveillance systems, fire alarm systems, fire sprinkler installation, perimeter fencing, etc. at some or all of the DeKalb County School District (DCSD) schools and facilities;	\$ 12,872,000.00	\$ 12,872,000.00	\$ -	\$ -	\$ -	Sep 2024
(2) Adding to, modifying, replacing, reconfiguring schools and/or creating new schools and/or facilities to accommodate current and future student enrollment, address major facility conditions, develop early childhood centers, enhance regional support of schools, and accommodate expanded new programmatic needs, and acquiring land for constructing and equipping new and/or replacement schools/facilities, or equivalent facility capacity, including, but not limited to, site preparation and the demolition of all or portions of existing structures and/or acquiring leasehold purchasing of facilities/properties as needed based on DCSD's determination of need priorities;	298,180,000.00	298,180,000.00	8,110,123.79	15,681,611.16	-	May 2023
(3) Adding to, renovating, modifying, reconfiguring, equipping, upgrading, supplementing, acquiring, replacing, and installing capital improvements for various existing and new schools, buildings and facilities (including schools, buildings and facilities to be constructed pursuant to this resolution, once completed and including any site preparation and demolition of existing structures if necessary) e.g., roofing, plumbing, wiring, painting, water piping, HVAC, making athletic field and physical education facility upgrades and improvements, ADA renovations, infrastructure improvements, repaving, restroom facilities, systems for environmental and air quality control, physical education facilities, kitchens, improvements to comply with health, safety and applicable building codes, traffic control and optimization, parking and parking capacity, stormwater management facilities, and program-driven modifications, as needed based on the DCSD's	96,948,000.00	96,948,000.00	1,045,287.66	-	-	May 2024
(4) Making technology improvements, by acquiring, replacing, purchasing, installing, upgrading or supplementing technology including, but not limited to technology that supports and/or enhances instruction, digital communication technology, enhanced school security solutions, wireless technology, enterprise content management solutions, replacement and/or enhancement of technology/systems in support of an Enterprise Resource Planning (ERP) upgrade, data storage systems, telecommunication systems, digital records retention, technology hardware, software, and related infrastructure at some or all of the DCSD schools and facilities, as needed;	65,000,000.00	65,000,000.00	22,957,013.75	6,372,238.18	-	Jan 2023
(5) Replacing, purchasing, upgrading, refurbishing or supplementing school buses and support vehicles and other capital equipment as needed including, but not limited to items such as desks, chairs, tables, instructional equipment, band equipment, kitchen equipment, waste compactors, portable classroom/modular buildings, custodial equipment, grounds equipment, etc. at some or all DCSD schools and facilities;	40,000,000.00	40,075,000.00	12,433,426.30	1,921,627.65	-	Aug 2022
(6) and the expenses incidental to accomplishing the Dekalb projects including, but not limited to, implementation expenses, management expenses, and legal expenses.	<u>48,000,000.00</u>	<u>187,925,000.00</u>	<u>7,477,160.92</u>	<u>303,138.74</u>	<u>-</u>	Sep 2024
	<u>561,000,000.00</u>	<u>701,000,000.00</u>	<u>52,023,012.42</u>	<u>24,278,615.73</u>	<u>-</u>	
	<u>\$ 1,502,000,000.00</u>	<u>\$ 1,897,726,215.83</u>	<u>\$ 161,831,499.32</u>	<u>\$ 908,981,748.71</u>	<u>\$ 634,595,376.56</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of 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

October 5, 2020

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, 2018, 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 October 5, 2020.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we 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 2018-001, 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 2018-002, 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 that reads "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

October 5, 2020

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 (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, 2018. 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.

### ***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in the accompanying *Schedule of Findings and Questioned Costs*, the School District did not comply with requirements regarding Child Nutrition Cluster as described in item FA 2018-001 for Equipment and Real Property Management. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

### ***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the year ended June 30, 2018.

### ***Other Matters***

The School District's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

### **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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as item FA 2018-001, to be a material weakness.

The School District's response to the internal control over compliance 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 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,

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

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, 2018

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: June 30, 2021

Contact Person: Mrs. Masana Mailliard, Interim CFO  
Telephone: (678) 676-0446  
E-mail: [Masana\\_Mailliard@dekalbschools.ga.org](mailto:Masana_Mailliard@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: June 30, 2021

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**FS 2015-001**                      **Inadequate Controls over Capital Assets**

**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: June 30, 2021

Contact Person: Mrs. Masana Mailliard, Interim CFO  
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DEKALB COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FS 2016-001**                                 **Controls over Capital Asset**

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

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

- 1) The Finance Division conducted a survey of potential intangible assets in order to address the capitalization policy and will amend the district’s capitalization policy to include a threshold to record intangible assets.
- 2) The School District is currently addressing the controls over capital assets and will implement additional monitoring, analysis and reporting of capital projects through additional personnel as well as the application of the new Financial Management Information System (FMIS), MUNIS. The new FMIS includes a project ledger to assist with capital assets that will enable improved tracking to ensure reporting accuracy and appropriate adjustments are made as necessary.

