

**HABERSHAM COUNTY
BOARD OF EDUCATION**

**ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2018**

HABERSHAM COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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I. FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of
the Habersham County Board of Education
Clarkesville, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Habersham County Board of Education** as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Habersham County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 Habersham County Board of Education 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 discussed in Notes 14 and 15, the Habersham County Board of Education implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. This standard significantly changed the accounting for the Habersham County Board of Education's net other postemployment benefits (OPEB) liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, Schedule of Proportionate Share of Net Pension Liability – Teachers Retirement System of Georgia, Schedule of Contributions – Teachers Retirement System of Georgia, Schedule of Proportionate Share of Net Pension Liability – Public School Employees Retirement System of Georgia, Schedule of Proportionate Share of Net OPEB Liability – School OPEB Fund, and Schedule of Contributions – School OPEB Fund, as 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.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Habersham County Board of Education’s basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2019 on our consideration of the Habersham County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Habersham County Board of Education’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Habersham County Board of Education’s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 18, 2019

BASIC FINANCIAL STATEMENTS

HABERSHAM COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 20,340,726
Receivables:	
Taxes	1,426,602
Intergovernmental:	
State	7,082,323
Federal	430,397
Other	10,000
Inventory	57,230
Capital assets (nondepreciable)	11,374,883
Capital assets (depreciable, net of accumulated depreciation)	107,867,720
Total assets	<u>148,589,881</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	3,430,615
Pension related items	10,200,191
OPEB related items	2,611,861
Total deferred outflows of resources	<u>16,242,667</u>
 LIABILITIES	
Accounts payable	1,342,735
Salaries and benefits payable	11,583,335
Contracts payable	959,644
Accrued interest payable	381,904
Retainage payable	305,256
Claims payable due within one year	34,282
Capital leases due within one year	511,569
Capital leases due in more than one year	1,839,691
Bonds payable due within one year	2,750,000
Bonds payable due in more than one year	35,742,421
Net pension liability	61,362,368
Net OPEB liability	65,486,160
Total liabilities	<u>182,299,365</u>
 DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	231,660
Pension related items	2,784,865
OPEB related items	4,986,604
Total deferred inflows of resources	<u>8,003,129</u>
 NET POSITION	
Net investment in capital assets	80,564,637
Restricted for:	
Federal programs	1,003,658
Capital projects	1,986,724
Debt service	4,427,502
Unrestricted	(113,452,467)
Total net position	<u>\$ (25,469,946)</u>

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

HABERSHAM COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 50,606,163	\$ 111,483	\$ 37,218,282	\$ 385,811	\$ (12,890,587)
Support services:					
Pupil services	2,629,213	-	630,587	62,150	(1,936,476)
Improvement of instructional services	2,651,630	-	573,995	-	(2,077,635)
Educational media services	1,529,248	-	968,526	-	(560,722)
Federal grant administration	9,897	-	-	-	(9,897)
General administration	781,465	-	1,459,763	300	678,598
School administration	4,834,888	-	2,333,257	3,068	(2,498,563)
Business administration	416,465	-	4,738	277	(411,450)
Maintenance and operation of facilities	7,844,645	-	2,198,595	13,819	(5,632,231)
Student transportation services	4,312,157	-	937,302	106,734	(3,268,121)
Central support services	429,651	-	11,181	-	(418,470)
Other support services	829,526	-	54,782	464	(774,280)
Operations of non-instructional services:					
Food services operation	4,679,600	729,999	3,737,903	49,635	(162,063)
Interest on long-term debt	649,836	-	-	-	(649,836)
Total governmental activities	\$ 82,204,384	\$ 841,482	\$ 50,128,911	\$ 622,258	(30,611,733)
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations					13,701,695
Sales taxes:					
For debt service					5,933,130
Local option sales tax					5,925,070
Other taxes					2,752,523
Grants and contributions not restricted to specific programs					4,276,247
Unrestricted investment earnings					80,125
Other miscellaneous general revenues					833,364
Total general revenues					32,668,790
Change in net position					2,057,057
Net position, beginning of year, as restated					(27,527,003)
Net position, end of year					\$ (25,469,946)

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

HABERSHAM COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

ASSETS	General	Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 11,946,714	\$ 3,985,303	\$ 4,408,709	\$ 20,340,726
Receivables:				
Taxes	896,650	-	529,952	1,426,602
Intergovernmental:				
State	6,460,065	622,258	-	7,082,323
Federal	430,397	-	-	430,397
Other	10,000	-	-	10,000
Due from other funds	2,750,092	-	-	2,750,092
Inventory	57,230	-	-	57,230
Total assets	<u>\$ 22,551,148</u>	<u>\$ 4,607,561</u>	<u>\$ 4,938,661</u>	<u>\$ 32,097,370</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,342,735	\$ -	\$ -	\$ 1,342,735
Contracts payable	-	959,644	-	959,644
Salaries and benefits payable	11,583,335	-	-	11,583,335
Retainage payable	-	305,256	-	305,256
Due to other funds	-	2,620,837	129,255	2,750,092
Claims payable	34,282	-	-	34,282
Total liabilities	<u>12,960,352</u>	<u>3,885,737</u>	<u>129,255</u>	<u>16,975,344</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	231,660	-	-	231,660
Unavailable revenue - intergovernmental	-	622,258	-	622,258
Total deferred inflows of resources	<u>231,660</u>	<u>622,258</u>	<u>-</u>	<u>853,918</u>
FUND BALANCES				
Nonspendable:				
Inventory	57,230	-	-	57,230
Restricted for:				
Federal programs	946,428	-	-	946,428
Capital projects	-	99,566	-	99,566
Debt service	-	-	4,809,406	4,809,406
Assigned:				
2019 fiscal year appropriations of fund balance	423,792	-	-	423,792
Unassigned:				
General fund	7,931,686	-	-	7,931,686
Total fund balances	<u>9,359,136</u>	<u>99,566</u>	<u>4,809,406</u>	<u>14,268,108</u>
Total liabilities and fund balances	<u>\$ 22,551,148</u>	<u>\$ 4,607,561</u>	<u>\$ 4,938,661</u>	<u>\$ 32,097,370</u>

