

**FULTON COUNTY SCHOOL  
EMPLOYEES' PENSION TRUST FUND**  
(a component unit of the Fulton County Board of Education, Georgia)

**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEARS ENDED**  
**JUNE 30, 2019 AND 2018**

*Fulton County School Employees' Pension Trust Fund  
(a component unit of the Fulton County Board of Education, Georgia)  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2019 and 2018*

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## INDEPENDENT AUDITOR'S REPORT

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**To the Superintendent and Members of the Board of  
Trustees of the Fulton County School  
Employees' Pension Trust Fund  
Atlanta, Georgia**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the **Fulton County School Employees' Pension Trust Fund** (the "Fund"), a component unit of the Fulton County Board of Education, as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

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

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

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

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fulton County School Employees' Pension Trust Fund as of June 30, 2019 and 2018, and the changes in its financial position for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 7) and the Schedule of Employer Contributions (on page 19), the Schedule of Changes in the School System's Net Pension Liability and Related Ratios (on page 20), and the Schedule of Investment Returns (on page 20) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fulton County School Employees' Pension Trust Fund's basic financial statements. The Supplementary Information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 23, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Fulton County School Employees' Pension Fund (the "Pension Fund") annual financial report, the Pension Fund's management is pleased to provide this narrative discussion and analysis of the financial activities of the Pension Fund for the fiscal years ended June 30, 2018 and 2019.

The pension plan administers the retirement Plan for eligible covered employees and retirees of Fulton County School Board, (the "Board"). All assets of the Plan are invested in a single trust fund. The fund exists solely to pay for the benefit promises made to retired and active members of the Plan. The Pension Fund's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### Financial Highlights

- The Pension Fund's assets exceeded its liabilities by \$429,027,179 (net position) at June 30, 2019 and by \$416,033,857 (net position) at June 30, 2018.
- The cash and investments increased in fiscal year 2019 from \$414,550,347 to \$427,335,161 and increased from \$393,211,565 to \$414,550,347 in fiscal year 2018.
- In fiscal year 2019, the fair value of investments increased \$12,247,507 and in fiscal year 2018, the fair value increased \$21,054,130.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

### Overview of the Financial Statements

This Management Discussion and Analysis document introduces the Pension Fund's basic financial statements. The basic financial statements include: (1) a comparative statement of fiduciary net position and (2) a comparative statement of changes in fiduciary net position. Notes to the basic financial statements support these statements. The Pension Fund also includes in this report additional information to supplement the basic financial statements.

### Statement of Fiduciary Net Position

The statement of fiduciary net position presents the net position restricted for pensions at a given point in time. This statement is presented on page 8.

### Statement of Changes in Fiduciary Net Position

The statement of changes in fiduciary net position indicates the additions and deductions to the Plan assets during the specified periods. This statement is presented on page 9.

### Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential for understanding the data provided in the basic financial statement by providing significant accounting policies, a description of the Plan, investment assets and liabilities, contributions and benefit enhancements.

The notes to the basic financial statements begin on page 11 of this report.

**Required Supplementary Information**

The required supplementary information includes three schedules and related note disclosures. The "Schedule of Employer Contributions" provides historical trend information about the actuarially determined contributions of the Board and the contributions made by the Board in relation to the actuarially determined amount. The "Schedule of Changes in the School System's Net Pension Liability and Related Ratios" provides historical trend information about the changes in the net pension liability. This schedule of required supplementary information will be expanded until ten years of data is presented. A third schedule presents a schedule of investment returns. This information is found on pages 19 and 20.

**Other Supplementary Information**

Additional supplementary information includes a comparative schedule of investments and a comparative schedule of administrative expenses. This information is found on pages 21 and 22.