Estimated Completion Date: June 30, 2021

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**FS 2017-001**                                 **Controls over Financial Reporting**

**Control Category:**                         Financial Reporting  
**Internal Control Impact**                 Material Weakness  
**Compliance Impact**                     None

**Finding Status:**                             Partially Resolved – See Corrective Action/Responses

Management agrees with this finding. DCSD has partially implemented a new financial system, MUNIS, and a number of new processes related to financial reporting, that will help resolve the financial reporting finding. Finance has hired a Capital Asset Manager to help resolve some of the challenges related to the Capital Asset area. DCSD also contracted with a new Financial Statement preparer to assist with the completion of the fiscal year 2018 and fiscal year 2019 Financial Statements.

Estimated Completion Date: June 30, 2021

Contact Person: Mrs. Masana Mailliard, Interim CFO  
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DEKALB COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

<b>FS 2017-002</b>	<b><u>Controls over Capital Assets</u></b>
<b>Control Category</b>	Capital Assets
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	None

**Finding Status:** Partially Resolved – See Corrective Action/Responses

Finance has hired a Capital Asset Manager to help resolve some of the challenges related to the Capital Asset area. Finance is also in the process of going live in a new capital asset module within the MUNIS ERP system, which will help resolve this.

Estimated Completion Date: June 30, 2021

Contact Person: Mrs. Masana Mailliard, Interim CFO  
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E-mail: [Masana\\_Mailliard@dekalbschoolsga.org](mailto:Masana_Mailliard@dekalbschoolsga.org)

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<b>FA-2016-001</b>	<b><u>Controls over Equipment</u></b>
<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, 2021

Contact Person: Mrs. Masana Mailliard, Interim CFO  
Telephone: (678) 676-0446  
E-mail: [Masana\\_Mailliard@dekalbschoolsga.org](mailto:Masana_Mailliard@dekalbschoolsga.org)

DEKALB COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<b>FA 2017-001</b>	<b><u>Controls over Equipment</u></b>
<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>	17175GA324N1099, 17175GA324N1100
<b>Questioned Costs:</b>	None Identified

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

The School Nutrition Program has taken the following steps in resolving this finding:

- 1) Annual Equipment Inventory counts will be conducted by the School Nutrition Manager each April;
- 2) A new position, Kitchen Equipment Specialist, has been created to monitor District-wide kitchen inventory equipment. This position was filled in May 2020; and
- 3) Increased collaboration with the Finance department to determine accurate inventory listings.

Estimated Completion Date: June 30, 2021

Contact Person: Mrs. Masana Mailliard, Interim CFO  
Telephone: (678) 676-0446  
E-mail: [Masana\\_Mailliard@dekalbschoolga.org](mailto:Masana_Mailliard@dekalbschoolga.org)

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

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

Procedures were updated to check suspension and debarment each semester.

Estimated Completion Date: June 30, 2021

Contact Person: Mrs. Masana Mailliard, Interim CFO  
Telephone: (678) 676-0446  
E-mail: [Masana\\_Mailliad@dekalbschoolsga.org](mailto:Masana_Mailliad@dekalbschoolsga.org)

SECTION IV

FINDINGS AND QUESTIONED COSTS

DEKALB COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2018

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: 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:	Yes

**Federal Awards**

Internal Control over major programs:	
▪ Material weakness identified?	Yes
▪ Significant deficiency identified?	No
Type of auditor's report issued on compliance for major programs: All major programs	Qualified
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>
10.553, 10.555,	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000.00
Auditee qualified as low-risk auditee?	No



DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

FS 2018-001	<u>Controls over Financial Reporting</u>
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2017-001

**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 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:

- School activity agency account balances for cash and funds held for others were understated by \$202,333 due to the financial statements not being properly adjusted for the current year activity. A material adjustment was proposed by the auditor and accepted by the School District to correct this error.
- The government-wide financial statements account balances for cash was overstated by \$35,076 and expenses and charges for services revenues were understated by \$13,165,691 and \$13,130,615, respectively, due to the financial statements not being properly adjusted for the school activity governmental fund. The general fund account balances for cash was overstated by \$35,076 and expenditures and miscellaneous revenue were understated by \$13,165,690 and \$13,130,615, respectively. Adjustments were proposed by the auditor and accepted by the School District to correct these errors.
- Accounts receivable – taxes and property tax revenues were each understated by \$3,805,572 on the government-wide financial statements and on the general fund. Adjustments were proposed by the auditor and accepted by the School District to correct these errors.