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

HABERSHAM 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	\$	14,268,108
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Cost	\$ 151,855,480	
Less accumulated depreciation	<u>(32,612,877)</u>	119,242,603
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.		
Intergovernmental revenue		622,258
The net pension liability is not a financial liability in governmental fund activities and, therefore, not reported in governmental funds.		
Net pension liability	\$ (61,362,368)	
Pension related deferred outflows of resources	10,200,191	
Pension related deferred inflows of resources	<u>(2,784,865)</u>	(53,947,042)
The net OPEB liability is not a financial liability in governmental fund activities and, therefore, not reported in governmental funds.		
Net OPEB liability	\$ (65,486,160)	
OPEB related deferred outflows of resources	2,611,861	
OPEB related deferred inflows of resources	<u>(4,986,604)</u>	(67,860,903)
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	\$ (34,555,000)	
Premium, net of amortization	(3,937,421)	
Unamortized loss on refunding	3,430,615	
Accrued interest	(381,904)	
Capital lease payable	<u>(2,351,260)</u>	<u>(37,794,970)</u>
Net position of governmental activities	\$	<u><u>(25,469,946)</u></u>

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

HABERSHAM COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 13,727,723	\$ -	\$ -	\$ 13,727,723
Sales taxes	5,925,070	-	5,933,130	11,858,200
Other taxes	2,752,523	-	-	2,752,523
State funds	46,364,535	-	-	46,364,535
Federal funds	6,862,850	-	-	6,862,850
Investment income	16,891	5,453	57,781	80,125
Charges for services	997,384	-	-	997,384
Miscellaneous	833,364	-	-	833,364
Total revenues	<u>77,480,340</u>	<u>5,453</u>	<u>5,990,911</u>	<u>83,476,704</u>
EXPENDITURES				
Current:				
Instruction	48,390,756	-	-	48,390,756
Support services:				
Pupil services	2,369,900	-	-	2,369,900
Improvement of instructional services	2,637,295	-	-	2,637,295
Educational media services	1,511,646	-	-	1,511,646
Federal grant administration	8,614	-	-	8,614
General administration	776,458	-	-	776,458
School administration	4,758,224	-	-	4,758,224
Business administration	410,833	-	-	410,833
Maintenance and operation of facilities	6,400,698	-	-	6,400,698
Student transportation services	3,909,572	-	-	3,909,572
Central support services	417,936	-	-	417,936
Other support services	827,794	-	-	827,794
Food services operation	4,484,064	-	-	4,484,064
Capital outlay	-	7,026,794	-	7,026,794
Debt service:				
Principal retirement	-	375,139	2,685,000	3,060,139
Interest and fees	-	-	1,695,420	1,695,420
Total expenditures	<u>76,903,790</u>	<u>7,401,933</u>	<u>4,380,420</u>	<u>88,686,143</u>
Excess (deficiency) of revenues over expenditures	<u>576,550</u>	<u>(7,396,480)</u>	<u>1,610,491</u>	<u>(5,209,439)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,127,182	-	1,127,182
Transfers out	-	-	(1,127,182)	(1,127,182)
Capital leases	-	2,726,399	-	2,726,399
Total other financing sources (uses)	<u>-</u>	<u>3,853,581</u>	<u>(1,127,182)</u>	<u>2,726,399</u>
Net change in fund balances	576,550	(3,542,899)	483,309	(2,483,040)
FUND BALANCES, beginning of year	<u>8,782,586</u>	<u>3,642,465</u>	<u>4,326,097</u>	<u>16,751,148</u>
FUND BALANCES, end of year	<u>\$ 9,359,136</u>	<u>\$ 99,566</u>	<u>\$ 4,809,406</u>	<u>\$ 14,268,108</u>

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

HABERSHAM COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Net change in fund balances - total governmental funds	\$	(2,483,040)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeded capital outlays in the current period is as follows:

Capital outlay	\$	5,638,696	
Depreciation expense		<u>(2,324,733)</u>	3,313,963

The net effect of the disposal of capital assets is to decrease net position.		(12,420)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$	(26,028)	
Intergovernmental revenues		<u>622,258</u>	596,230

In the governmental funds, current year expenditures related to pensions are comprised solely of amounts contributed to the plan for the current year. However, in the statement of activities, expenses related to pensions include amounts that do not require the use of current financial resources. This amount represents the difference in the required accounting treatment of pensions and related items.		697,777
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In the governmental funds, current year expenditures related to OPEB are comprised solely of amounts contributed to the plan for the current year. However, in the statement of activities, expenses related to OPEB include amounts that do not require the use of current financial resources. This amount represents the difference in the required accounting treatment of pensions and related items.		(1,434,777)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	\$	2,685,000	
Principal payments - capital lease		375,139	
Issuance of capital leases		<u>(2,726,399)</u>	333,740

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of bond premium	\$	1,365,705	
Amortization of loss on refunding		(361,117)	
Change in accrued interest		<u>40,996</u>	<u>1,045,584</u>

Change in net position of governmental activities	\$	<u>2,057,057</u>
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The accompanying notes are an integral part of these financial statements.

HABERSHAM COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

JUNE 30, 2018

ASSETS		Agency Fund
		<hr/>
Cash and cash equivalents		\$ 340,902
	Total assets	<hr/>
		\$ 340,902
		<hr/>
LIABILITIES		
Funds held for others	Total liabilities	\$ 340,902
		<hr/>
		\$ 340,902
		<hr/>

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

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 of the Habersham County Board of Education.

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

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes and unrestricted amounts.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements:

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

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- *Capital Projects Fund* accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) and bond proceeds that are restricted, committed, or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legal restricted for the payment of general long-term principal and interest.

