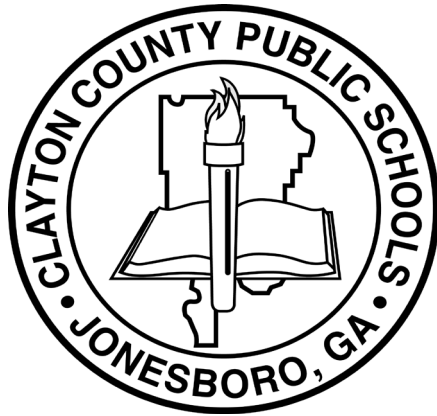


Annual Financial Report

Fiscal Year Ended June 30, 2020

1058 Fifth Avenue · Jonesboro, Georgia 30236



Annual Financial Report

Fiscal Year Ended June 30, 2020

**Prepared by:
Division of Business Services**

1058 Fifth Avenue · Jonesboro, Georgia 30236

CLAYTON COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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CLAYTON COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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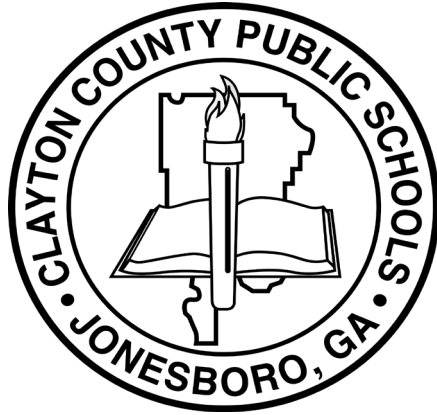
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Introductory Section

**Clayton County
Public Schools**

FY 2020 Elected Officials

Jessie Goree (District 3)- Board Chair

Dr. Alieka Anderson (District 8)- Vice- Chair

Jasmine Bowles (District 1)

Mark Christmas (District 2)

Victoria Williams (District 4)

Ophelia Burroughs (District 5)

Mary Baker (District 6)

Judy Johnson (District 7)

FY 2020 Executive Cabinet

Dr. Morcease Beasley- Superintendent/CEO

Dr. Ralph Simpson- Deputy Superintendent School Leadership and Improvement

Dr. Anthony Smith- Deputy Superintendent Gov't Relations, Partnerships, Grants, & Operations

Dr. Sandra Nuñez- Deputy Superintendent Student Support Services

Jada Dawkins- Chief of Communications, Public Relations, & Marketing

Emma Benton- Chief of Finance

Dr. Jamie Wilson- Chief of Human Resources

Thomas Trawick- Chief of Safety & Security

Rod Smith- Chief of Technology

Dr. Keith Colbert- Asst. Superintendent

Dr. Timothy Guiney- Asst. Superintendent

Dr. Ebony Lee- Asst. Superintendent

Dr. Doug Hendrix- Asst. Superintendent

Charmine Johnson- Asst. Superintendent

Kemith Thompson- Executive Director of Operations

Damaris Garrett- Director of Equity & Compliance

Ronick Joseph- Director of Construction/SPLOST

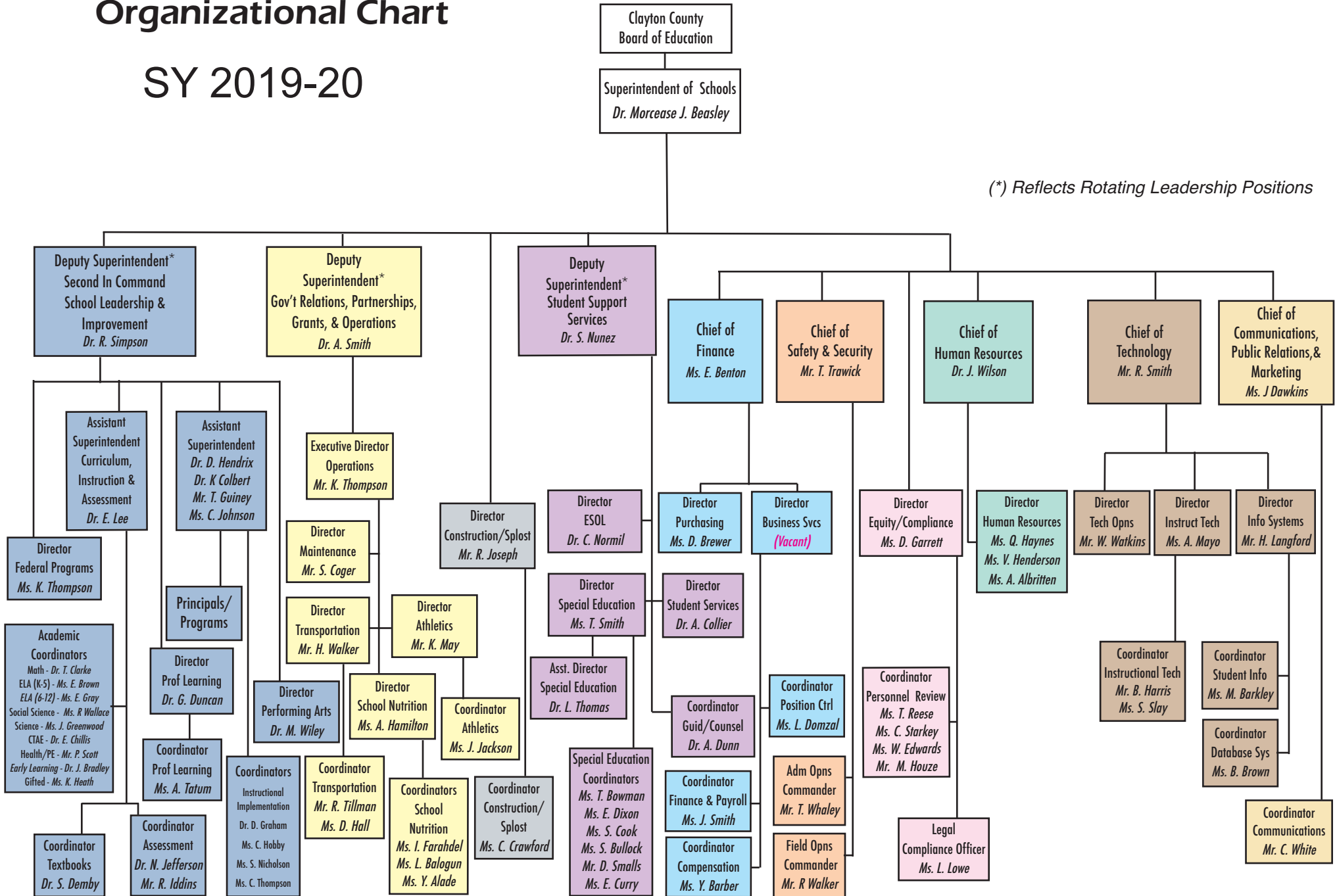
Clayton County Public Schools

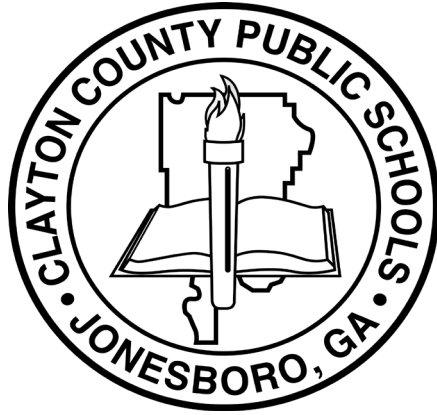
July 1, 2019

Organizational Chart

SY 2019-20

(* Reflects Rotating Leadership Positions)





Financial Section

**Clayton County
Public Schools**



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Clayton County Board of Education** as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Clayton County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Clayton County Board of Education as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability – Teachers Retirement System, the Schedule of Contributions – Teachers Retirement System, the Schedule of Proportionate Share of the Net Pension Liability – Public School Employees Retirement System, the Schedule of Proportionate Share of the Net Pension Liability – Employees Retirement System, the Schedule of Contributions – Employees Retirement System, the Schedule of Proportionate Share of the Net OPEB Liability, and the Schedule of OPEB contributions, on pages 53 through 59 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 Clayton County Board of Education's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

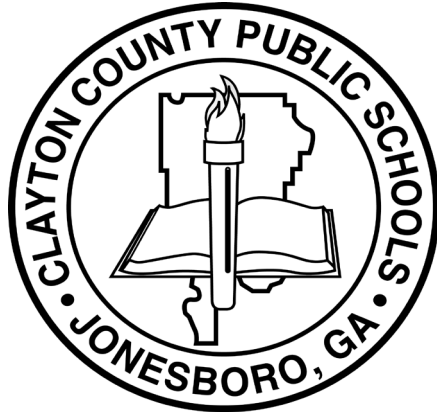
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2022, on our consideration of Clayton County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clayton County Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 4, 2022



Basic Financial Statements

**Clayton County
Public Schools**

CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 62,615,435	\$ 13,408,111	\$ 76,023,546
Investments	68,864,594	-	68,864,594
Receivables:			
Accounts	6,109,848	-	6,109,848
Intergovernmental	49,872,214	341,077	50,213,291
Taxes	17,812,275	-	17,812,275
Internal balances	1,509,314	(1,509,314)	-
Inventories	-	944,110	944,110
Prepaid items	183,177	-	183,177
Capital assets, nondepreciable	142,726,238	-	142,726,238
Capital assets, depreciable (net of accumulated depreciation)	714,901,319	3,882,443	718,783,762
Total assets	1,064,594,414	17,066,427	1,081,660,841
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	148,228,217	1,330,693	149,558,910
Other post-employment benefits	34,817,918	2,717,569	37,535,487
Total deferred outflows of resources	183,046,135	4,048,262	187,094,397
LIABILITIES			
Accounts payable	14,761,646	54,543	14,816,189
Retainage payable	5,613,514	-	5,613,514
Accrued payroll and payroll withholdings	68,608,284	2,397,046	71,005,330
Unearned revenue	1,435	46,816	48,251
Other current liabilities	70	-	70
Claims payable due within one year	1,802,508	-	1,802,508
Claims payable due in more than one year	1,802,507	-	1,802,507
Compensated absences due within one year	2,976,703	28,317	3,005,020
Compensated absences due in more than one year	2,976,702	28,316	3,005,018
Net pension liability, due in more than one year	463,424,565	4,159,858	467,584,423
Net other post-employment benefit liability, due in more than one year	322,502,794	25,171,628	347,674,422
Total liabilities	884,470,728	31,886,524	916,357,252
DEFERRED INFLOWS OF RESOURCES			
Pensions	38,012,549	340,937	38,353,486
Other post-employment benefits	95,984,302	7,491,660	103,475,962
Total deferred inflows of resources	133,996,851	7,832,597	141,829,448
NET POSITION			
Investment in capital assets	852,014,043	3,882,443	855,896,486
Restricted for student programs	87,350	-	87,350
Restricted for capital projects	7,607,830	-	7,607,830
Unrestricted (deficit)	(630,536,253)	(22,486,875)	(653,023,128)
Total net position (deficit)	\$ 229,172,970	\$ (18,604,432)	\$ 210,568,538