DEKALB COUNTY BOARD OF EDUCATION  
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YEAR ENDED JUNE 30, 2018

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

- Material errors were noted for the SPLOST schedule due to errors during completion of the schedule by entity personnel. Current estimated costs were understated by \$34,811,561.53, Amounts expended in prior years were understated by \$64,629,471.32, and total completion costs were overstated by \$371,588,400.15. Adjustments were proposed by the auditor and accepted by the School District to correct these errors.
- Material errors were noted for construction in progress (CIP) in the capital asset note due to the financial statement preparers not reporting all projects included on the CIP Listing. CIP additions and transfers and decreases were understated by \$68,803,378. Adjustments were proposed by the auditor and accepted by the School District to correct these errors.
- Material classification errors were noted in the capital projects fund for interfund transfers between local funds not being removed. Transfers In and Transfers Out were overstated by \$10,489,418. Adjustments were proposed by the auditor and accepted by the School District to correct these errors.
- Material errors were noted in categorization of deposits for the deposits, cash equivalents and investments note. Collateral held or pledged in the entity's name was overstated by \$81,265,098, Uncollateralized was understated by \$82,439,606, Collateralized with securities held by the pledging financial institution was overstated by \$82,344,167, and Georgia Pledging Pool (State Deposit Program) was understated by \$83,024,611. Adjustments were proposed by the auditor and accepted by the School District to correct these errors.
- A complete listing of all financial statement preparation journal entries was not provided to the auditors. In addition, support for some amounts used on the various trial balances was not provided.
- Numerous other 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 in order 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, 2018

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

FS 2018-002	<u>Controls over Capital Assets</u>
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2017-002, 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 were 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 37 *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:

- Significant and other misstatements related to construction projects, including amounts for contracts payable, retainage payable, and unearned executed contracts, construction in progress additions, deletions, and transfers, were noted.
- Other misstatements related to capital asset additions were noted. This deficiency includes two current year asset additions that were found to be prior period expenses, as well as unrecorded additions that were removed from construction in progress without being capitalized.
- Buses listed on the capital asset listing were not depreciated according to the School District's estimated useful life within its capitalization policies resulting in an understatement of capital assets (net of accumulated depreciation) by \$1,011,049.
- The School District has not formally adopted a capitalization policy to include a useful life in recording intangible assets in accordance with Governmental Accounting Standards Board Statement No. 51, *Accounting and Reporting for Intangible Assets*.

**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.

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Views of Responsible Officials:

We concur with this finding.

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2018-001	<u>Controls over Equipment</u>
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material 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:	18185GA324N1099
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA 2017-001 and FA 2016-001

### Description:

The policies and procedures of the School District were insufficient to 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 property, who holds title, the acquisition date, and cost of the property, 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".

### Condition:

The School District did not maintain an equipment listing for the Child Nutrition Cluster.

### Cause:

Child Nutrition Cluster management was unable to generate an equipment listing. In discussing the deficiency with management, they state 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.

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Recommendation:**

The School District should develop and maintain an equipment listing that reflects all required information, including a description, an identifying number, the source of funding, the title holder, the acquisition date, the cost, the percentage of Federal participation in the project costs, the location, the use and condition, and any ultimate disposal data for each piece of equipment. In addition, management should implement controls to ensure that a complete physical inventory of equipment is performed, and the results are reconciled back to the equipment listing at least once every two years.

**Views of Responsible Officials:**

We concur with this finding.

FA 2018-002	<u>Inadequate Controls over Procurement, Suspension and Debarment</u>
Compliance Requirement:	Procurement, 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:	84.027, 84,173 Special Education Cluster
Federal Award Number:	H027A150073 – Special Education Grants to States H027A160073 – Special Education Grants to States H173A150081 – Special Education Preschool Grants H173A160081 – Special Education Preschool Grants
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA 2017-002

**Description:**

The policies and procedures of the School District were insufficient to provide adequate internal controls over procurement as it relates to Special Education Cluster.

**Criteria:**

2 CFR 200.303(a) states that the non-federal entity must “establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” Provisions included in 2CFR200.320(b) provide that if small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

**Condition:**

A sample of twenty-five procurement transactions was randomly selected for testing using a non-statistical sampling approach. These transactions were reviewed to determine if appropriate internal controls were implemented and applicable compliance requirements were met. The School District could not provide evidence that an adequate number of rate or price quotations were obtained from qualified sources for four small purchase expenditures reviewed.