The School District also reports the following fund types:

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

Basis of Accounting/Measurement Focus

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental activities and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting/Measurement Focus (Continued)

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period; however, intergovernmental revenues reported in the governmental funds are considered to be available if they are collected within 120 days after year-end.

Property taxes, sales taxes, intergovernmental revenue, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and capital leases are reported as other financing sources.

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

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School District over the same twelve month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting/Measurement Focus (Continued)

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

Cash and Cash Equivalents

COMPOSITION OF DEPOSITS

Cash and cash equivalents consist of cash on hand, demand deposits, Georgia Fund 1 and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Georgia Laws OCGA 45-8-14 authorizes the School District to deposit its funds in one or more solvent banks and insured federal savings and loan associations.

Investments

COMPOSITION OF INVESTMENTS

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following:

- (1) Obligations issued by the State of Georgia or by other states,
- (2) Obligations issued by the United States government,
- (3) Obligations fully insured or guaranteed by the United States government or a United States government agency,
- (4) Obligations of any corporation of the United States government,
- (5) Prime banker's acceptances,
- (6) The Local Government Investment Pool administered by the State Treasurer of the State of Georgia,
- (7) Repurchase agreements, and
- (8) Obligations of other political subdivisions of the State of Georgia.

The School District does not have a formal policy regarding investments that addresses credit risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are reported net of an allowance for uncollectible receivables when necessary.

Property Taxes

The Habersham County Tax Commissioner levied the property tax for the 2017 tax digest year (calendar year) on August 7, 2017 (levy date). Taxes were due on December 20, 2017 (lien date). 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 Habersham County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% 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 \$13,727,723.

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The Habersham County Board of Education is in compliance with this law. Tax millage rates levied for the 2017 tax year (calendar year) for the Habersham County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Maintenance and Operations	14.29 mills
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Sales Taxes

Local Option Sales Tax, at the fund reporting level, during the year amounted to \$5,925,070 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.

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$5,933,130 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.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

FOOD INVENTORIES

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

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to June 30, 2018, are recorded as prepaid items.

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated acquisition value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

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

		<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$	10,000	N/A
Land Improvements	\$	100,000	80 years
Buildings and improvements	\$	100,000	80 years
Equipment	\$	10,000	20 years
Intangible assets	\$	100,000	10 to 20 years

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has six (6) items that qualify for reporting in this category which occurs only in the governmental activities. Governmental Activities report (1) a deferred outflow of resources for the District's actual contributions to the pension plan during the fiscal year ended June 30, 2018 which are subsequent to the measurement date of the net pension liability and will be recognized in fiscal year 2019; (2) a deferred outflow of resources for experience gains or losses related to the pension plan which will be amortized over the remaining service period; (3) a deferred outflow of resources for the changes in actuarial assumptions which will be amortized over the remaining service period; (4) a deferred outflow of resources for the District's actual contributions to the OPEB plan during the fiscal year ended June 30, 2018 which are subsequent to the measurement date of the net OPEB liability and will be recognized in fiscal year 2019; (5) a deferred outflow of resources for the change in the District's proportionate share based on actual contributions towards the school OPEB plan, which will be amortized over the remaining service period; and (6) a deferred outflow of resources for the net difference between projected and actual investment earnings on the OPEB assets, which will be amortized over a five year period.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of deferred inflow under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The District has four (4) items that qualify for reporting in this category which occurs only in the governmental activities. Governmental Activities report (1) a deferred inflow of resources for the net difference between projected and actual investment earnings on the pension assets, which will be amortized over a five year period; (2) a deferred inflow of resources for experience gains or losses from periodic studies by the actuary, which will be amortized over the remaining service period; (3) a deferred inflow of resources for the change in the District's proportionate share based on actual contributions towards the pension plan, which will be amortized over the remaining service period; (4) a deferred inflow of resources for the changes in actuarial assumptions in relation to the OPEB plan which will be amortized over the remaining service period.

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund existing general obligations bonds. Bond issuance costs are recognized in the financial statements during the fiscal year bonds are issued. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

In the fund financial statements, the face amount of debt issued and any related premium, is reported as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are accrued and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Pensions

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

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

Other Postemployment Benefits (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 the School OPEB Fund's fiduciary net position have been determined on the same basis as they are reported by the School OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the assets, liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Only the Board of Education may modify or rescind the commitment through adoption of a subsequent resolution.
- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the Superintendent or his or her designee to assign fund balances.
- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The School District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the School District has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School System adopts an annual budget for the General Fund and Debt Service Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167 and in accordance with U.S. generally accepted accounting principles. After the Board of Education has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget.

The following function had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2018.

Food services operation	\$ 116,568
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This over expended function was funded with excess budget in under expended functions.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 4: DEPOSITS AND INVESTMENTS

CATEGORIZATION OF INVESTMENTS

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Georgia Fund 1	10 days	\$ 4,279,405

INTEREST RATE RISK

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

FAIR VALUE MEASUREMENTS

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

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

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 4: DEPOSITS AND INVESTMENTS (Continued)

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of June 30, 2018, the financial institution holding some of the District's deposits is a participant in the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the State. As of June 30, 2018, the School District's cash accounts were insured and/or collateralized as defined by GASB Standards.

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. For the year ended June 30, 2018, the commodities usage is recorded at their federally assigned value of \$320,081.