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

CLAYTON COUNTY BOARD OF EDUCATION

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
Governmental activities:							
Instruction	\$ 355,349,485	\$ 278,022	\$ 323,024,374	\$ -	\$ (32,047,089)	\$ -	\$ (32,047,089)
Pupil services	28,232,082	-	7,700,733	-	(20,531,349)	-	(20,531,349)
Improvement of instructional services	29,714,772	-	14,731,574	-	(14,983,198)	-	(14,983,198)
Educational media services	7,946,256	-	6,440,491	-	(1,505,765)	-	(1,505,765)
General administration	11,249,861	-	7,487,967	-	(3,761,894)	-	(3,761,894)
School administration	38,087,521	-	13,218,956	-	(24,868,565)	-	(24,868,565)
Business services	7,542,323	-	58,103	-	(7,484,220)	-	(7,484,220)
Maintenance and operations	47,117,940	158,757	17,595,785	231,660	(29,131,738)	-	(29,131,738)
Student transportation	32,185,714	267,642	2,714,458	-	(29,203,614)	-	(29,203,614)
Central support services	16,813,614	-	190,762	-	(16,622,852)	-	(16,622,852)
Other support services	4,855,819	-	25,400	-	(4,830,419)	-	(4,830,419)
Other non-instructional services	2,335,110	12,442,405	-	-	10,107,295	-	10,107,295
Community services	3,121,204	-	-	-	(3,121,204)	-	(3,121,204)
Total governmental activities	<u>584,551,701</u>	<u>13,146,826</u>	<u>393,188,603</u>	<u>231,660</u>	<u>(177,984,612)</u>	<u>-</u>	<u>(177,984,612)</u>
Business-type activities:							
School food service	34,422,929	257,432	30,799,363	-	-	(3,366,134)	(3,366,134)
Performing arts center	327,525	81,358	-	-	-	(246,167)	(246,167)
Total business-type activities	<u>34,750,454</u>	<u>338,790</u>	<u>30,799,363</u>	<u>-</u>	<u>-</u>	<u>(3,612,301)</u>	<u>(3,612,301)</u>
Total	<u>\$ 619,302,155</u>	<u>\$ 13,485,616</u>	<u>\$ 423,987,966</u>	<u>\$ 231,660</u>	<u>(177,984,612)</u>	<u>(3,612,301)</u>	<u>(181,596,913)</u>
General revenues:							
Property taxes					151,174,373	-	151,174,373
Sales taxes					50,916,820	-	50,916,820
Other taxes					2,583,030	-	2,583,030
Grants and contributions not restricted to specific programs					12,442,405	-	12,442,405
Unrestricted investment earnings					802,883	-	802,883
Total general revenues					<u>217,919,511</u>	<u>-</u>	<u>217,919,511</u>
Change in net position					39,934,899	(3,612,301)	36,322,598
Net position (deficit), beginning of year					189,238,071	(14,992,131)	174,245,940
Net position (deficit), end of year					<u>\$ 229,172,970</u>	<u>\$ (18,604,432)</u>	<u>\$ 210,568,538</u>

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

CLAYTON COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2020

ASSETS	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash	\$ 52,084,251	\$ 5,712,158	\$ 4,819,026	\$ 62,615,435
Investments	66,113,897	2,750,697	-	68,864,594
Receivables:				
Accounts	15,498	6,006,865	87,485	6,109,848
Taxes	11,528,218	6,284,057	-	17,812,275
Intergovernmental	39,467,741	-	10,404,473	49,872,214
Due from other funds	5,873,397	-	35,517	5,908,914
Prepaid items	183,177	-	-	183,177
Total assets	\$ 175,266,179	\$ 20,753,777	\$ 15,346,501	\$ 211,366,457
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,760,256	\$ 7,521,055	\$ 3,480,335	\$ 14,761,646
Retainage payable	-	5,613,514	-	5,613,514
Due to other funds	-	-	4,399,600	4,399,600
Accrued payroll and payroll withholdings	65,364,947	11,378	3,231,959	68,608,284
Unearned revenue	-	-	1,435	1,435
Other current liabilities	-	-	70	70
Total liabilities	69,125,203	13,145,947	11,113,399	93,384,549
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	9,004,362	-	-	9,004,362
Total deferred inflows of resources	9,004,362	-	-	9,004,362
FUND BALANCES				
Fund balances:				
Nonspendable - prepaid items	183,177	-	-	183,177
Restricted for capital projects	-	7,607,830	-	7,607,830
Restricted for student programs	-	-	87,350	87,350
Assigned for student programs	-	-	4,264,335	4,264,335
Assigned for subsequent year's budget	34,731,866	-	-	34,731,866
Unassigned (deficit)	62,221,571	-	(118,583)	62,102,988
Total fund balances	97,136,614	7,607,830	4,233,102	108,977,546
Total liabilities, deferred inflows of resources and fund balances	\$ 175,266,179	\$ 20,753,777	\$ 15,346,501	\$ 211,366,457

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

CLAYTON COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2020

Total fund balances - governmental funds	\$	108,977,546
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds.</p>		
Cost	\$ 1,155,888,498	
Less accumulated depreciation	<u>(298,260,941)</u>	857,627,557
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.</p>		
Property taxes		9,004,362
<p>The net pension liability and related deferred inflows and outflows for the Teacher Retirement System (TRS) and the Employees' Retirement System (ERS) are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Net pension liability - TRS	\$ (463,239,903)	
Pension related deferred outflows of resources - TRS	148,185,335	
Pension related deferred inflows of resources - TRS	(37,966,643)	
Net pension liability - ERS	(184,662)	
Pension related deferred outflows of resources - ERS	42,882	
Pension related deferred inflows of resources - ERS	<u>(45,906)</u>	(353,208,897)
<p>The net OPEB liability and related deferred inflows and outflows are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Total OPEB liability	\$ (322,502,794)	
OPEB related deferred outflows of resources	34,817,918	
OPEB related deferred inflows of resources	<u>(95,984,302)</u>	(383,669,178)
<p>Long-term liabilities and related items are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Compensated absences	\$ (5,953,405)	
Claims liability	<u>(3,605,015)</u>	<u>(9,558,420)</u>
Net position of governmental activities		<u>\$ 229,172,970</u>

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

CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 151,174,373	\$ -	\$ -	\$ 151,174,373
Sales taxes	-	50,916,820	-	50,916,820
Other taxes	2,583,030	-	-	2,583,030
State sources	347,523,095	-	7,444,939	354,968,034
Federal sources	726,857	642,124	40,470,889	41,839,870
Charges for services	518,622	-	8,581,588	9,100,210
Interest income	593,025	209,858	-	802,883
Miscellaneous	2,091,972	10,250,709	99,724	12,442,405
Total revenues	505,210,974	62,019,511	56,597,140	623,827,625
EXPENDITURES				
Current:				
Instruction	298,082,547	-	34,013,502	332,096,049
Pupil services	20,419,542	-	6,338,768	26,758,310
Improvement of instructional services	13,031,590	-	12,632,089	25,663,679
Educational media services	6,550,136	-	-	6,550,136
General administration	6,451,617	-	476,022	6,927,639
School administration	35,500,868	-	873,588	36,374,456
Business services	4,772,932	-	23,159	4,796,091
Maintenance and operations	42,912,676	-	-	42,912,676
Student transportation	26,165,308	-	22,565	26,187,873
Central support services	14,446,205	-	867,996	15,314,201
Other support services	3,318,347	-	644	3,318,991
Other non-instructional services	263,871	-	692,356	956,227
Community service	-	-	1,734,513	1,734,513
Capital outlay	-	82,582,171	-	82,582,171
Total expenditures	471,915,639	82,582,171	57,675,202	612,173,012
Excess (deficiency) of revenues over (under) expenditures	33,295,335	(20,562,660)	(1,078,062)	11,654,613
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,147,055	1,147,055
Transfers out	(1,147,055)	-	-	(1,147,055)
Total other financing sources (uses)	(1,147,055)	-	1,147,055	-
Net change in fund balances	32,148,280	(20,562,660)	68,993	11,654,613
FUND BALANCES, beginning of year	64,988,334	28,170,490	4,164,109	97,322,933
FUND BALANCES, end of year	\$ 97,136,614	\$ 7,607,830	\$ 4,233,102	\$ 108,977,546

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

CLAYTON COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Net change in fund balances - total governmental funds	\$	11,654,613
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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. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$	70,147,920	
Depreciation		(22,649,043)	47,498,877

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Property taxes		676,126
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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.

Compensated absences	\$	(1,698,276)	
Workers' compensation claims payable		(333,965)	
Change in net pension liability and deferred outflows and deferred inflows related to TRS pension activity		(30,301,767)	
Change in net pension liability and deferred outflows and deferred inflows related to ERS pension activity		5,591	
Change in net OPEB liability and deferred outflows and deferred inflows related to TRS pension activity		12,433,700	(19,894,717)

Change in net position - governmental activities	\$	<u>39,934,899</u>
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The accompanying notes are an integral part of these financial statements.

CLAYTON COUNTY BOARD OF EDUCATION

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 136,038,986	\$ 136,038,986	\$ 151,174,373	\$ 15,135,387
Other taxes	2,175,686	2,175,686	2,583,030	407,344
State sources	347,306,682	348,709,290	347,523,095	(1,186,195)
Federal sources	690,000	696,042	726,857	30,815
Charges for services	90,000	290,074	518,622	228,548
Interest income	330,000	330,000	593,025	263,025
Miscellaneous	5,033,186	5,030,715	2,091,972	(2,938,743)
Total revenues	<u>491,664,540</u>	<u>493,270,793</u>	<u>505,210,974</u>	<u>11,940,181</u>
EXPENDITURES				
Current:				
Instruction	321,516,847	298,237,595	298,082,547	155,048
Pupil services	17,788,032	25,655,935	20,419,542	5,236,393
Improvement of instructional services	16,224,956	17,141,864	13,031,590	4,110,274
Educational media services	6,922,569	6,655,423	6,550,136	105,287
General administration	6,293,435	6,885,567	6,451,617	433,950
School administration	33,687,297	34,198,596	35,500,868	(1,302,272)
Business services	5,302,168	6,508,152	4,772,932	1,735,220
Maintenance and operations	44,622,824	45,488,035	42,912,676	2,575,359
Student transportation	22,110,472	24,197,740	26,165,308	(1,967,568)
Central support services	10,999,100	25,781,879	14,446,205	11,335,674
Other support services	4,725,536	4,550,894	3,318,347	1,232,547
Other non-instructional services	404,766	404,766	263,871	140,895
Total expenditures	<u>490,598,002</u>	<u>495,706,446</u>	<u>471,915,639</u>	<u>23,790,807</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,066,538</u>	<u>(2,435,653)</u>	<u>33,295,335</u>	<u>35,730,988</u>
OTHER FINANCING USES				
Transfers out	(1,209,602)	-	(1,147,055)	(1,147,055)
Total other financing sources	<u>(1,209,602)</u>	<u>-</u>	<u>(1,147,055)</u>	<u>(1,147,055)</u>
Net change in fund balances	<u>\$ (143,064)</u>	<u>\$ (2,435,653)</u>	<u>\$ 32,148,280</u>	<u>\$ 34,583,933</u>