**Financial Analysis of the Pension Fund**

The Pension Fund's Plan net position at June 30, 2019 were \$429,027,179; at June 30, 2018 were \$416,033,857 and at June 30, 2017 were \$394,016,402. The following table provides a summary of the Pension Fund's Plan net position:

Summary of Plan Net Position

	June 30,						
	2019	2018	2017	2019 Change		2018 Change	
	Amount	Amount	Amount	Amount	%	Amount	%
<b>Assets:</b>							
Cash	\$ 693,321	\$ 283,706	\$ 683,471	\$ 409,615	144.4%	\$ (399,765)	-58.5%
Investments	426,641,840	414,266,641	392,528,094	12,375,199	3.0%	21,738,547	5.5%
Receivables – other	2,276,459	2,154,758	1,224,103	121,701	5.6%	930,655	76.0%
Prepaid Items	-	2,260	-	(2,260)	-100%	2,260	100%
<b>Total assets</b>	<b>429,611,620</b>	<b>416,707,365</b>	<b>394,435,668</b>	<b>12,904,255</b>	<b>3.1%</b>	<b>22,271,697</b>	<b>5.6%</b>
<b>Liabilities:</b>							
Accounts payable	584,441	673,508	419,266	(89,067)	-13.2%	254,242	60.6%
Unearned Revenue							
<b>Net position held in trust for pension benefits</b>	<b>\$ 429,027,179</b>	<b>\$416,033,857</b>	<b>\$ 394,016,402</b>	<b>\$ 12,993,322</b>	<b>3.1%</b>	<b>\$ 22,017,455</b>	<b>5.6%</b>

The following table provides a summary of the Pension Trust Fund's changes in Plan net position:

	Summary of Changes in Net Position						
	2019	2018	2017	2019 Change		2018 Change	
	Amount	Amount	Amount	Amount	%	Amount	%
<b>Revenues:</b>							
Employer contributions	\$ 24,236,000	\$ 23,193,000	\$ 24,333,000	\$ 1,043,000	4.5%	\$ (1,140,000)	-5%
Plan member contributions	2,707,928	2,572,698	2,714,675	135,230	5.3%	(141,977)	-5%
Net investment income	21,304,499	30,806,476	44,818,599	(9,501,977)	-30.8%	(14,012,123)	31%
<b>Total revenues</b>	<b>48,248,427</b>	<b>56,572,174</b>	<b>71,866,274</b>	<b>(8,323,747)</b>	<b>-14.7%</b>	<b>(15,294,100)</b>	<b>-21%</b>
<b>Expenses:</b>							
Benefit payments	33,180,643	32,283,533	31,202,549	897,110	2.8%	1,080,984	3%
Refunds	1,240,217	1,398,290	1,255,270	(158,073)	-11.3%	143,020	11%
Administrative	834,245	872,896	787,441	(38,651)	-4.4%	85,455	11%
<b>Total expenses</b>	<b>35,255,105</b>	<b>34,554,719</b>	<b>33,245,260</b>	<b>700,386</b>	<b>1%</b>	<b>1,309,459</b>	<b>4%</b>
<b>Net increase in net position</b>	<b>12,993,322</b>	<b>22,017,455</b>	<b>38,621,014</b>	<b>\$ (9,024,133)</b>	<b>-41%</b>	<b>(16,603,559)</b>	<b>-43%</b>
<b>Net position, beginning of fiscal year</b>	<b>416,033,857</b>	<b>394,016,402</b>	<b>355,395,388</b>				
<b>Net position, end of fiscal year</b>	<b>\$ 429,027,179</b>	<b>\$ 416,033,857</b>	<b>\$ 394,016,402</b>				

#### Financial Analysis of the Pension Fund's Operations

The purpose of the Pension Trust Fund is to provide its members a primary source of lifetime retirement income relative to service at the time of retirement. It is the objective of the Plan to provide benefits in a prudent, responsible, and cost-effective manner.

The Pension Trust Fund's net position is used to pay current and future benefits to Plan members. In fiscal year 2019, net position increased about 3.1% from 2018 and in fiscal year 2018, Plan net position increased 5.6% from fiscal year 2017. The increase in the June 30, 2019 net position over June 30, 2018 is due to improved investment performance in 2019.

In fiscal 2019, the total pension liability (before subtracting assets to retire) increased by \$7,152,387.00 or 1.4% from 2018, as compared to an increase of \$22,808,227 or 5.6% from fiscal year 2017 to 2018.

The net position liability (NPL) is the liability of the School System to employees for benefits provided through our single employer defined benefit pension plan. In fiscal year 2019, the NPL decreased \$5,840,935 or -6.6% from fiscal year 2018. In fiscal year 2018, the NPL showed an increase of \$790,772 or 0.9% from 2017.

Contributions from members and the School System fell below benefit payments by approximately \$8.9 million in fiscal year 2019, by \$8.8 million in 2018, and by approximately \$6.2 million in 2017. In total, administrative expenses were down \$38,651 from fiscal year 2018.