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**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 6: CAPITAL ASSETS

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

	<u>Balances July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balances June 30, 2018</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 8,141,841	\$ -	\$ -	\$ -	\$ 8,141,841
Construction in progress	-	3,233,042	-	-	3,233,042
Total	<u>8,141,841</u>	<u>3,233,042</u>	<u>-</u>	<u>-</u>	<u>11,374,883</u>
Capital assets, being depreciated:					
Building improvements	120,636,811	-	(65,123)	-	120,571,688
Equipment	10,750,867	2,405,654	(111,309)	-	13,045,212
Land improvements	6,877,358	-	(13,661)	-	6,863,697
Total	<u>138,265,036</u>	<u>2,405,654</u>	<u>(190,093)</u>	<u>-</u>	<u>140,480,597</u>
Less accumulated depreciation for:					
Building improvements	(19,732,552)	(1,515,872)	65,123	-	(21,183,301)
Equipment	(7,605,113)	(554,138)	98,889	-	(8,060,362)
Land improvements	(3,128,152)	(254,723)	13,661	-	(3,369,214)
Total	<u>(30,465,817)</u>	<u>(2,324,733)</u>	<u>177,673</u>	<u>-</u>	<u>(32,612,877)</u>
Total capital assets, being depreciated, net	<u>107,799,219</u>	<u>80,921</u>	<u>(12,420)</u>	<u>-</u>	<u>107,867,720</u>
Governmental activities capital assets, net	<u>\$ 115,941,060</u>	<u>\$ 3,313,963</u>	<u>\$ (12,420)</u>	<u>\$ -</u>	<u>\$ 119,242,603</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 1,441,379
Support services:	
Pupil services	232,188
General administration	1,121
School administration	11,460
Business administration	1,036
Maintenance and operation of plant	51,627
Student transportation services	398,755
Other support services	1,732
Operations of non-instructional services	
Food services	185,435
	<u>\$ 2,324,733</u>

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables/payables as of June 30, 2018, consisted of the following:

Interfund Payable	Interfund Receivable General
District-Wide Capital Projects	\$ 2,620,837
Debt Service	129,255
	\$ 2,750,092

The interfund balance above represents reimburse the General Fund for expenditures initially incurred by the General Fund.

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

Transfers To	Transfers From Debt Service Fund
Capital Projects Fund	\$ 1,127,182

Transfers are used to move ESPLOST tax revenues collected by debt service fund to the capital projects fund to fund capital projects as approved in the referendum.

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 and vision plan. Except as described below, the School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 8: RISK MANAGEMENT (Continued)

The School District participates in the Georgia School Boards Association Workers' Compensation Fund (the Fund), a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550,000 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550,000 loss per occurrence, up to \$2 million. In addition to the \$550,000 per occurrence retention, the Fund also retains an additional \$200,000 per year corridor retention.

The School District has established a limited risk management program for dental insurance claims for its employees. A premium is charged when needed by the general fund to each user program on the basis of employee participation in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims 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 dental insurance claims liability during the last two fiscal years are as follows:

	<u>Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year</u>
2017	\$ 40,874	\$ 407,102	\$ 423,310	\$ 24,666
2018	\$ 24,666	\$ 409,631	\$ 400,015	\$ 34,282

The School District has purchased surety bonds to provide additional insurance coverage as follows:

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$100,000

The School District is self-insured with regard to unemployment compensation claims. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of the fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. 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. The School District had no claims in the last two fiscal years.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 9: LONG – TERM DEBT

The changes in long-term obligations during the fiscal year ended June 30, 2018, were as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 37,240,000	\$ -	\$ (2,685,000)	\$ 34,555,000	\$ 2,750,000
Unamortized bond premium	5,303,126	-	(1,365,705)	3,937,421	-
Total bonds payable	42,543,126	-	(4,050,705)	38,492,421	2,750,000
Capital lease payable	-	2,726,399	(375,139)	2,351,260	511,569
Claims payable	24,666	409,631	(400,015)	34,282	34,282
Net pension liability	69,014,174	7,240,356	(14,892,162)	61,362,368	-
Net OPEB Liability	68,856,382	4,046,638	(7,416,860)	65,486,160	-
Governmental activity					
Long-term liabilities	<u>\$ 180,438,348</u>	<u>\$ 14,423,024</u>	<u>\$ (27,134,881)</u>	<u>\$ 167,726,491</u>	<u>\$ 3,295,851</u>

For governmental activities, the claims payable and net pension and OPEB liabilities are being liquidated primarily by the General Fund. The beginning balances for governmental activities long-term debt and obligations has been restated as a result of the School District implementing GASB 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*. For further discussions, see footnotes 14 and 15.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Outstanding Balance at June 30, 2018
General Government - Series 2013 Refunding Bonds	3.00% - 5.00%	<u>\$ 34,555,000</u>

In fiscal year 2013, the School District issued \$37,240,000 of Series 2013 General Obligation Refunding Bonds to (i) refund a portion of the Series 2005 General Obligation Refunding Bonds and (ii) pay the costs of issuing the Series 2013 General Obligation Refunding Bonds. The School District defeased the 2005 bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. At June 30, 2018, the defeased Series 2005 bonds have been paid in full and are no longer outstanding as of June 30, 2018. The School District has pledged its full faith and credit and taxing power to service the debt.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 9: LONG – TERM DEBT (Continued)

At June 30, 2018, payments due by fiscal year, which includes principal and interest, for these items are as follows:

<u>Fiscal Year Ended June 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,750,000	\$ 1,611,050
2020	2,860,000	1,501,050
2021	3,005,000	1,361,950
2022	3,155,000	1,211,700
2023	3,315,000	1,053,950
2024-2028	<u>19,470,000</u>	<u>2,589,250</u>
Total	<u>\$ 34,555,000</u>	<u>\$ 9,328,950</u>

CAPITAL LEASES

In May 2018, the School District entered into a capital lease agreement in the amount of \$1,769,444 to finance the acquisition of school busses. Annual principal and interest payments in the amount of \$375,139 are required until May 2022 at an interest rate of 3.00%.

In June 2018, the School District entered into a capital lease agreement in the amount of \$956,955 to finance the acquisition of computers. Quarterly principal and interest payments in the amount of \$52,366 are required until June 2023 at an interest rate of 4.50%.

As of June 30, 2018, the School District has \$2,726,399 of assets under capital lease. Annual amortization of these assets is included with depreciation expense.