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

CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2020

ASSETS	Business-type Activities - Enterprise Funds		
	School Food Service	Nonmajor	Totals
		Performing Arts Center	
CURRENT ASSETS			
Cash and cash equivalents	\$ 13,232,890	\$ 175,221	\$ 13,408,111
Intergovernmental receivables	341,077	-	341,077
Inventories	944,110	-	944,110
Total current assets	14,518,077	175,221	14,693,298
CAPITAL ASSETS			
Buildings	-	7,308,375	7,308,375
Furniture and equipment	5,749,651	6,167	5,755,818
Intangibles	14,921	-	14,921
Total depreciable assets	5,764,572	7,314,542	13,079,114
Less accumulated depreciation and amortization	(4,732,399)	(4,464,272)	(9,196,671)
Total capital assets	1,032,173	2,850,270	3,882,443
Total assets	15,550,250	3,025,491	18,575,741
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,330,693	-	1,330,693
Other post-employment benefits	2,717,569	-	2,717,569
Total deferred outflows of resources	4,048,262	-	4,048,262
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	53,543	1,000	54,543
Due to other funds	1,509,314	-	1,509,314
Accrued payroll and payroll withholdings	2,397,046	-	2,397,046
Unearned revenue	46,816	-	46,816
Compensated absences	28,317	-	28,316
Total current liabilities	4,035,036	1,000	4,036,035
NONCURRENT LIABILITIES			
Compensated absences due in more than one year	28,316	-	28,316
Net pension liability	4,159,858	-	4,159,858
Net other post-employment benefit liability	25,171,628	-	25,171,628
Total noncurrent liabilities	29,359,802	-	29,359,802
Total liabilities	33,394,838	1,000	33,395,837
DEFERRED INFLOWS OF RESOURCES			
Pensions	340,937	-	340,937
Other post-employment benefits	7,491,660	-	7,491,660
Total deferred inflows of resources	7,832,597	-	7,832,597
NET POSITION			
Investment in capital assets	1,032,173	2,850,270	3,882,443
Unrestricted	(22,661,096)	174,221	(22,486,875)
Total net position (deficit)	\$ (21,628,923)	\$ 3,024,491	\$ (18,604,432)

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

CLAYTON COUNTY BOARD OF EDUCATION

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Business-type Activities - Enterprise Funds		
	School Food Service	Nonmajor	Totals
		Performing Arts Center	
OPERATING REVENUES			
Local sources	\$ 257,432	\$ 81,358	\$ 338,790
Total operating revenues	<u>257,432</u>	<u>81,358</u>	<u>338,790</u>
OPERATING EXPENSES			
Food service operations	33,523,396	-	33,523,396
Enterprise operation	-	181,358	181,358
Maintenance and operations	744,528	-	744,528
Depreciation	155,005	146,167	301,172
Total operating expenses	<u>34,422,929</u>	<u>327,525</u>	<u>34,750,454</u>
Operating loss	<u>(34,165,497)</u>	<u>(246,167)</u>	<u>(34,411,664)</u>
NON-OPERATING REVENUES			
Intergovernmental revenues	30,799,363	-	30,799,363
Total non-operating revenues	<u>30,799,363</u>	<u>-</u>	<u>30,799,363</u>
Change in net position	(3,366,134)	(246,167)	(3,612,301)
NET POSITION (DEFICIT), beginning of year	<u>(18,262,789)</u>	<u>3,270,658</u>	<u>(14,992,131)</u>
NET POSITION (DEFICIT), end of year	<u>\$ (21,628,923)</u>	<u>\$ 3,024,491</u>	<u>\$ (18,604,432)</u>

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

CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds		
	School Food Service	Nonmajor	Totals
		Performing Arts Center	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from local sources	\$ 259,991	\$ 81,358	\$ 341,349
Payments to suppliers	(17,662,976)	(69,582)	(17,732,558)
Payments to employees	(15,623,563)	(113,661)	(15,737,224)
Net cash used in operating activities	(33,026,548)	(101,885)	(33,128,433)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Subsidy from federal and state grants	30,598,306	-	30,598,306
Net cash provided by noncapital financing activities	30,598,306	-	30,598,306
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(411,977)	-	(411,977)
Net cash used in capital and related financing activities	(411,977)	-	(411,977)
Net decrease in cash and cash equivalents	(2,840,219)	(101,885)	(2,942,104)
Cash and cash equivalents, beginning of year	16,073,109	277,106	16,350,215
Cash and cash equivalents, end of year	\$ 13,232,890	\$ 175,221	\$ 13,408,111

CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds		
	School Food Service	Nonmajor	
		Performing Arts Center	Totals
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (34,165,497)	\$ (246,167)	\$ (34,411,664)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	155,005	146,167	301,172
Loss on disposal of capital asset	6,705	-	6,705
Increase in inventories	(335,995)	-	(335,995)
Increase in deferred outflows - pensions	(306,805)	-	(306,805)
Decrease in deferred outflows - OPEB	274,878	-	274,878
Decrease in accounts payable	(33,391)	(1,885)	(35,276)
Increase in due to other funds	1,203,604	-	1,203,604
Increase in accrued payroll and other withholdings	96,077	-	96,077
Decrease in compensated absences	(69,555)	-	(69,555)
Increase in deferred inflows - pensions	198,605	-	198,605
Increase in deferred inflows - OPEB	1,769,426	-	1,769,426
Increase in net pension liability	283,551	-	283,551
Decrease in net OPEB liability	(2,105,715)	-	(2,105,715)
Increase in unearned revenue	2,559	-	2,559
	<u>\$ (33,026,548)</u>	<u>\$ (101,885)</u>	<u>\$ (33,128,433)</u>
Net cash used in operating activities	<u>\$ (33,026,548)</u>	<u>\$ (101,885)</u>	<u>\$ (33,128,433)</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

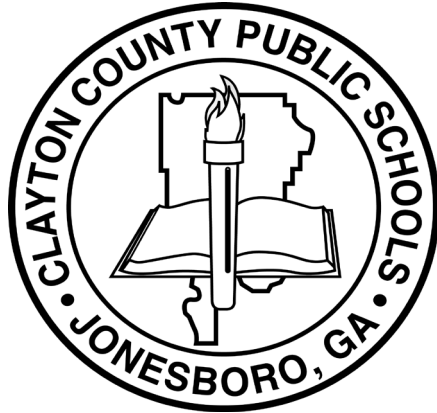
The School System received \$2,608,756 in commodities from the United States Department of Agriculture during the fiscal year ended June 30, 2020.

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

CLAYTON COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2020

		<u>Agency Fund</u>
		<u>Student</u>
	ASSETS	<u>Activities</u>
Cash		\$ 562,870
Total assets		<u>\$ 562,870</u>
	LIABILITIES	
Due to others		\$ 562,870
Total liabilities		<u>\$ 562,870</u>

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



Notes to Financial Statements

**Clayton County
Public Schools**

CLAYTON COUNTY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The School System reports the following major governmental funds:

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

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

The School System reports the following major proprietary fund:

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

Additionally, the School System reports the following fund types:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

D. Cash and Investments

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

E. Receivables and Payables

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. On-Behalf Payments

The State of Georgia makes certain pension plan payments on behalf of the School System for its employees. The School System records these payments as both a revenue and expenditure in the General Fund. The total of the on-behalf payments for the fiscal year ended June 30, 2020, was \$1,151,124.

G. Inventories and Prepaid Items

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

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

H. Non-Monetary Transactions

The School System received from the United States Department of Agriculture through the Georgia Department of Education approximately \$2,608,756 in donated food commodities for its lunchroom programs. The federally assigned value of these commodities is reflected as revenue and an expense in the financial statements.

I. Capital Assets

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

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

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

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Other than the pension and the other post-employment benefit (“OPEB”) related items discussed below, the School System did not have any items that qualified for reporting in this category for the year ended June 30, 2020.

In addition to liabilities, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Other than the pension and OPEB related items discussed below, the School System has only one type of item, which arises only under the 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.

Certain changes in the net pension liability and net OPEB liability are recognized as pension/OPEB expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the plans’ actuary which adjust the net pension liability and net OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service life of plan members. Changes in actuarial assumptions which adjust the net pension liability and net OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining lives of plan members.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflows of Resources (Continued)

The difference between projected investment return on pension and OPEB investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period. Additionally, any contributions made by the School System to the pension plan or OPEB plan before year-end but subsequent to the measurement date of the School System's net pension liability and net OPEB liability are reported as deferred outflows of resources.

K. Pensions

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

L. Other Post-employment Benefits ("OPEB")

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

M. Long-term Obligations

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

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

O. Fund Equity

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

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

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

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

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

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and deferred outflows of resources and 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.

Q. Tax Abatement Agreements

GASB Statement No. 77, *Tax Abatement Disclosures* requires the School System to disclose information for any tax abatement agreements either entered into by the School System, or agreements entered into by other governments that reduce the School System's tax revenues. As of June 30, 2020, the School System did not have any such agreements, either entered into by the School System or by other governments that exceeded the quantitative threshold for disclosure.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The School District adopts an annual budget for the General Fund and Special Revenue Funds, except that an annual budget is not adopted for the School Discretionary special revenue fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, O.C.G.A. 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 General Fund functions and transfers had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2020.

General Fund:	
School administration	\$ 1,302,272
Student transportation	1,967,568
Transfers out	1,147,055

These over expended departments were funded with revenues and financing arrangements recognized in excess of anticipated levels.

NOTE 3. DEPOSITS AND INVESTMENTS

Credit Risk. State statutes authorize the School System to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool (Georgia Fund 1). The local government investment pool, "Georgia Fund 1," created by O.C.G.A. § 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the Board of Education's investment in the Georgia Fund 1 is reported at fair value. The Board of Education considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation. The School System does not have a policy for credit risk beyond the types of investments authorized by Georgia State law.