**Plan Membership**

As of the most recent actuarial valuations, the membership includes 5,384 for fiscal year 2018 and 5,411 in fiscal year 2017. The current number in membership saw a decrease in 27 members from fiscal year 2017 to 2018. Of the active members at June 30, 2018, 254 are teachers (14.2%) and 1,531 are non-teacher members (85.8%). Of the 1785 active participants, 536 have dependent coverage (30.0%) and 1,249 have no dependent coverage(70.0%).

**Funding Status**

The net position restricted for pensions is used to pay current and future benefits to Plan members. In fiscal year 2019, the net position increased 3.1% from fiscal year 2018. In fiscal year 2018, Plan net position increased 5.6% from fiscal year 2017.

**Asset Allocation**

The invested assets of the Plan classified by type are as follows:

Investments by Type	June 30, 2019		June 30, 2018		June 30, 2017	
	Market Value	% of Portfolio	Market Value	% of Portfolio	Market Value	% of Portfolio
Equity:						
Large Cap.	\$ 124,704,853	29%	\$ 117,034,092	28.3%	\$ 105,165,130	26.8%
Dynamic Asset Alloc.	31,295,273	7%	29,700,991	7.2%	27,666,401	7.0%
Small Cap	30,396,327	7%	31,457,857	7.6%	27,267,986	6.9%
Core Property	10,600,000	2%	-	0.0%	-	0.0%
Limited Partnership	4,049,783	1%	3,803,960	0.9%	2,976,793	.08%
International Equity	83,207,760	20%	85,277,990	20.6%	80,445,784	20.5%
Total Equity	284,253,996	66%	267,274,890	64.6%	243,522,094	61.28%
Fixed Income:						
Core Fixed income	68,112,146	16%	64,403,310	15.5%	65,941,345	16.8%
Real Return	6,402,927	2%	16,925,395	4.1%	17,224,017	
Opportunistic income	31,568,372	7%	31,138,907	7.5%	30,915,612	4.4%
High Yield Bond	20,419,333	5%	19,632,287	4.7%	19,338,102	7.9%
Emerging market	15,885,066	4%	14,891,852	3.6%	15,586,924	4.9%
Total Fixed income	142,387,844	34%	146,991,751	35.4%	149,006,000	38.72%
Total Portfolio	<u>\$ 426,641,840</u>	<u>100.0%</u>	<u>\$ 414,266,641</u>	<u>100.0%</u>	<u>\$ 392,528,094</u>	<u>100.0%</u>

In fiscal year 2019, the total portfolio increased \$12,375,199 or 3% and in fiscal year 2018, the total portfolio increased \$21,738,547 or 5.5%.

**Investment Activities**

In fiscal year 2019, the Plan reported a net investment gain of \$21.3 million as compared to a net investment gain in fiscal year 2018 of \$30.8 million.

**Contacting the Pension Financial Management**

This financial report is designed to provide a general overview of the Pension Fund's finances, comply with finance-related laws and regulations, and demonstrate the Pension Fund's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Treasurer of the Pension Trust Fund at 470-254-0102.

**Fulton County School Employees' Pension Fund**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Comparative Statement of Fiduciary Net Position*  
*June 30, 2019 and 2018*

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 693,321	\$ 283,706
Investments, at fair value:		
Mutual funds invested in domestic equities	186,396,453	178,192,940
Mutual funds invested in foreign equities	130,661,198	131,308,749
Mutual funds invested in fixed income securities	94,934,406	100,960,992
Limited partnerships equities	14,649,783	3,803,960
Receivables:		
Due from plan sponsor	2,256,654	2,132,391
Other	19,805	22,367
Prepaid items	-	2,260
<b>Total Assets</b>	<b>429,611,620</b>	<b>416,707,365</b>
<b>Liabilities</b>		
Accounts payable	584,441	673,508
<b>Total Liabilities</b>	<b>584,441</b>	<b>673,508</b>
<b>Net Position Restricted for Pension Benefits</b>	<b>\$ 429,027,179</b>	<b>\$ 416,033,857</b>

See accompanying notes to the basic financial statements

**Fulton County School Employees' Pension Fund**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Comparative Statement of Changes in Fiduciary Net Position*  
*For the Fiscal Years Ended June 30, 2019 and 2018*