The City's future minimum lease payments on its capital leases for governmental activities are as follows:

<u>Year ending December 31,</u>	<u>Total Payment</u>
2019	\$ 584,604
2020	584,604
2021	584,604
2022	584,604
2023	<u>209,465</u>
Total Minimum Lease Payments	<u>2,547,881</u>
Less: Interest Payments	<u>(196,621)</u>
Present Value Minimum Lease Payments	<u>\$ 2,351,260</u>

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 9: LONG – TERM DEBT (Continued)

The following is an analysis of assets under capital leases as of June 30, 2018:

<u>Asset</u>	<u>Governmental Activities</u>
Equipment	\$ 2,726,399
Accumulated depreciation	-
Total net book value of leased assets	<u>\$ 2,726,399</u>

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$184,988 for retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Teachers Retirement District
for Teachers Retirement (TRS)
in the amount of \$25,679

State Treasurer of the State of Georgia
Paid to the Public School Employees Retirement System
for Public School Employees Retirement (PSERS) Employer's Cost
in the amount of \$159,309

Note 11: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2018:

<u>Project</u>	
Hazel Grove Elementary School	\$ 174,265
Woodville Elementary School	745,237
	<u>\$ 919,502</u>

The amount described in this note is not reflected in the basic financial statements.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 12: SIGNIFICANT CONTINGENT LIABILITIES

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. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

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 13: RETIREMENT PLANS

GENERAL INFORMATION ABOUT THE TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00 % of their annual pay during fiscal year 2018. The School District's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual school district payroll, excluding payroll attributable to those personnel funded on behalf of the District by the State. District contributions to TRS, excluding contributions funded by the State on behalf of the District were \$6,559,721 for the year ended June 30, 2018.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for support attributable to those personnel funded on behalf of the District by the State of Georgia. The amount recognized by the District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 61,362,368
State of Georgia's proportionate share of the net pension liability associated with the District	<u>320,225</u>
Total	<u><u>\$ 61,682,593</u></u>

The 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 District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2017. At June 30 2017, the District's proportion was .330166%, which was a decrease of 0.004349% from its proportion measured as of June 30, 2016.

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**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

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

For the year ended June 30, 2018, the District recognized pension expense of \$5,863,449 and revenue of \$19,763 for support provided by the State of Georgia for certain support personnel. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 422,276
Differences between expected and actual experience	2,295,331	231,575
Changes in proportion and differences between District contributions and proportionate share of contributions	-	2,131,014
Actuarial assumption changes	1,345,139	-
District contributions subsequent to the measurement date	6,559,721	-
Total	\$ 10,200,191	\$ 2,784,865

District contributions subsequent to the measurement date of \$6,559,721 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 ending June 30:	
2019	\$ (1,256,083)
2020	2,567,636
2021	1,276,405
2022	(1,754,737)
2023	22,384
Total	\$ 855,605

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

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

Actuarial assumptions: The total pension liability as of June 30, 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:

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

Postretirement 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.

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**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

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

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

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

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

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

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:

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

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 100,702,845	\$ 61,362,368	\$ 28,954,657

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

GENERAL INFORMATION ABOUT THE PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

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

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

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

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

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

Pension Liabilities and Pension Expense

At June 30, 2018, the District did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the District is as follows:

State of Georgia's proportionate share of the Net Pension Liability associated with the District	\$ <u>837,279</u>
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The 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 District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2017.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

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

For the year ended June 30, 2018, the District recognized pension expense of \$168,744 and revenue of \$168,744 for support provided by the State of Georgia.

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

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

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(0.50)%
Domestic large stocks	37.20	9.00
Domestic mid stocks	3.40	12.00
Domestic small stocks	1.40	13.50
International developed market stocks	17.80	8.00
International emerging market stocks	5.20	12.00
Alternatives	5.00	11.00
Total	<u>100.00%</u>	

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

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

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 14: POSTEMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL EMPLOYEES POSTEMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The District participates in the State of Georgia School Employees Postemployment Benefit Fund (School OPEB Fund), which is another postemployment benefit (OPEB) plan administered by the State of Georgia Department of Community Health (DCH). Certified teachers and non-certified employees of the District as defined in §20-2-875 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund of the State of Georgia and administered by a Board of Community Health (DCH 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 DCH Board. The School OPEB Fund is included in the State of Georgia Comprehensive Annual Financial Report which is publicly available and can be obtained at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

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

Contributions: As established by the Board of Community Health, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions required and made to the School OPEB Fund from the District were \$2,406,049 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 14: POSTEMPLOYMENT BENEFITS (Continued)

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

Effective July 1, 2017, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the District's accounting for OPEB amounts. The information disclosed in this note is presented in accordance with this new standard.

At June 30, 2018, the District reported a liability of \$65,486,160 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 District's proportion of the net OPEB liability was actuarially determined based on employer contributions to the School OPEB Fund during the fiscal year ended June 30, 2017. At June 30 2017, the District's proportion was 0.466095%, which was an increase of 0.001486% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$3,480,826. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 19,154	\$ -
Changes in proportion and differences between District contributions and proportionate share of contributions	186,658	-
Changes in plan assumptions	-	4,986,604
District contributions subsequent to the measurement date	2,406,049	-
Total	\$ 2,611,861	\$ 4,986,604

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 14: POSTEMPLOYMENT BENEFITS (Continued)

District contributions subsequent to the measurement date of \$2,406,049 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 ending June 30:	
2019	\$ (858,512)
2020	(858,512)
2021	(858,512)
2022	(858,512)
2023	(863,301)
2024	(483,443)
Total	<u>\$ (4,780,792)</u>

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:

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
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

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 14: POSTEMPLOYMENT BENEFITS (Continued)

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

- For TRS Members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) was used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 2 years for males and four years for females) was used for death after disability retirement.
- For PSERS Members: The RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) was used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 5 years for both males and females) was 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 system, which covered the five-year period ending June 30, 2014.