At June 30, 2020, the School System had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Georgia Fund 1	38 days	\$ 68,864,594

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

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

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

Credit Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2020, the School System's bank balance was fully collateralized.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES

Receivables at June 30, 2020, for the School System's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Projects	Nonmajor Governmental Funds	School Food Service	Total
Intergovernmental	\$ 39,467,741	\$ -	\$ 10,404,473	\$ 341,077	\$ 50,213,291
Taxes	20,532,580	6,284,057	-	-	26,816,637
Accounts	15,498	6,006,865	87,485	-	6,109,848
	<u>60,015,819</u>	<u>12,290,922</u>	<u>10,491,958</u>	<u>341,077</u>	<u>83,139,776</u>
Less allowance for uncollectible	(9,004,362)	-	-	-	(9,004,362)
Net total receivable	<u>\$ 51,011,457</u>	<u>\$ 12,290,922</u>	<u>\$ 10,491,958</u>	<u>\$ 341,077</u>	<u>\$ 74,135,414</u>

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

NOTE 5. PROPERTY TAXES

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

Real property taxes were levied on October 2, 2019 and were due December 2, 2019. Clayton County may place liens on property once the related tax payments become delinquent. The property tax receivable allowance is equal to 50% of outstanding property taxes at June 30, 2020, net of amounts collected within 60 days of year-end. Vehicle personal property taxes are due upon each respective payor's date of birth on an annual basis.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 34,646,034	\$ -	\$ -	\$ -	\$ 34,646,034
Construction in progress	97,622,720	65,318,953	-	(54,861,469)	108,080,204
Total	<u>132,268,754</u>	<u>65,318,953</u>	<u>-</u>	<u>(54,861,469)</u>	<u>142,726,238</u>
Capital assets, being depreciated:					
Buildings	889,073,352	-	-	54,861,469	943,934,821
Improvements	14,082,876	1,371,313	-	-	15,454,189
Machinery and equipment	52,336,185	3,457,654	(2,020,589)	-	53,773,250
Total	<u>955,492,413</u>	<u>4,828,967</u>	<u>(2,020,589)</u>	<u>54,861,469</u>	<u>1,013,162,260</u>
Less accumulated depreciation for:					
Buildings	(235,283,600)	(18,929,051)	-	-	(254,212,651)
Improvements	(3,545,033)	(317,671)	-	-	(3,862,704)
Machinery and equipment	(38,803,854)	(3,402,321)	2,020,589	-	(40,185,586)
Total	<u>(277,632,487)</u>	<u>(22,649,043)</u>	<u>2,020,589</u>	<u>-</u>	<u>(298,260,941)</u>
Total capital assets, being depreciated, net	<u>677,859,926</u>	<u>(17,820,076)</u>	<u>-</u>	<u>54,861,469</u>	<u>714,901,319</u>
Governmental activities capital assets, net	<u>\$ 810,128,680</u>	<u>\$ 47,498,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 857,627,557</u>
Business-type activities:					
Capital assets, being depreciated:					
Buildings	\$ 7,308,375	\$ -	\$ -	\$ -	\$ 7,308,375
Machinery and equipment	5,358,762	397,057	-	-	5,755,819
Intangibles	53,643	14,920	(53,643)	-	14,920
Total	<u>12,720,780</u>	<u>411,977</u>	<u>(53,643)</u>	<u>-</u>	<u>13,079,114</u>
Less accumulated depreciation for:					
Buildings	(4,311,937)	(146,167)	-	-	(4,458,104)
Machinery and equipment	(4,596,973)	(139,729)	-	-	(4,736,702)
Intangibles	(33,527)	(15,276)	46,938	-	(1,865)
Total	<u>(8,942,437)</u>	<u>(301,172)</u>	<u>46,938</u>	<u>-</u>	<u>(9,196,671)</u>
Business-type activities capital assets, net	<u>\$ 3,778,343</u>	<u>\$ 110,805</u>	<u>\$ (6,705)</u>	<u>\$ -</u>	<u>\$ 3,882,443</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
Instruction	\$ 19,056,781
Pupil services	1,314
Improvement of instructional services	51,536
Educational - media services	425
General administration	446,979
School administration	241,626
Business administration	709,268
Maintenance and operations	286,885
Student transportation	1,778,527
Central support services	61,770
Other non-instructional services	<u>13,932</u>
Total depreciation expense - governmental activities	<u>\$ 22,649,043</u>
Business-type activities:	
School food services	\$ 155,005
Performing arts center	<u>146,167</u>
Total depreciation expense - business-type activities	<u>\$ 301,172</u>

NOTE 7. SHORT-TERM DEBT

The School District issued a tax anticipation note in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections were received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75% of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred. The maturity date of the loan was December 31, 2019. One draw totaling \$30,000,000 was required to meet the cash flow needs of the School District. The note was repaid on December 31, 2019.

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	\$ -	\$ 30,000,000	\$ (30,000,000)	\$ -

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2020, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Claims payable	\$ 3,271,050	\$ 2,181,955	\$ (1,847,990)	\$ 3,605,015	\$ 1,802,508
Compensated absences	4,255,129	2,934,991	(1,236,715)	5,953,405	2,976,703
Net pension liability	433,258,999	117,516,955	(87,351,389)	463,424,565	-
Net OPEB liability	<u>349,318,236</u>	<u>33,278,169</u>	<u>(60,093,611)</u>	<u>322,502,794</u>	<u>-</u>
Total governmental activities					
Long-term liabilities	<u>\$ 790,103,414</u>	<u>\$ 155,912,070</u>	<u>\$ (150,529,705)</u>	<u>\$ 795,485,779</u>	<u>\$ 4,779,211</u>
Business-type activities:					
Compensated absences	\$ 126,188	\$ 18,335	\$ (87,890)	\$ 56,633	\$ 28,317
Net pension liability	3,876,307	1,054,877	(771,326)	4,159,858	-
Net OPEB liability	<u>27,277,343</u>	<u>2,597,390</u>	<u>(4,703,105)</u>	<u>25,171,628</u>	<u>-</u>
Total business-type activities					
Long-term liabilities	<u>\$ 31,279,838</u>	<u>\$ 3,670,602</u>	<u>\$ (5,562,321)</u>	<u>\$ 29,388,119</u>	<u>\$ 28,317</u>

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

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service	\$ 1,509,314
General Fund	Nonmajor Governmental	4,364,083
Nonmajor Governmental	Nonmajor Governmental	35,517
		<u>\$ 5,908,914</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

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

Interfund transfers:

Transfer In	Transfer Out	Amount
Nonmajor Governmental	General Fund	\$ 1,147,055

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

NOTE 10. RETIREMENT PLANS

The School System participates in three defined benefit pension plans: the Teachers Retirement System of Georgia (“TRS”), the Public School Employees Retirement System (“PSERS”), and the Employees Retirement System of Georgia (“ERS”). The net pension liability, and related deferred outflows of resources, inflows of resources and deferred inflows of resources for the plans are summarized below.

	TRS	ERS	PSERS	Total
Net pension liability	\$ 467,399,761	\$ 184,662	\$ -	\$ 467,584,423
Deferred outflows of resources	149,516,028	42,882	-	149,558,910
Deferred inflows of resources	38,307,580	45,906	-	38,353,486
Pension expense	80,202,998	37,796	1,767,423	82,008,217

Teachers Retirement System

Plan Description

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Benefits Provided

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

Contributions

Per Title 47 of the OCGA, contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to OCGA §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2020. The School System's contractually required contribution rate for the year ended June 30, 2020, was 21.14% of annual School System payroll. School System contributions to TRS were \$60,036,910 for the year ended June 30, 2020.

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

At June 30, 2020, the School System reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the School System by the State of Georgia for certain public school support personnel. The amount recognized by the School System as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School System were as follows:

School System's proportionate share of the net pension liability	\$ 467,399,761
State of Georgia's proportionate share of the net pension liability associated with the School System	<u>415,432</u>
Total	<u>\$ 467,815,193</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

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

The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019, was determined using standard roll-forward techniques. The School System's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2019. At June 30 2019, the School System's proportion was 2.173679%, which was a decrease of 0.179983% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School System recognized pension expense of \$80,202,998 and revenue of \$17,151 for support provided by the State of Georgia for certain support personnel. At June 30, 2020, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,345,033	\$ 138,572
Changes of assumptions	44,853,105	-
Net difference between projected and actual earnings on pension plan investments	-	11,130,215
Changes in proportion and differences between School System contributions and proportionate share of contributions	18,280,980	27,038,793
School System contributions subsequent to the measurement date	<u>60,036,910</u>	<u>-</u>
Total	<u>\$ 149,516,028</u>	<u>\$ 38,307,580</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

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

School System contributions, subsequent to the measurement date, of \$60,039,910 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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:

2021	\$	24,655,979
2022		4,515,016
2023		12,589,060
2024		9,411,483
	\$	<u>51,171,538</u>

Actuarial Assumptions

The total pension liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00 - 8.75% average, including inflation
Investment rate of return	7.25% net of pension plan investment expense, including inflation
Post-retirement benefit increase	1.50% semi-annually

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, with the exception of the long-term assumed rate of return on assets (discount rate), which was changed from 7.50% to 7.25%, and the assumed annual rate of inflation, which was changed from 2.75% to 2.50%, effective with the June 30, 2018 valuation.

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00 %	(0.10) %
Domestic large equities	51.00	8.90
Domestic small equities	1.50	13.20
International developed market equities	12.40	8.90
International emerging market equities	5.10	10.90
Total	<u>100.00 %</u>	

*Rates shown are net of the 2.50% assumed rate of inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%, which is a decrease from the discount rate in the prior year of 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

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

The following presents the School System’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the School System’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current discount rate (7.25%)	1% Increase (8.25%)
School System's proportionate share of the net pension liability	\$ 758,726,611	\$ 467,399,761	\$ 227,825,578

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 publicly available at www.trsga.com/publications .

Public School Employees Retirement System (PSERS)

Plan Description

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

Benefits Provided

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Public School Employees Retirement System (PSERS) (Continued)

Benefits Provided (Continued)

Upon retirement, the member will receive a monthly benefit of \$15.25, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions

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

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

Pension Liabilities and Pension Expense

At June 30, 2020, the School System did not have a liability for a proportionate share of the net pension liability of PSERS because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the School System is as follows:

State of Georgia's proportionate share of the net pension liability associated with the School System	<u>\$ 5,731,166</u>
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The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019, was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School System was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Public School Employees Retirement System (PSERS) (Continued)

For the year ended June 30, 2020, the School System recognized pension expense of \$1,767,423 and revenue of \$1,767,423 for support provided by the State of Georgia.