	<u>2019</u>	<u>2018</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 24,236,000	\$ 23,193,000
Plan members	2,707,928	2,572,698
Total contributions	<u>26,943,928</u>	<u>25,765,698</u>
Investment earnings (expenses):		
Interest and dividends	9,789,507	10,658,983
Net increase in the fair value of investments	12,247,507	21,054,130
Less investment expense	<u>(732,515)</u>	<u>(906,637)</u>
Net investment earnings	<u>21,304,499</u>	<u>30,806,476</u>
<b>Total Additions</b>	<u>48,248,427</u>	<u>56,572,174</u>
<b>Deductions</b>		
Benefit payments	33,180,643	32,283,533
Refunds	1,240,217	1,398,290
Administrative expenses	<u>834,245</u>	<u>872,896</u>
<b>Total Deductions</b>	<u>35,255,105</u>	<u>34,554,719</u>
<b>Increase in Net Position</b>	12,993,322	22,017,455
<b>Net Position Restricted for Pension Benefits, Beginning of Fiscal Year</b>	<u>416,033,857</u>	<u>394,016,402</u>
<b>Net Position Restricted for Pension Benefits, End of Fiscal Year</b>	<u>\$ 429,027,179</u>	<u>\$ 416,033,857</u>

See accompanying notes to the basic financial statements

**Fulton County School Employees' Pension Trust Fund**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2019 and 2018*

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**Fulton County School Employees' Pension Trust Fund**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2019 and 2018*

The Fulton County School Employees' Pension Trust Fund (the "Pension Trust Fund") is a single-employer defined benefit pension plan that was established by the Fulton County Board of Education (the "School System") to provide retirement benefits to teachers (as defined by the Plan and by Georgia laws) hired before July 1, 1988 and non-teaching employees of the Fulton County Board of Education.

***Note 1 - Summary of Significant Accounting Policies***

The financial statements of the Pension Trust Fund have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the Pension Trust Fund's accounting policies are described below:

***1-A. Reporting Entity***

The Pension Trust Fund is governed by a committee of the Board of Education, known as the "*Pension Board*." Although the Pension Trust Fund is legally separate from the School System, the Pension Trust Fund is reported as a part of the School System reporting entity because its primary purpose is to provide retirement benefits to the employees of the School System and because the Pension Trust Fund is fiscally dependent on the School System.

Based upon this criterion, the Pension Trust Fund is a fiduciary component unit of the School System. The Pension Trust Fund reporting entity does not include any component units.

***1-B. Basis of Presentation***

The Pension Trust Fund's basic financial statements consist of a statement of net position and a statement of changes in net position.

***Fund Accounting*** - The Pension Trust Fund uses a single fund to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Pension Trust Fund uses the fiduciary category of funds.

***1-C. Measurement Focus***

The fiduciary fund type is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statements of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

***1-D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Pension Trust Fund is reported on the accrual basis of accounting.

Revenues are recognized when earned and, expenses are recognized at the time they are incurred.

Employer contributions are recognized when due and employee contributions are recognized when due as deductions from the employees' payroll. Benefit payments are recognized when due and payable in accordance with the terms of the Plan. Contribution refunds are recognized when due and payable in accordance with the terms of the plan and School System procedures for termination.

***1-E. Assets, Liabilities, and Fund Equity***

***1-E-1 Cash, Cash Equivalents, and Investments***

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Pension Trust Fund. Time deposits are classified as cash and cash equivalent without regard to maturity date.

**Fulton County School Employees' Pension Trust Fund**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2019 and 2018*

***Note 1 - Summary of Significant Accounting Policies (Continued)***

Investments are stated at fair value and increases or decreases in the fair value during the year are recognized as a component of investment earnings.

Georgia law authorizes the Pension Trust Fund to invest in:

- Obligations of the United States Treasury or its agencies and instrumentalities,
- Bonds of the State of Georgia and its agencies, instrumentalities and political subdivisions,
- Certificates of deposit of national or state banks that are fully insured or collateralized by United States obligations,
- Common stocks,
- Money market instruments,
- Corporate bonds and debentures, which are not in default as to principal and interest, and
- Certain alternative investments.

***1-E-2 Receivables***

All receivables are reported net of an allowance for uncollectibles, where applicable.