**Cause:**

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

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Effect or Potential Effect:**

Failure to appropriately implement procedures to address procurement compliance requirements exposes the School District to unnecessary risk of error and misuse of Federal funds. In addition, this deficiency could lead to the return of grant funds associated with these unallowable expenditures. Furthermore, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

**Recommendation:**

The School District should evaluate and improve internal control procedures to ensure that required procurement documentation is properly identified, safeguarded, and retained. In addition, management should develop a monitoring process to ensure that these procedures are operating appropriately.

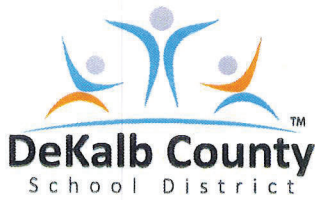
**Views of Responsible Officials:**

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION





Mrs. Cheryl Watson-Harris, Superintendent

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

## CORRECTIVE ACTION PLAN – FINANCIAL STATEMENTS FINDINGS

**FS 2018-001** Controls over Financial Reporting  
**Control Category:** Financial Reporting  
**Internal Control Impact:** Material Weakness  
**Compliance Impact:** None  
**Repeat of Prior Year Finding:** FS 2017-001

### **Corrective Action Plan:**

Management concurs with this finding. Additional resources will be dedicated to the financial statement monitoring and reporting process through a reorganization plan that will strengthen Finance's leadership. Standard procedures are being reviewed and employee training & implementation of best practices is actively being completed. 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. Finally, the School District has consulted with an external financial statement preparer.

**Estimated Completion Date:** 12/31/2020

**Contact Person:** Ms. Masana Mailliard  
**Telephone:** (678) 676-0446  
**E-mail:** [Masana\\_mailliard@dekalbschoolsga.org](mailto:Masana_mailliard@dekalbschoolsga.org)

**FS 2018-002** Controls over Capital Assets  
**Control Category:** Capital Assets  
**Internal Control Impact:** Significant Deficiency  
**Compliance Impact:** None  
**Repeat of Prior Year Finding:** FS-2017-002, FS-2016-001, FS-2015-001, FS-2014-002, and FS-6441-13-02

### **Corrective Action Plan:**

Management concurs with this finding. A Capital Asset Manager was employed in January 2020. Standard procedures are being reviewed and employee training & implementation of best practices is actively being completed. Additionally, the School District is in the process of implementing a new Financial Information System (FMIS), including a Capital Asset Module that will properly track the School District's assets.



**Estimated Completion Date:** 12/31/2020

**Contact Person:** Ms. Masana Mailliard

**Telephone:** (678) 676-0446

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<b>FA 2018-001</b>	<u>Controls over Equipment</u>
<b>Compliance Requirement:</b>	Equipment and Real Property Management
<b>Internal Control Impact:</b>	Material Weakness
<b>Compliance Impact:</b>	Material 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>	18185GA324N1099
<b>Questioned Costs:</b>	None Identified
<b>Repeat of Prior Year Finding:</b>	FA 2017-001 and FA 2016-001

**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, School Nutrition has employed an Inventory Specialist.

**Estimated Completion Date:** 12/31/2020

**Contact Person:** Ms. Masana Mailliard

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<b>FA 2018-002</b>	<u>Inadequate Controls over Procurement, Suspension and Debarment</u>
<b>Compliance Requirement:</b>	Procurement, Suspension and Debarment
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	Nonmaterial Noncompliance
<b>Federal Awarding Agency:</b>	U.S. Department of Education
<b>Pass-Through Entity:</b>	Georgia Department of Education
<b>CFDA Number and Title:</b>	84.027, 84,173 Special Education Cluster
<b>Federal Award Number:</b>	H027A150073 – Special Education Grants to States H027A160073 – Special Education Grants to States H173A150081 – Special Education Preschool Grants H173A160081 - Special Education Preschool Grants
<b>Questioned Costs:</b>	None Identified
<b>Repeat of Prior Year Finding:</b>	FA 2017-002

**Corrective Action Plan:**

Management concurs with this finding. A new Special Education Director has been employed. Corrective action has already occurred and the Special Education Department now ensures, prior to procuring services, that an adequate number of rate, or price quotations are obtained from qualified sources. Procedures and policies are designed and implemented to ensure compliance with the procurement provisions of 2 CFR 200.320.

**Estimated Completion Date:** N.A

**Contact Person:** Ms. Masana Mailliard

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Ms. Masana Mailliard  
DeKalb County School District Interim CFO