Actuarial Assumptions

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

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

Post-retirement rates were based on the RP-2000 Blue- Collar Mortality Table projected to 2025 with projection scale BB, set forward 3 years for males and 2 years for females, for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB, set forward 5 years for both males and females, was used for death and disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for health retirees and 9-11% less than the expected under the selected table for disabled retiree. 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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, with the exception of the assumed investment rate of return.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Public School Employees Retirement System (PSERS) (Continued)

Actuarial Assumptions (Continued)

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

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00 %	(0.10) %
Domestic large equities	46.20	8.90
Domestic small equities	1.30	13.20
International developed market equities	12.40	8.90
International emerging market equities	5.10	10.90
Alternatives	5.00	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 7.30%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Employees' Retirement System (ERS)

Plan Description

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

Benefits Provided

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

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

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

Contributions

Member contributions under the Old Plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the New Plan and GSEPS are 1.25% of annual compensation. The School System's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2020, was 24.66% of annual covered payroll for Old and New Plan members and 21.64% for GSEPS members. The School System's contributions to ERS totaled \$33,482 for the year ended June 30, 2020. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

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

At June 30, 2020, the School System reported a liability for its proportionate share of the net pension liability of ERS in the amount of \$184,662. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019, was determined using standard roll-forward techniques. The School System's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2019. At June 30, 2019, the School System's proportion was 0.004475%, which was a decrease of 0.001490% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School System recognized pension expense of \$37,796. At June 30, 2020, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,150	\$ -
Changes of assumptions	3,250	-
Net difference between projected and actual earnings on pension plan investments	-	5,748
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	40,158
Employer contributions subsequent to the measurement date	33,482	-
Total	\$ 42,882	\$ 45,906

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

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

School System contributions subsequent to the measurement date of \$33,482 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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:	
2021	\$ (18,101)
2022	(18,035)
2023	(1,132)
2024	762
	<u>\$ (36,506)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

Actuarial Assumption

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

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00 %	(0.01) %
Domestic large equities	46.20	8.90
Domestic small equities	1.30	13.20
International developed market equities	12.40	8.90
International emerging market equities	5.10	10.90
Alternatives	<u>5.00</u>	12.00
Total	<u><u>100.00 %</u></u>	

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

Discount Rate

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS) (Continued)

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

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

	1% Decrease (6.30%)	Current discount rate (7.30%)	1% Increase (8.30%)
Employer's proportionate share of the net pension liability	\$ 262,422	\$ 184,662	\$ 118,373

Pension Plan Fiduciary Net Position

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

Benefits

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

Contributions

As established by the Board of Community Health, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions required and made to the School OPEB Fund from the School System were \$9,436,509 for the year ended June 30, 2020. Active employees are not required to contribute to the School OPEB Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2020, the School System reported a liability of \$347,674,422 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total OPEB liability as of June 30, 2019, was determined using standard roll-forward techniques. The School System's proportion of the net OPEB liability was actuarially determined based on employer contributions to the School OPEB Fund during the fiscal year ended June 30, 2019. At June 30, 2019, the School System's proportion was 2.833037%, which was a decrease of 0.130021% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School System recognized OPEB expense of \$8,767,922. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 37,823,358
Changes of assumptions	12,074,053	49,011,115
Net difference between projected and actual earnings on OPEB plan investments	757,128	-
Changes in proportion and differences between School System contributions and proportionate share of contributions	15,267,797	16,641,489
School System contributions subsequent to the measurement date	9,436,509	-
Total	\$ 37,535,487	\$ 103,475,962

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

School System contributions subsequent to the measurement date of \$9,436,509 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. 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:	<u>School OPEB Plan</u>
2021	\$ (16,109,928)
2022	(16,109,928)
2023	(16,139,033)
2024	(14,394,572)
2025	(9,498,116)
2026	(3,125,407)
	<u>(75,376,984)</u>

Actuarial assumptions

The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018, 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, 2019:

Inflation rate	2.75%
Salary increases	TRS - 3.00%-8.75%, average, including inflation; PSERS - N/A
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	Pre-Medicare eligible - 7.25%, Medicare eligible 5.375%
Ultimate trend rate	Pre-Medicare eligible - 4.75%, Medicare eligible 4.75%
Year of ultimate trend	Pre-Medicare eligible - 2028, Medicare eligible 2022

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Actuarial assumptions (Continued)

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

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

The actuarial assumptions used in the June 30, 2018 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, and adopted by the pension Board on December 17, 2015. The next experience study for TRS will be for the period ending June 30, 2018.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Actuarial assumptions (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>	Target allocation	Long-term expected real rate of return*
Fixed income	30.00 %	(0.01) %
Domestic large equities	46.20	8.90
Domestic small equities	1.30	13.20
International developed market equities	12.40	8.90
International emerging market equities	5.10	10.90
Alternatives	5.00	12.00
Total	100.00 %	

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

Discount rate

The discount rate has changed since the prior measurement date from 3.87% 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 (3.50% 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 2119. 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 2026. The calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
School System's proportionate share of the net OPEB liability	\$ 404,112,432	\$ 347,674,422	\$ 301,764,635

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

The following presents the School System's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate, as well as what the School System's proportionate share of the net pension liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School System's proportionate share of the net OPEB liability	\$ 292,878,865	\$ 347,674,422	\$ 417,268,938

NOTE 12. RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT (CONTINUED)

Workers' Compensation

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

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

Workers' Compensation	June 30, 2020	June 30, 2019
Unpaid claims, beginning of fiscal year	\$ 3,271,050	\$ 3,942,441
Incurred claims (including IBNRs)	2,181,955	1,632,387
Claim payments and changes in estimates	<u>(1,847,990)</u>	<u>(2,303,778)</u>
Unpaid claims, end of fiscal year	<u>\$ 3,605,015</u>	<u>\$ 3,271,050</u>

NOTE 13. COMMITMENTS AND CONTINGENCIES

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

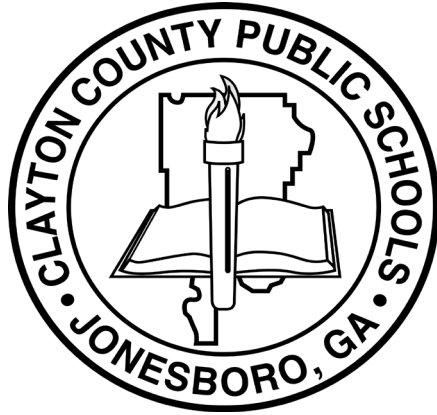
The School System participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School System has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020, may be impaired. In the opinion of the School System, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The School System is committed under outstanding construction contracts in the Capital Projects Fund in the amount of \$148,056,892. Construction contracts include new school construction and expansion and renovation of existing facilities

NOTES TO FINANCIAL STATEMENTS

NOTE 15. SUBSEQUENT EVENTS

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



Supplemental Information

**Clayton County
Public Schools**

CLAYTON COUNTY BOARD OF EDUCATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	2.173679%	2.353662%	2.243868%
District's proportionate share of the net pension liability	\$ 467,399,761	\$ 436,890,083	\$ 417,029,779
State of Georgia's proportionate share of the net pension liability associated with the District	<u>415,432</u>	<u>500,250</u>	<u>638,963</u>
Total	<u>\$ 467,815,193</u>	<u>\$ 437,390,333</u>	<u>\$ 417,668,742</u>
District's covered payroll	\$ 261,673,799	\$ 275,752,588	\$ 257,711,710
District's proportionate share of the net pension liability as a percentage of its covered payroll	178.78%	158.44%	161.82%
Plan fiduciary net position as a percentage of the total pension liability	78.56%	80.27%	79.33%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	2.152851%	2.197081%	2.196357%
District's proportionate share of the net pension liability	\$ 444,157,166	\$ 334,483,765	\$ 277,480,737
State of Georgia's proportionate share of the net pension liability associated with the District	<u>920,560</u>	<u>683,558</u>	<u>572,053</u>
Total	<u>\$ 445,077,726</u>	<u>\$ 335,167,323</u>	<u>\$ 278,052,790</u>
District's covered payroll	\$ 254,456,566	\$ 235,884,198	\$ 224,071,946
District's proportionate share of the net pension liability as a percentage of its covered payroll	174.55%	141.80%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	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.

CLAYTON COUNTY BOARD OF EDUCATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 60,036,910	\$ 54,689,824	\$ 46,354,010
Contributions in relation to the contractually required contributions	<u>60,036,910</u>	<u>54,689,824</u>	<u>46,354,010</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 283,996,736	\$ 261,673,799	\$ 275,752,588
Contributions as a percentage of covered payroll	21.14%	20.90%	16.81%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 36,775,461	\$ 36,310,952	\$ 31,018,772
Contributions in relation to the contractually required contributions	<u>36,775,461</u>	<u>36,310,952</u>	<u>31,018,772</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 257,711,710	\$ 254,456,566	\$ 235,884,198
Contributions as a percentage of covered payroll	14.27%	14.27%	13.15%

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

CLAYTON COUNTY BOARD OF EDUCATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.00%	0.00%	0.00%
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>5,731,166</u>	<u>5,845,819</u>	<u>5,379,011</u>
Total	<u>\$ 5,731,166</u>	<u>\$ 5,845,819</u>	<u>\$ 5,379,011</u>
District's covered payroll	\$ 21,145,143	\$ 23,425,764	\$ 23,425,764
District's proportionate share of the net pension liability as a percentage of its covered payroll	27.10%	158.44%	161.82%
Plan fiduciary net position as a percentage of the total pension liability	85.02%	80.27%	79.33%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.00%	0.00%	0.00%
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>7,227,689</u>	<u>4,487,155</u>	<u>3,516,516</u>
Total	<u>\$ 7,227,689</u>	<u>\$ 4,487,155</u>	<u>\$ 3,516,516</u>
District's covered payroll	\$ 23,090,120	\$ 21,459,053	\$ 19,768,819
District's proportionate share of the net pension liability as a percentage of its covered payroll	174.55%	141.80%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	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.

CLAYTON COUNTY BOARD OF EDUCATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.004475%	0.005965%	0.006455%
District's proportionate share of the net pension liability	<u>\$ 184,662</u>	<u>\$ 245,223</u>	<u>\$ 262,159</u>
District's covered payroll	\$ 133,265	\$ 147,922	\$ 129,462
District's proportionate share of the net pension liability as a percentage of its covered payroll	138.57%	165.78%	202.50%
Plan fiduciary net position as a percentage of the total pension liability	76.74%	76.68%	76.33%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.005568%	0.008875%	0.006853%
District's proportionate share of the net pension liability	<u>\$ 263,390</u>	<u>\$ 359,562</u>	<u>\$ 257,030</u>
District's covered payroll	\$ 129,462	\$ 202,910	\$ 154,312
District's proportionate share of the net pension liability as a percentage of its covered payroll	203.45%	177.20%	166.57%
Plan fiduciary net position as a percentage of the total pension liability	72.34%	76.20%	77.99%

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

CLAYTON COUNTY BOARD OF EDUCATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 33,482	\$ 33,023	\$ 36,522
Contributions in relation to the contractually required contributions	<u>33,482</u>	<u>33,023</u>	<u>36,522</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 135,773	\$ 133,265	\$ 147,922
Contributions as a percentage of covered payroll	24.66%	24.78%	24.69%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 39,283	\$ 32,003	\$ 44,559
Contributions in relation to the contractually required contributions	<u>39,283</u>	<u>32,003</u>	<u>44,559</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 159,105	\$ 129,462	\$ 202,910
Contributions as a percentage of covered payroll	24.69%	24.72%	21.96%

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

CLAYTON COUNTY BOARD OF EDUCATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	2.833037%	2.963058%	2.860218%
District's proportionate share of the net OPEB liability	<u>\$ 347,674,422</u>	<u>\$ 376,595,578</u>	<u>\$ 401,859,478</u>
District's employee payroll	\$ 333,958,749	\$ 333,958,749	\$ 328,386,384
District's proportionate share of the net OPEB liability as a percentage of its employee payroll	104.11%	112.77%	122.37%
Plan fiduciary net position as a percentage of the total OPEB liability	4.63%	2.93%	1.61%

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

CLAYTON COUNTY BOARD OF EDUCATION

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30**

	2020	2019	2018	2017
Contractually required contributions	\$ 9,436,509	\$ 15,257,864	\$ 15,357,241	\$ 14,913,404
Contributions in relation to the contractually required contributions	9,436,509	15,257,864	15,357,241	14,913,404
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 277,666,732	\$ 333,958,749	\$ 333,958,749	\$ 328,386,384
Contributions as a percentage of covered-employee payroll	3.399%	4.569%	4.599%	4.541%

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

CLAYTON COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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).