***1-E-3 Fund Equity***

***Net Position Restricted for Pension Benefits*** - The net position represents the difference between total Plan assets and total Plan liabilities and is held in trust for pension benefits.

***1-E-4 Estimates***

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

***Note 2 - Plan Description***

***2-A. Membership Data***

All full-time School System employees who are not members of Teachers Retirement System of Georgia (TRS) are required to participate in the Pension Trust Fund, a mandatory and single employer defined benefit pension plan established by state statute. All full-time School System personnel employed prior to June 30, 1988 and who were transferred to TRS on July 1, 1988, retained membership in the Fund, as well as potential benefits from the Fund, although primary benefits will be from TRS. All plan participants, actuarial and fund data include these employees as members.

The Fulton County School Employees' Pension Fund Board administers the Fund. The Pension Board consists of seven voting members and one non-voting member. The school superintendent is the non-voting member. The voting members of the board include:

- The chief financial officer.
- The executive director of fiscal services.
- Two members nominated by the Pension Board and appointed by the School Board for four year terms who shall be former teachers or employees of the School System and participants in the Plan.
- Two members nominated by the Pension Board and appointed by the School Board for four year terms who shall be active teachers or employees of the School System and participants in the Plan.
- One member nominated by the Pension Board and appointed by the School Board for four year terms who shall be a school administrator of the School System and a participant in the Plan.

**Fulton County School Employees' Pension Trust Fund**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2019 and 2018*

**Note 2 - Plan Description (Continued)**

At June 30, 2018 and June 30, 2017, the dates of the two most recent actuarial valuations, there were 5,384 and 5,411 Fund participants respectively, consisting of the following:

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Active Plan participants	1,785	1,880
Inactive Plan members entitled to but not yet receiving benefits	581	481
Inactive Plan members or beneficiaries currently receiving benefits	3,018	3,050
 Total participants	 5,384	 5,411

**2-B. Plan Benefit Provisions**

Benefits for members covered under the 1978 Pension Law are 2% of the participant's final average monthly earnings multiplied by the years of creditable service. For members covered under the 1962 Pension Law, benefits are 1.76% of the participant's final average monthly earnings multiplied by years of creditable service. The maximum monthly benefit is equal to 75% of final average monthly earnings. The Fund awards a 3% cost of living increase annually.

For normal retirement, an employee is eligible to retire at the earliest of:

- Age 65 and 10 years of service;
- Age 60 and 25 years of service;
- Age 55 and 30 years of service, if also a member of TRS; and
- 30 years of service.

For early retirement, an employee is eligible for early retirement at the age of 55 with 25 years of creditable service. For late retirement, the amount of benefit for a participant retiring after his or her normal retirement date is the accrued benefit as of the actual retirement date.

For general disability retirement, an employee is eligible for disability retirement benefits when he or she becomes totally disabled before becoming eligible for retirement benefits under the plan and upon completing 10 years of service. Employees disabled in the line of duty are eligible regardless of their years of service.

Only the Plan's Pension Board can make changes or amendments to the Plan benefit terms.

**2-C. Funding Policy**

The contribution requirements of Plan members and the School System are established in accordance with the applicable pension law. Fund members covered under the 1978 law contribute 6.6% of gross salary if beneficiary coverage is elected and 5.6% of gross salary if beneficiary is not elected. Members covered under the 1962 law contribute 6% of gross salary if beneficiary coverage is elected and 5% of gross salary if beneficiary coverage was not elected. Members covered under laws prior to 1962 contribute amounts prescribed in those laws.

The School System's contribution is the actuarially determined amount necessary to fund Plan benefits; the current rate is 42.19% of annual covered payroll. The contribution requirements of Plan members and the School System are established and may be amended by the Pension Board. Total contributions to the Plan for the fiscal years ended June 30, 2019, 2018, and 2017 were \$24,236,000, \$23,193,000, and \$24,333,000, respectively.