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

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 14: POSTEMPLOYMENT BENEFITS (Continued)

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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Local Government Investment Pool	100.00%	3.88%

Discount rate:

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

**HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 14: POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate:

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what the 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 rate:

	<u>1% Decrease (2.58%)</u>	<u>Current discount rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
District's proportionate share of the net OPEB liability	\$ 77,753,085	\$ 65,486,160	\$ 55,805,072

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate:

The following presents the District's proportionate share of the net OPEB liability calculated using the healthcare cost trend rates of 5.00% to 7.75%, as well as what the 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 (4.00% to 6.75%) or 1-percentage-point higher (6.00% to 8.75%) than the current rates:

	<u>1% Decrease (4.00% to 6.75%)</u>	<u>Current discount rate (5.00% to 7.75%)</u>	<u>1% Increase (6.00% to 8.75%)</u>
District's proportionate share of the net OPEB liability	\$ 54,280,566	\$ 65,486,160	\$ 80,075,826

HABERSHAM COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 15: CHANGE IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the District is required to change its accounting treatment of OPEB liabilities and the related OPEB expense. The new standard requires that the District's proportionate share of the Net OPEB Liability be recorded on the Statement of Net Position. Therefore, in conjunction with the implementation of Statement No. 75, the following restatement was required to the beginning net position of the Governmental Activities to properly recognize the District's Net OPEB Liability and related deferred outflows of resources for contributions subsequent to the measurement date as of the end of the prior period:

	Governmental Activities
Net Position - beginning, as previously reported	\$ 38,899,124
Recognition of the net OPEB liability related to the OPEB plan accordance with GASB Statement No. 75	(68,856,382)
Recognition of the beginning of the measurement period deferred outflows of resources for contributions subsequent to the measurement period in accordance with GASB Statement No. 75	<u>2,430,255</u>
Net Position - beginning, as restated	<u><u>\$ (27,527,003)</u></u>

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II. REQUIRED SUPPLEMENTARY INFORMATION

HABERSHAM COUNTY BOARD OF EDUCATION

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 21,412,705	\$ 22,162,500	\$ 22,405,316	\$ 242,816
State funds	44,768,455	46,234,985	46,364,535	129,550
Federal funds	6,824,058	7,341,286	6,862,850	(478,436)
Charges for services	909,440	1,041,940	997,384	(44,556)
Investment income	2,430	17,430	16,891	(539)
Miscellaneous	966,500	965,850	833,364	(132,486)
Total revenues	<u>74,883,588</u>	<u>77,763,991</u>	<u>77,480,340</u>	<u>(283,651)</u>
EXPENDITURES				
Current:				
Instruction	47,328,456	48,783,191	48,390,756	392,435
Support services:				
Pupil services	2,406,479	2,563,613	2,369,900	193,713
Improvement of instructional services	2,375,006	2,781,726	2,637,295	144,431
Educational media services	1,615,888	1,522,001	1,511,646	10,355
Federal grant administration	6,845	13,499	8,614	4,885
General administration	783,259	805,848	776,458	29,390
School administration	4,723,787	4,775,000	4,758,224	16,776
Business administration	413,032	420,000	410,833	9,167
Maintenance and operation of plant	6,688,564	6,425,000	6,400,698	24,302
Student transportation services	3,552,934	4,043,942	3,909,572	134,370
Central support services	403,189	426,000	417,936	8,064
Other support services	805,740	861,740	827,794	33,946
Food services operation	4,301,180	4,367,496	4,484,064	(116,568)
Total expenditures	<u>75,404,359</u>	<u>77,789,056</u>	<u>76,903,790</u>	<u>885,266</u>
Net change in fund balances	<u>(520,771)</u>	<u>(25,065)</u>	<u>576,550</u>	<u>601,615</u>
FUND BALANCES, beginning of year	<u>8,782,586</u>	<u>8,782,586</u>	<u>8,782,586</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 8,261,815</u>	<u>\$ 8,757,521</u>	<u>\$ 9,359,136</u>	<u>\$ 601,615</u>

HABERSHAM COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION

LIABILITY TEACHERS RETIREMENT SYSTEM OF GEORGIA

FOR THE FISCAL YEAR ENDED JUNE 30

	2018	2017	2016	2015
District's proportion of the net pension liability	0.330166%	0.334515%	0.340686%	0.347005%
District's proportionate share of the net pension liability	\$ 61,362,368	\$ 69,014,174	\$ 51,866,060	\$ 43,839,505
State of Georgia's proportionate share of the net pension liability associated with the District	320,225	337,319	326,098	239,029
Total	\$ 61,682,593	\$ 69,351,493	\$ 52,192,158	\$ 44,078,534
District's covered payroll	\$ 38,048,629	\$ 36,874,778	\$ 36,187,575	\$ 35,594,471
District's proportionate share of the net pension liability as a percentage of its covered payroll	161.27%	187.16%	143.33%	123.16%
Plan fiduciary net position as a percentage of the total pension liability	79.33%	76.06%	81.44%	84.03%

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

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

	2018	2017	2016	2015
Contractually required contributions	\$ 6,559,721	\$ 5,408,349	\$ 5,236,435	\$ 4,728,929
Contributions in relation to the contractually required contributions	<u>6,559,721</u>	<u>5,408,349</u>	<u>5,236,435</u>	<u>4,728,929</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 39,022,731	\$ 38,048,629	\$ 36,874,778	\$ 36,187,575
Contributions as a percentage of covered payroll	16.81%	14.21%	14.20%	13.07%

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

HABERSHAM COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION

LIABILITY PUBLIC SCHOOLS EMPLOYEES RETIREMENT

SYSTEM OF GEORGIA FOR THE FISCAL YEAR ENDED JUNE 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the District	<u>837,279</u>	<u>1,065,159</u>	<u>703,936</u>	<u>626,024</u>
Total	<u>\$ 837,279</u>	<u>\$ 1,065,159</u>	<u>\$ 703,936</u>	<u>\$ 626,024</u>
District's covered-employee payroll	\$ 2,977,940	\$ 2,663,776	\$ 2,712,452	\$ 2,697,737
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	85.69%	81.00%	87.00%	88.29%

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

HABERSHAM COUNTY BOARD OF EDUCATION

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

	<u>2018</u>
District's proportion of the net OPEB liability	0.466095%
District's proportionate share of the net OPEB liability	<u>\$ 65,486,160</u>
Total	<u><u>\$ 65,486,160</u></u>
District's covered-employee payroll	\$ 35,851,308
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	182.66%
Plan fiduciary net position as a percentage of the total OPEB liability	1.61%

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

HABERSHAM COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

SCHOOL OPEB FUND

FOR THE FISCAL YEAR ENDED JUNE 30

	2018
Contractually required contributions	\$ 2,406,049
Contributions in relation to the contractually required contributions	2,406,049
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 37,066,034
Contributions as a percentage of covered-employee payroll	6.491%

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

HABERSHAM COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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).