On May 15, 2019, the Board adopted recommended changes from the smoothed valuation interest rate methodology that has been in effect since June 30, 2009, to a constant interest rate method. In conjunction with the methodology, the long-term assumed rate of return in assets (discount rate) has been changed from 7.50% to 7.25%, and the assumed annual rate of inflation has been reduced from 2.75% to 2.50%.

Public School 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. In 2010, assumed rates of salary increases 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 the Society of Actuaries projection scale BB (set forward 3 years for males and 2 years for females).

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

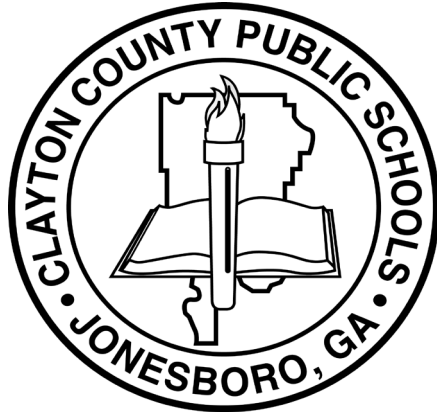
Employees' Retirement System:

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

School OPEB Fund:

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.

The discount rate was updated from 3.07% as of June 30, 2016 to 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018, and back to 3.58% as of June 30, 2019.



Combining Fund Schedules

**Clayton County
Public Schools**

CLAYTON COUNTY BOARD OF EDUCATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

The **Title III Fund** is used to account for federal grant funds passed through the State of Georgia Department of Education to the School System for the purpose of helping English learners attain English language proficiency.

The **Title IV Fund** is used to account for federal grant funds passed through the State of Georgia Department of Education to the School System for the purpose of providing support and academic enrichment to students of the School System.

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

CLAYTON COUNTY BOARD OF EDUCATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (Continued)

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

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

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

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

CLAYTON COUNTY BOARD OF EDUCATION

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

ASSETS	Special Revenue Funds				
	Adult Education	After School Program	Athletics	Lottery	South Metro
Cash	\$ -	\$ 83,669	\$ -	\$ 564,189	\$ -
Receivables:					
Accounts	-	-	-	-	-
Intergovernmental	149,170	-	-	-	1,194,096
Due from other funds	-	-	35,517	-	-
Total assets	\$ 149,170	\$ 83,669	\$ 35,517	\$ 564,189	\$ 1,194,096
LIABILITIES					
Accounts payable	\$ 25,432	\$ 89	\$ 25,860	\$ 2,824	\$ 284,539
Accrued payroll and payroll withholdings	-	-	-	561,365	504,518
Other current liabilities	-	-	70	-	-
Unearned revenue	-	-	-	-	-
Due to other funds	103,237	-	-	-	405,039
Total liabilities	128,669	89	25,930	564,189	1,194,096
FUND BALANCES					
Restricted	20,501	-	-	-	-
Committed for student programs	-	83,580	9,587	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	20,501	83,580	9,587	-	-
Total liabilities and fund balances	\$ 149,170	\$ 83,669	\$ 35,517	\$ 564,189	\$ 1,194,096

Special Revenue Funds

Title I	Title II	Title III	Title IV	Title VI-B Preschool	Title VI-B
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
4,777,983	312,777	92,319	322,185	55,793	2,727,559
-	-	-	-	-	-
<u>\$ 4,777,983</u>	<u>\$ 312,777</u>	<u>\$ 92,319</u>	<u>\$ 322,185</u>	<u>\$ 55,793</u>	<u>\$ 2,727,559</u>
\$ 2,582,354	\$ 105,367	\$ 1,246	251,955	\$ 225	\$ 200,444
1,404,459	-	47,837	-	27,909	618,221
-	-	-	-	-	-
-	-	-	-	-	-
888,883	161,669	43,236	70,230	27,659	1,929,764
<u>4,875,696</u>	<u>267,036</u>	<u>92,319</u>	<u>322,185</u>	<u>55,793</u>	<u>2,748,429</u>
-	45,741	-	-	-	-
-	-	-	-	-	-
<u>(97,713)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,870)</u>
<u>(97,713)</u>	<u>45,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,870)</u>
<u>\$ 4,777,983</u>	<u>\$ 312,777</u>	<u>\$ 92,319</u>	<u>\$ 322,185</u>	<u>\$ 55,793</u>	<u>\$ 2,727,559</u>

(Continued)

CLAYTON COUNTY BOARD OF EDUCATION

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

ASSETS	Special Revenue Funds			Total Nonmajor Governmental Funds
	Vocational Programs	All Other Special Revenue	School Discretionary	
Cash	\$ -	\$ -	\$ 4,171,168	\$ 4,819,026
Receivables:				
Accounts	-	87,485	-	87,485
Intergovernmental	398,481	374,110	-	10,404,473
Due from other funds	-	-	-	35,517
Total assets	\$ 398,481	\$ 461,595	\$ 4,171,168	\$ 15,346,501
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 3,480,335
Accrued payroll and payroll withholdings	-	67,650	-	3,231,959
Other current liabilities	-	-	-	70
Unearned revenue	-	1,435	-	1,435
Due to other funds	398,481	371,402	-	4,399,600
Total liabilities	398,481	440,487	-	11,113,399
FUND BALANCES				
Restricted	-	21,108	-	87,350
Committed for student programs	-	-	4,171,168	4,264,335
Unassigned (deficit)	-	-	-	(118,583)
Total fund balances	-	21,108	4,171,168	4,233,102
Total liabilities, deferred inflows and fund balances	\$ 398,481	\$ 461,595	\$ 4,171,168	\$ 15,346,501

CLAYTON COUNTY BOARD OF EDUCATION

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Special Revenue Funds				
	Adult Education	After School Program	Athletics	Lottery	South Metro
REVENUES					
State sources	\$ -	\$ -	\$ -	\$ 3,071,615	\$ 3,972,578
Federal sources	747,734	-	-	-	384,512
Charges for services	-	1,607,431	260,081	-	-
Miscellaneous	-	-	97,708	-	-
Total revenues	<u>747,734</u>	<u>1,607,431</u>	<u>357,789</u>	<u>3,071,615</u>	<u>4,357,090</u>
EXPENDITURES					
Current:					
Instruction	601,070	-	-	3,510,658	2,701,777
Pupil services	-	380	-	-	736,212
Improvement of instructional services	208,735	134,692	-	406,859	11,183
General administration	-	-	-	-	34,330
School administration	-	-	-	-	873,588
Business services	-	23,159	-	-	-
Student transportation	-	12,750	-	-	-
Central support services	-	-	-	-	-
Other support services	-	-	-	-	-
Other non-instructional services	-	-	428,699	-	-
Community service	-	1,734,513	-	-	-
Total expenditures	<u>809,805</u>	<u>1,905,494</u>	<u>428,699</u>	<u>3,917,517</u>	<u>4,357,090</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(62,071)</u>	<u>(298,063)</u>	<u>(70,910)</u>	<u>(845,902)</u>	<u>-</u>
OTHER FINANCING SOURCES					
Transfers in	62,847	-	70,910	845,902	-
Total other financing sources	<u>62,847</u>	<u>-</u>	<u>70,910</u>	<u>845,902</u>	<u>-</u>
Net change in fund balances	776	(298,063)	-	-	-
FUND BALANCES, beginning of year	<u>19,725</u>	<u>381,643</u>	<u>9,587</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 20,501</u>	<u>\$ 83,580</u>	<u>\$ 9,587</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds

<u>Title I</u>	<u>Title II</u>	<u>Title III</u>	<u>Title IV</u>	<u>Title VI-B Preschool</u>	<u>Title VI-B</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23,897,869	2,422,215	563,251	962,819	222,087	9,905,935
-	-	-	-	-	-
-	-	-	-	-	-
<u>23,897,869</u>	<u>2,422,215</u>	<u>563,251</u>	<u>962,819</u>	<u>222,087</u>	<u>9,905,935</u>
11,418,931	-	217,238	658,590	155,028	7,838,914
3,590,813	-	10,096	30,750	53,267	1,495,137
7,768,046	2,358,934	335,917	273,479	13,792	592,754
349,152	17,540	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
867,996	-	-	-	-	-
644	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>23,995,582</u>	<u>2,376,474</u>	<u>563,251</u>	<u>962,819</u>	<u>222,087</u>	<u>9,926,805</u>
<u>(97,713)</u>	<u>45,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,870)</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(97,713)</u>	<u>45,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,870)</u>
-	-	-	-	-	-
<u>\$ (97,713)</u>	<u>\$ 45,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,870)</u>

(Continued)

CLAYTON COUNTY BOARD OF EDUCATION

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Vocational Programs	All Other Special Revenue	School Discretionary	
REVENUES				
State sources	\$ -	\$ 400,746	\$ -	\$ 7,444,939
Federal sources	544,214	820,253	-	40,470,889
Charges for services	-	-	6,714,076	8,581,588
Miscellaneous	-	2,016	-	99,724
Total revenues	<u>544,214</u>	<u>1,223,015</u>	<u>6,714,076</u>	<u>56,597,140</u>
EXPENDITURES				
Current:				
Instruction	544,214	90,314	6,276,768	34,013,502
Pupil services	-	422,113	-	6,338,768
Improvement of instructional services	-	527,698	-	12,632,089
General administration	-	75,000	-	476,022
School administration	-	-	-	873,588
Business services	-	-	-	23,159
Student transportation	-	9,815	-	22,565
Central support services	-	-	-	867,996
Other support services	-	-	-	644
Other non-instructional services	-	263,657	-	692,356
Community service	-	-	-	1,734,513
Total expenditures	<u>544,214</u>	<u>1,388,597</u>	<u>6,276,768</u>	<u>57,675,202</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(165,582)</u>	<u>437,308</u>	<u>(1,078,062)</u>
OTHER FINANCING SOURCES				
Transfers in	-	167,396	-	1,147,055
Total other financing sources	<u>-</u>	<u>167,396</u>	<u>-</u>	<u>1,147,055</u>
Net change in fund balances	-	1,814	437,308	68,993
FUND BALANCES, beginning of year	<u>-</u>	<u>19,294</u>	<u>3,733,860</u>	<u>4,164,109</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ 21,108</u>	<u>\$ 4,171,168</u>	<u>\$ 4,233,102</u>

CLAYTON COUNTY BOARD OF EDUCATION

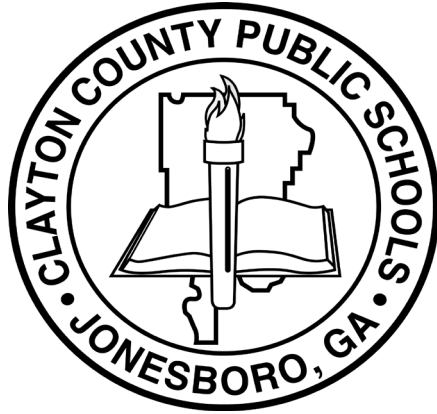
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<u>STUDENT ACTIVITY FUND</u>				
ASSETS				
Cash and investments	\$ 623,264	\$ 1,527,720	\$ 1,588,114	\$ 562,870
LIABILITIES				
Due to student organizations				
Elementary Schools:				
Anderson	\$ 722	\$ 1,190	\$ 742	\$ 1,171
Arnold	5,825	14,486	13,730	6,582
Brown	3,292	5,808	5,149	3,951
Callaway	653	16,751	16,504	900
Church Street	3,863	6,477	6,461	3,880
East Clayton	1,831	1,123	(165)	3,119
Eddie White	1,096	955	(286)	2,337
Edmonds	275	1,117	366	1,027
Fountain	3,686	2,806	4,357	2,136
Harper	1,418	2,184	1,283	2,318
Hawthorne	2,432	806	900	2,338
Haynie	4,386	1,924	2,515	3,794
Huie	1,726	4,172	3,411	2,487
Jackson	1,558	6,760	2,131	6,187
Kay Pace	5,668	24,072	15,009	14,731
Kemp Primary	5,891	7,911	9,096	4,706
Kemp	7,294	16,911	12,558	11,647
Kilpatrick	1,120	4,816	3,983	1,953
King	1,011	2,540	503	3,048
Lake City	666	575	1,439	(198)
Lake Ridge	108	1,199	1,404	(97)
Lee Street	1,436	3,070	2,302	2,204
Marshall	3,434	3,545	3,725	3,254
McGarrah	5,286	1,551	2,978	3,860
Morrow	493	932	411	1,014
Mt. Zion	5,842	3,596	1,882	7,555
Mt. Zion Primary	1,501	5,631	3,088	4,044
Northcutt	3,358	892	2,984	1,266
Oliver	3,866	33,178	30,343	6,701
Pointe South	2,436	7,406	4,811	5,031
Riverdale	4,586	4,083	6,944	1,725
River's Edge	982	14,147	12,873	2,256
Smith	9,100	12,024	11,934	9,190
Suder	625	1,931	2,093	463
Swint	4,005	534	462	4,077
Tara	3,439	10,326	9,021	4,743
Unidos	2,448	1,849	269	4,028
West Clayton	849	1,030	695	1,183
White Academy	10,560	11,245	17,713	4,092
Total Elementary Schools	118,767	241,553	215,618	144,702

CLAYTON COUNTY BOARD OF EDUCATION

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
LIABILITIES (CONTINUED)				
Due to student organizations (Continued)				
Middle Schools:				
Adamson	\$ 6,921	\$ 9,472	\$ 9,779	\$ 6,614
Babb	11,749	17,641	17,384	12,006
Elite Scholars	4,616	32,444	33,455	3,605
Forest Park	2,596	9,472	8,325	3,743
Jonesboro	3,814	13,353	8,862	8,305
Kendrick	16,093	27,092	33,393	9,792
Lovejoy	2,297	1,170	869	2,598
Morrow	16,545	21,420	22,059	15,906
Mundy's Mill	15,478	19,851	18,040	17,289
North Clayton	32,254	11,282	18,777	24,759
Pointe South	2,970	18,104	17,182	3,892
Rex Mill	29,795	38,625	43,642	24,778
Riverdale	2,974	7,408	5,250	5,132
Roberts	29,530	67,568	63,683	33,415
Sequoyah	3,873	6,333	5,520	4,686
Total Middle Schools	181,505	301,235	306,220	176,520
 High Schools and Special Purpose Programs:				
Drew	\$ 45,872	\$ 103,637	\$ 128,382	\$ 21,127
Forest Park	27,476	43,635	30,509	40,602
Jonesboro	21,785	82,337	82,096	22,026
Lovejoy	27,575	86,383	85,741	28,217
Morrow	45,341	142,605	181,024	6,922
Mt. Zion	10,323	88,404	112,336	(13,609)
Mundy's Mill	51,075	66,390	82,375	35,090
North Clayton	8,424	58,136	61,823	4,737
Riverdale	33,381	39,614	56,582	16,413
Perry Center	2,344	9,102	10,398	1,048
Stilwell	48,980	263,027	233,348	78,659
South Metro	416	1,662	1,662	416
Total High Schools and Special Purpose Programs	322,992	984,932	1,066,276	241,648
Total due to student organizations	623,264	1,527,720	1,588,114	562,870
Total Liabilities	\$ 623,264	\$ 1,527,720	\$ 1,588,114	\$ 562,870



Single Audit Section

**Clayton County
Public Schools**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clayton County Board of Education as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Clayton County Board of Education's basic financial statements and have issued our report thereon dated March 4, 2022.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003, 2020-004, 2020-005, 2020-006, 2020-007, and 2020-008 to be material weaknesses.

Compliance and Other Matters

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

Clayton County Board of Education's Responses to the Findings

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 4, 2022



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

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

Report on Compliance for Each Major Federal Program

We have audited Clayton County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Clayton County Board of Education's major federal programs for the year ended June 30, 2020. Clayton County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Clayton County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 4, 2022

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Contract or Project Number	Total Expenditures
U. S. DEPARTMENT OF AGRICULTURE			
Passed through Georgia Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 7,677,118
USDA Commodities	10.555	N/A	2,608,756
National School Lunch Program	10.555	N/A	19,265,148
National School Snack Program	10.555	N/A	307,160
Total Child Nutrition Cluster			29,858,182
Passed through Georgia Department of Education:			
Fresh Fruits and Vegetables	10.582	N/A	266,973
Total U. S. Department of Agriculture			30,125,155
U. S. DEPARTMENT OF EDUCATION			
Passed through Georgia Department of Technical and Adult Education:			
Adult Education	84.002	N/A	747,734
			747,734
Passed through Georgia Department of Education:			
Title I Programs - Improving Academic Achievement	84.010	N/A	23,664,474
Title I Programs - School Improvement Grant	84.010	N/A	233,395
			23,897,869
Title IV-B, Special Education Cluster			
Title VI-B Flowthrough	84.027	N/A	9,641,478
Title VI-B High Cost	84.027	N/A	163,479
Title VI-B Parent Mentor	84.027	N/A	28,000
Building Capacity	84.027	N/A	72,978
Title VI-B South Metro	84.027	N/A	384,468
Title VI-B Preschool	84.173	N/A	236,249
Total Title IV-B, Special Education Cluster			10,526,652
Title II - Improving Teacher Quality	84.367	N/A	2,406,865
Title II - Advanced Placement	84.367	N/A	15,350
			2,422,215
Title III - Language Instruction for English Learners (EL)	84.365	N/A	563,252

(Continued)

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Contract or Project Number	Total Expenditures
U. S. DEPARTMENT OF EDUCATION (CONTINUED)			
Passed through Georgia Department of Education (Continued):			
Title IV - Student Support and Academic Enrichment	84.424	N/A	\$ 962,821
Education for Homeless Children and Youth	84.196	N/A	90,121
Vocational Education - Basic Grants to States			
Program Improvement	84.048	N/A	542,309
Perkins Plus Reserve	84.048	N/A	177,782
Perkins Carryover	84.048	N/A	1,905
			<u>721,996</u>
Charter Schools Program	84.282	N/A	177,782
Subtotal - Passed through Georgia Department of Education			<u>40,110,442</u>
Passed through Georgia State University Research Foundation			
Collaboration and Resources for Encouraging and Supporting Transformations in Education	84.336	N/A	95,943
Subtotal - Passed through Georgia State University Research Foundation			<u>95,943</u>
Passed through Georgia Institute of Technology			
Gear Up Georgia	84.334S	N/A	57,566
Subtotal - Passed through Georgia Institute of Technology			<u>57,566</u>
Total U. S. Department of Education			<u>40,263,951</u>
U. S. DEPARTMENT OF DEFENSE			
Direct Award:			
ROTC	12.unknown	N/A	698,660
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Georgia Department of Early Care and Learning			
Child Care and Development Fund Cluster			
Child Care and Development Block Grant	93.575	N/A	56,860
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Georgia Governor's Office of Highway Safety			
Students Against Destructive Decisions	20.600	2012-000-00422	3,735
Total Expenditures of Federal Awards			<u>\$ 71,148,361</u>

CLAYTON COUNTY BOARD OF EDUCATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION

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

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

NOTE 2. DE MINIMIS COST RATE

The School System elected not to use the ten percent de minimis cost rate for the year ended June 30, 2018.

NOTE 3. SUB RECIPIENTS

The School System did not pass through any grant funds to subrecipients for the year ended June 30, 2020.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards

Internal Control over major programs: Material weaknesses identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None Reported
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Type of auditor's report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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Identification of major program:

<u>Assistance Listing Number</u> 10.553/10.555 84.367	<u>Name of Federal Program or Cluster:</u> Child Nutrition Cluster Title II –A
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Dollar threshold used to distinguish between Type A and Type B programs:	\$2,134,451
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B. FINDINGS: FINANCIAL STATEMENTS AUDIT

2020-001. Reconciliation of Fund Balance and Recording of Prior Year Audit Entries

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

Condition: Internal controls were not sufficient to detect misstatements in the School System's reconciliation of fund balance.

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

Effect: Adjustments were recorded as follows:

- In the General Fund, entries totaling \$2,798,266 were required to properly state beginning fund balance;
- In the SPLOST Fund, an entry of \$100,000 was required to properly state beginning fund balance;
- In the School Food Services Fund, entries totaling \$44,270,996 were required to properly state beginning net position;
- In the All Other Special Revenue Fund, an entry of \$202 was required to properly state beginning fund balance;
- In the Title I Fund, an entry of \$4,623,548 was required to properly state beginning fund balance;
- In the Title VI-B Fund, an entry of \$287,357 was required to properly state beginning fund balance;
- In the Adult Education Fund, an entry of \$20,501 was required to properly state beginning fund balance;
- In the After School Program Fund, entries totaling \$20,882 were required to properly state beginning fund balance;
- In the Performing Arts Fund, entries totaling \$7,427,000 were required to properly state beginning net position.