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.

III. OTHER SUPPLEMENTARY INFORMATION

HABERSHAM COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Project	Original Estimated Cost (1)	Current Estimated Cost (2)	Expended In Current Year (3) (4)	Expended In Prior Years (3) (5)	Total Completion Cost	Project Status
SPLOST Issue 2011:						
(i) A portion of the principal and interest due on the School District's General Obligation Refunding Bond, Series 2003 and General Obligation Bond, Series 2005, the maximum amounts of such payments not to exceed \$30,000,000.	\$ 17,786,775	\$ 20,727,547	\$ 4,380,420	\$ 14,023,873	\$ 18,404,293	Ongoing
(ii) Acquiring, constructing and equipping new school buildings and facilities useful and desirable, including but not limited to, agricultural facilities; (iii) Adding to, renovating, repairing, improving, furnishing, and equipping existing school buildings and other buildings and facilities useful and desirable in connection therewith, including but not limited to, additional classrooms, physical education/athletic facilities, and HVAC; (iv) Acquiring technology improvements, including safety and security improvements, computer technology, hardware and software; (v) Acquiring new school equipment, including, but not limited to, new buses, textbooks, band instruments, maintenance vehicles, and playground equipment.	4,500,000	4,999,800	622,789	4,377,011	4,999,800	Completed
SPLOST Issue 2016:						
(i) Paying a portion of the principal and interest due on outstanding Habersham County School District (Georgia) General Obligation Refunding Bonds, Series 2013, the maximum amount of total debt service to be paid shall not exceed \$28,000,000.	20,000,000	20,000,000	-	-	-	Ongoing
(ii) Modernizing, adding to, renovating, repairing, improving, furnishing and equipping existing school buildings and other facilities, including, but not limited to Hazel Grove and Woodville Elementary Schools, agricultural, athletic/physical education and fine arts facilities; (iii) Acquiring new school equipment, including, but not limited to agricultural, athletic/physical education and fine arts; (iv) Acquiring technology, including safety and security equipment, computers/tablets, hardware, software and infrastructure; (v) Acquiring school buses and other vehicles.	15,000,000	15,000,000	2,855,653	-	2,855,653	Ongoing
Total	\$ 57,286,775	\$ 60,727,347	\$ 7,858,862	\$ 18,400,884	\$ 26,259,746	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the project(s). Includes all cost from project inception to completion.
- (3) The voters of Habersham County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) During fiscal year 2013, the Habersham County Board of Education issued General Obligation Refunding Bond Issue 2013 to refund portions of the 2005 Bond Issue. The amount expended in the current year includes debt service on the replacement refunding issues.
- (5) The balance of expenditures reported for prior years for these projects have been corrected by the School District to appropriately reflect the actual balance of SPLOST funds expended in accordance with the voter approved referendum.

IV. SINGLE AUDIT SECTION



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

**To the Superintendent and Members of
the Habersham County Board of Education
Clarkeville, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Habersham County Board of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Habersham County Board of Education's basic financial statements, and have issued our report thereon dated September 18, 2019. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

The School District's Responses to the Findings

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 18, 2019



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

**To the Superintendent and Members of
the Habersham County Board of Education
Clarkesville, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the Habersham County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Habersham County Board of Education's major federal programs for the year ended June 30, 2018. The Habersham County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Habersham County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 18, 2019

HABERSHAM COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Expenditures
U. S. Department of Agriculture:			
Passed through Georgia Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program - Cash Assistance	10.553	17165GA324N1099	\$ 936,834
National School Lunch Program:			
Non-Cash Assistance - Commodities (1)	10.555	17175GA324N1100	320,081
Cash Assistance	10.555	17175GA324N1100	2,296,248
School Snack Program	10.555	17175GA324N1100	27,240
Total Child Nutrition Cluster			3,580,403
Fresh Fruit and Vegetable Program	10.582	17145GA324L1603	9,581
Passed through Office of the State Treasurer			
Forest Service Schools and Roads Cluster			
Schools and Roads - Grants to States	10.665	486 Forest	34,279
Total U. S. Department of Agriculture			3,624,263
U.S. Department of Education			
Passed through Georgia Department of Education:			
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	H027A170073	1,060,310
Special Education - Preschool Grants (IDEA Preschool)	84.173	H173A170081	27,163
Total Special Education Cluster			1,087,473
Career and Technical Education - Basic Grants to States	84.048	V048A170010	64,022
English Language Acquisition State Grants			
English Language Acquisition State Grants	84.365	S365A170010	108,167
English Language Acquisition State Grants	84.365	S365A160010	1,729
Total English Language Acquisition State Grants			109,896
Supporting Effective Instruction State Grants			
Supporting Effective Instruction State Grants	84.367	S367A170001	134,525
Supporting Effective Instruction State Grants	84.367	S367A160001	9,249
Total Supporting Effective Instruction State Grants			143,774
Migrant Education - State Grant Program			
Migrant Education - State Grant Program	84.011	S011A170011	39,242
Migrant Education - State Grant Program	84.011	S011A160011	2,531
Total Migrant Education - State Grant Program			41,773

(Continued)