Recommendation: We recommend the School System strengthen internal controls to ensure that all prior year entries are posted after the audit is completed, as well as to reconcile beginning fund balance to the prior year financial statements.

Auditee's Response: We concur with the finding and will work to strengthen internal controls to ensure all audit entries are posted and equity reconciles to the prior year financial statements.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B. FINDINGS: FINANCIAL STATEMENTS AUDIT (CONTINUED)

2020-002. Reconciliation of Cash

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

Condition: Internal controls were not sufficient to detect misstatements in the School Systems cash accounts.

Context/Cause: The School System currently maintains a pooled cash fund whereby the account balances of six bank accounts are pooled together and allocated over the School System's General Fund and all special revenue funds. In addition, the School System maintains other cash accounts that relate to single bank accounts. During our audit of pooled cash, we noted that the bank reconciliations prepared did not agree to the total of the pooled cash general ledger accounts and two money market accounts of the School System's funds. Finally, the cash position of individual schools in the School Food Service Fund were not properly reconciled.

Effect: Adjustments were recorded as follows:

- The General Fund required an entry of \$2,250,403 to decrease cash and agree the pooled cash account bank reconciliation to the general ledger.
- An entry of \$277,043 was required in the General Fund to properly state the reconciled bank balance of a money market account that was reconciled to an internal account as well as to a General Fund account.
- The School Food Service Fund required an entry of \$7,103,432 to increase cash in order to properly reconcile the individual school cash accounts within the School Food Service Fund.
- An entry of \$3,721,935 was required in the SPLOST Fund to correctly report the reconciled bank balance of a money market account.

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

Auditee's Response: We concur with the finding and pooled cash is now being reconciled on a monthly basis.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B. FINDINGS: FINANCIAL STATEMENTS AUDIT (CONTINUED)

2020-003. Revenue Recognition, Repeat

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

Condition: Internal controls were not in place to ensure that all revenues and receivables were properly recorded as of and for the fiscal year ended June 30, 2020.

Context/Cause: During our testing of revenues and the related balance sheet accounts, the following audit adjustments were required:

- An audit adjustment of \$18,143,777 was required to record the receivable, unavailable revenue, allowance, and revenue for property taxes. The School System was only recording the current fiscal year receivable, which understated the receivable and the related accounts.
- An audit adjustment of \$396,274 was required to reduce an accounts receivable related to state grant funds in the General Fund.
- An entry of \$502,290 was required to increase intergovernmental accounts receivable in the Title I Fund.
- An entry of \$45,741 was required to increase intergovernmental accounts receivable in the Title II Fund.
- An entry of \$4,989 was required to decrease intergovernmental revenue and decrease cash in the Title VI-B Fund.
- An entry of \$271,476 was required to reduce unavailable revenue and increase intergovernmental revenue in the Title VI-B Fund.
- An entry of \$168,468 was required to decrease intergovernmental receivable and increase the interfund receivable in the Title VI-B Fund.

Effect: Audit adjustments totaling \$19,533,015 were required to correctly report revenues and the related balance sheet accounts as of year-end.

Recommendation: We recommend the City 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 and will 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.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B. FINDINGS: FINANCIAL STATEMENTS AUDIT (CONTINUED)

2020-004. Recording of Accrued Salaries and Benefits Payable

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

Condition: At June 30, 2020, accrued salaries and benefits payable balances per the general ledger did not agree to the detail calculations provided by the School System.

Context/Cause: During our testing of accrued salaries, we noted that the School System did not accrue for one July payroll. This caused accrued salaries and salary expenditures to be understated by the following amounts:

- The General Fund required adjustments of \$4,534,737.
- The All Other Special Revenue Fund required adjustments of \$16,912.
- The Title I Fund required adjustments of \$351,115.
- The Title VI-B Preschool Fund required adjustments of \$10,311.
- The Title VI-B Fund required adjustments of \$154,555.
- The Title III Fund required adjustments of \$11,959.
- The South Metro Fund required adjustments of \$126,130.
- The Lottery Fund required adjustments of \$140,341.

Effect: Audit adjustments totaling \$5,349,059 were required to correctly report accrued salaries and salary expenditures at year-end.

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

Auditee's Response: We concur with the finding and are strengthening procedures to ensure salaries and benefits payable are properly recorded at year-end.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B. FINDINGS: FINANCIAL STATEMENTS AUDIT (CONTINUED)

2020-005. Interfund Balances

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

Condition: At June 30, 2020, the interfund balances between the General Fund and the School Food Services Fund did not reconcile.

Context/Cause: During our testing of interfund balances, the following adjustments were required:

- An adjustment of \$119,103 was required to increase incoming transfers in the General Fund.
- Adjustments of \$6,726,320 were required in the General Fund to properly state interfund receivables and payables.
- An adjustment of \$14,172 was required in the School Food Services to correctly state interfund balances at year-end.

Effect: Audit adjustments totaling \$6,859,595 were required to correctly report interfund payables and receivables and interfund transfers as of year-end.

Recommendation: We recommend the School System strengthen procedures to ensure interfund balances are properly recorded at year-end.

Auditee's Response: We concur with the finding and are strengthening procedures to ensure interfund balances are properly recorded at year-end.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B. FINDINGS: FINANCIAL STATEMENTS AUDIT (CONTINUED)

2020-006. Capital Assets

Criteria: Internal controls should be in place to ensure capital assets are properly reported at year-end.

Condition: At June 30, 2020, internal controls were not sufficient to detect misstatements in capital asset balances.

Context/Cause: During our testing of capital assets, the following adjustments were required:

- An entry of \$411,977 was required to move the current year capital asset additions from the income statement to the balance sheet on the School Food Service Fund. As the School Food Service Fund is a proprietary fund type (full accrual accounting), capital additions should be recorded as assets on the balance sheet and not expensed.
- An adjustment of \$53,643 was required to record the deletion of software in the School Food Service Fund.
- Depreciation expense was not recorded in the School Food Service Fund or the Performing Arts Fund. Adjustments of \$155,005 and \$146,167, respectively were required to properly record depreciation expense for the fiscal year ended June 30, 2020..

Effect: Audit adjustments totaling \$766,792 were required to correctly report capital assets as of year-end.

Recommendation: We recommend the School System strengthen procedures to ensure capital assets are properly accounted for at year-end.

Auditee's Response: We concur with the finding and are strengthening procedures to ensure capital assets are properly accounted for at year-end.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B. FINDINGS: FINANCIAL STATEMENTS AUDIT (CONTINUED)

2020-007. Accounts Payable

Criteria: Internal controls should be in place to ensure that amounts recorded as accounts payable are recorded in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the School System's accounts payable balances and related expenses.

Context/Cause: During our testing, we noted that the School System did not accrue for invoices that should have been included in accounts payable at June 30, 2020. Audit adjustments of \$1,867,860 and \$600,000 were required in the SPLOST Fund and the Title I Fund, respectively.

Effect: Audit adjustments totaling \$2,467,860 were required to properly state accounts payable as of year-end.

Recommendation: We recommend the School System strengthen procedures to ensure that all payables are accrued in the correct period.

Auditee's Response: We concur with the finding and are strengthening procedures to ensure all payables are accrued in the correct period.

CLAYTON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B. FINDINGS: FINANCIAL STATEMENTS AUDIT (CONTINUED)

2020-008. Compensated Absences

Criteria: Internal controls should be in place to ensure that compensated absences are recorded in proprietary funds in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of compensated absences in the School System's School Food Service Fund. This fund is classified as a proprietary fund, and therefore follows the full accrual basis of accounting for which current and long-term liabilities are reported.

Context/Cause: During our testing, we noted that the School System did not correctly record the current year compensated absences activity for the School Food Service Fund in the amount of \$69,556.

Effect: An audit adjustment totaling \$69,556 was required to properly state compensated absences in the School Food Service Fund at June 30, 2020.

Recommendation: We recommend the School System strengthen procedures to ensure that compensated absences are properly recorded as of year-end.

Auditee's Response: We concur with the finding and are strengthening procedures to compensated absences are properly recorded as of year-end.

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

None reported.

CLAYTON COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2020

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

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

Status: Repeat finding, see 2020-001.

2019-002. Reconciliation of Pooled Cash Account

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

Status: Repeat finding, see 2020-002.

2019-003. Recording of Receivables and Recognition of Revenue

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

Status: Repeat finding, see 2020-003.

2019-004. Recording of Accrued Salaries and Benefits Payable

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

Status: Repeat finding, see 2020-004.

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

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

Status: Corrected in fiscal year 2020.

CLAYTON COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2020

2019-006. Interfund Balances

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

Status: Repeat finding, see 2020-005.

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

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

Status: Repeat finding, see 2020-006.



Clayton County Public Schools

Division of Business Services

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

DR. MORCEASE J. BEASLEY
Superintendent of Schools

Mrs. Emma Benton
Chief Financial Officer

After more than 30 years of working on the AS/400 operating system, Clayton County Public Schools implemented a new Enterprise Resource Planning (ERP) system starting January 19, 2019. This new development involved the implementation of an industry-leading Enterprise Resource Planning system to transform business operations, allowing the District to achieve operational excellence, improve productivity while meeting stakeholders' expectations. While the implementation team has been working diligently to ensure a smooth transition with seamless experience; this has been a major undertaking and there were some interruptions in fiscal year 2019 and 2020 while we adapted to the change. Rest assured that the implementation team made every effort to minimize any disruptions for stakeholders.

2020-001. Reconciliation of Fund Balance and Recording of Prior Year Audit Entries

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

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

Anticipated Completion Date: Fiscal Year 2021

2020-002. Reconciliation of Cash

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

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

Anticipated Completion Date: Fiscal Year 2021

2020-003. Revenue Recognition

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

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

Anticipated Completion Date: Fiscal Year 2021

2020-004. Recording of Accrued Salaries and Benefits Payable

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

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

Anticipated Completion Date: Fiscal Year 2021

2020-005. Interfund Balances

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

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

Anticipated Completion Date: Fiscal Year 2021

2020-006. Capital Assets

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

Corrective Action Plan: Management will implement steps to ensure that capital assets are accounted for at year-end.

Anticipated Completion Date: Fiscal Year 2021

2020-007. Accounts Payable

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

Corrective Action Plan: Management will implement steps to ensure accounts payable are properly recorded at year-end.

Anticipated Completion Date: Fiscal Year 2021

2020-008. Compensated Absences

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

Corrective Action Plan: Management will implement steps to ensure compensated absences are properly recorded in the School Food Service Fund at year-end.

Anticipated Completion Date: Fiscal Year 2021

CLAYTON COUNTY BOARD OF EDUCATION

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