HABERSHAM COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Expenditures
Small Rural Schools Achievement Alternative Uses of Funds Program			
Small Rural Schools Achievement Alternative Uses of Funds Program	84.358	S358B170010	113,205
Small Rural Schools Achievement Alternative Uses of Funds Program	84.358	S358B160010	26,615
Total Small Rural Schools Achievement Alternative Uses of Funds Program			139,820
 Student Support and Academic Enrichment	 84.424	 S424A170011	 41,449
 Title I Grants to Local Educational Agencies			
Title I Grants to Local Educational Agencies	84.010	S010A170010	1,478,002
Title I Grants to Local Educational Agencies	84.010	S010A160010	7,329
Title I Grants to Local Educational Agencies			1,485,331
 Total U. S. Department of Education			3,113,538
 U. S. Department of Defense			
R.O.T.C. Program	Unknown	N/A	66,284
Total U. S. Department of Defense			66,284
 Total Expenditures of Federal Awards			\$ 6,804,085

(1) The amounts shown for the Food Distribution Program represents the federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the system during the current fiscal year.

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

The School District did not utilize the 10% de minimis indirect cost rate.

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

HABERSHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

yes no

Significant deficiencies identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal Control over major federal programs:
Material weaknesses identified?

yes no

Significant deficiencies identified?

yes none reported

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

Unmodified

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

yes no

Identification of major federal program:

Name of Federal Program or Cluster
Child Nutrition Cluster

CFDA Number
10.553 and 10.555

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

\$750,000

Auditee qualified as low-risk auditee?

yes no

HABERSHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-001 Revenues and Related Receivables, and Deferred Inflows of Resources

Criteria: Internal controls should be in place to ensure that revenues are appropriately recognized, including any related receivables and deferred inflows of resources in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect material misstatements in the reporting of the School District's revenues and related deferred inflows or resources.

Context/Cause: During our testing of revenues and related receivables, an audit adjustment was required to correct current year revenues and deferred inflows of resources in the Capital Projects fund. The Capital Projects fund required an audit adjustment of approximately \$622,000 to reduce intergovernmental revenue and increase the deferred inflows of resources related to intergovernmental revenues, which were due but not available under the modified accrual basis of accounting.

Effects: An audit adjustment of approximately \$622,000 was needed to correctly report revenues and deferred inflows of resources.

Recommendation: We recommend the School District carefully review all revenue and related receivable accounts to ensure all necessary transactions are reported in the proper period and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that revenues and related receivables are properly recorded.

HABERSHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-002 Cash, Liabilities and Interfund Balances

Criteria: Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows. Due to its sensitive nature, internal controls over cash reconciliations should be in place to ensure proper reporting of cash as of the fiscal year end in accordance with generally accepted accounting principles (GAAP). Internal controls should also be in place to ensure interfund activity is properly reported in the financial statements in accordance with GAAP.

Condition: Internal controls were not sufficient to detect certain misstatements in the reporting of the School District's cash and liabilities and interfund balances.

Context/Cause: During our testing of cash and liabilities, certain audit adjustments were required to correct cash, accounts payable and interfund balances as of June 30, 2018. The nature of these adjustments are as follows:

- The General Fund required an audit adjustment of approximately \$3,900,000 to increase cash and accounts payable due to the backdating of checks at year-end.
- The General Fund required an audit adjustment of approximately \$2,700,000 to increase due from other funds and decrease cash for bank transfers that did not occur prior to year-end.
- The District-wide Capital Projects Fund required an audit adjustment of approximately \$1,000,000 to increase cash and contracts payable due to the backdating of checks at year-end.
- The District-wide Capital Projects Fund required an audit adjustment of approximately \$2,600,000 to increase due to other funds and increase cash for bank transfers that did not occur prior to year-end.
- The Debt Service Fund required an audit adjustment of approximately \$100,000 to increase due to other funds and increase cash for bank transfers that did not occur prior to year-end.

Effects: Audit adjustments totaling approximately \$10,300,000 were necessary to correctly report cash, liabilities and interfund balances as of June 30, 2018.

Recommendation: We recommend the School District carefully review cash and accounts payable and ensure the interfund activity is properly reported in accordance with GAAP. We recommend that the School District accrue all accounts payable at fiscal year-end through a manual journal entry and avoid back dating check or transfers between bank accounts. All intended transfers between bank accounts in different funds should be recorded as an interfund accounts payable/receivable at year-end.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure all cash, liabilities, and interfund activity is properly evaluated and reconciled.

HABERSHAM COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

HABERSHAM COUNTY BOARD OF EDUCATION

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

STATUS OF PRIOR YEAR FINDINGS

None reported.



**MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018**

2018-001 Revenues and Related Receivables, and Deferred Inflows of Resources

Name of the Contact Person Responsible for the Corrective Action Plan: Staci Newsome, Chief Financial Officer.

Corrective Action Plan: The internal control deficiency for financial statement reporting was identified during the audit process for year ended June 30, 2018. In anticipation of such internal control concerns, in May 2019, the Chief Financial Officer recommended and the Board of Education approved a change in the school district's financial statement process for FY 2019. The CFO and new finance office staff also implemented and communicated changes in business processes and the internal control framework. Financial staff will review receivables to determine compliance with availability criteria in accordance with GAAP. This will further assist in ensuring the financial statements are materially correct when presented for audit.

Completion Date: July 31, 2019

2018-002 Cash, Liabilities and Interfund Balances

Name of the Contact Person Responsible for the Corrective Action Plan: Staci Newsome, Chief Financial Officer.

Corrective Action Plan: The internal control deficiency for financial statement reporting was identified during the audit process for year ended June 30, 2018. In anticipation of such internal control concerns, in May 2019, the Chief Financial Officer recommended and the Board of Education approved a change in the school district's financial statement process for FY 2019. Also effective for FY 2019 year-end, the CFO and new finance office staff changed historical operating practices to further increase timely and accurate financial reporting. Financial staff will review all accruals to verify they are reported in the correct financial statement category in accordance with GAAP. This will further assist in ensuring the financial statements are materially correct when presented for audit.

Completion Date: July 31, 2019