**Fulton County School Employees' Pension Trust Fund**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2019 and 2018*

**Note 2 – Plan Description (Continued)**

**Net Pension Liability** – The components of the net pension liability of the School System at June 30, 2019 and June 30, 2018 were as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total pension liability	\$ 511,894,480	\$ 504,742,093
Plan fiduciary net position	<u>429,027,179</u>	<u>416,033,857</u>
Net pension liability	<u>\$ 82,867,301</u>	<u>\$ 88,708,236</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83.81%</u>	<u>82.43%</u>

**Actuarial Assumptions** – The total pension liability at June 30, 2019 was determined by an actuarial valuation as of July 1, 2018 with update procedures performed by the actuary to roll forward to the total pension liability measured as of June 30, 2019 while the total pension liability at June 30, 2018 was determined by an actuarial valuation as of July 1, 2017 with update procedures performed by the actuary to roll forward to the total pension liability measured as of June 30, 2018. The following actuarial assumptions apply to all periods included in the measurement and did not change from the prior fiscal year:

Inflation	2.75%
Salary increases	2.75% - 5.75%
Mortality	RP-2000 mortality set forward 3 years for employees and healthy annuitants with generational projection per Scale AA with separate tables for employees/healthy annuitants
Investment rate of return	7% net of investment expenses, per annum, compounded annually
Cost of living adjustments	3%

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 – June 30, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target 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>
U.S. Core Fixed Income	24.70%	2.17%
U.S. Inflation-Indexed Bonds	4.40%	1.40%
U.S. High Yield Bonds	4.90%	4.09%
Emerging Market Bonds	4.00%	4.47%
Large Cap US Equities	33.80%	6.05%
Small Cap US Equities	6.90%	7.23%
Non-US Equities	17.10%	7.01%
Emerging Market Equities	3.40%	9.38%
Master Limited Partnerships	0.80%	4.32%



**Fulton County School Employees' Pension Trust Fund**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Notes to the Basic Financial Statements*  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 2 - Plan Description (Continued)**

**Discount Rate** – The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the School System's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the School System, calculated using the discount rate of 7%, as well as the School System's net pension liability would be if it were calculated using a discount rate that is 1% lower (i.e., 6%) or 1% higher (i.e., 8%) than the current rate:

**As of June 30, 2019**

	<b>1% Decrease or 6%</b>	<b>Current Discount Rate 7%</b>	<b>1% Increase or 8%</b>
Net Pension Liability	\$ 136,865,483	\$ 82,867,301	\$ 35,505,391

**As of June 30, 2018**

	<b>1% Decrease or 6%</b>	<b>Current Discount Rate 7%</b>	<b>1% Increase or 8%</b>
Net Pension Liability	\$ 143,355,141	\$ 88,708,236	\$ 42,452,348

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2019 and June 30, 2018 and the current sharing pattern of costs between employer and employee.

**Fulton County School Employees' Pension Trust Fund**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2019 and 2018*

**Note 3 - Other Notes**

**3-A. Deposits and Investments**

**Deposits**

The Pension Trust Fund's cash and investment policy limits deposits to demand and money market accounts and time deposits at local banks. The Pension Trust Fund's deposits shall be secured by Federal Depositary Insurance Corporation (FDIC) coverage and/or bank pledges. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

**Custodial Credit Risk – Deposits** – The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Pension Trust Fund's deposits may not be recovered. As of June 30, 2019, all of the Pension Trust Fund's deposits were covered either by FDIC coverage or collateralized by the financial institution or a combination of the two.

**Investments**

Pension Trust Fund investments are managed by a separate investment policy adopted by the Pension Trust Fund Board in compliance with state law, particularly O.C.G.A. §47-20-10 and O.C.G.A. §47-20-80. The Pension Trust Fund assets are invested in United States Government securities, domestic common stocks, international stocks, and domestic bonds based on asset allocation ranges and performance benchmarks.

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Pension Trust Fund investment policy adopts the following asset mix to achieve the lowest level of risk for the Plan:

- Equity Securities between 45% and 75%.
- Fixed Income Securities between 15% and 48%.
- Alternative Investments between 0% and 5%.

As of June 30, 2019, and June 30, 2018 the Pension Trust Fund had \$426,641,840 and \$414,266,641 invested in the following types of investments:

Investment Type	June 30, 2019			June 30, 2018		
	Fair Value	Maturity Range (Time to Maturity)		Fair Value	Maturity Range (Time to Maturity)	
		Low	High		Low	High
Mutual Funds, Invested in Fixed Income	\$ 94,934,406	2.90	7.86	\$ 100,960,992	3.00	9.31
Limited Partnerships	14,649,783	n/a	n/a	3,803,960	n/a	n/a
Mutual Funds, Invested in International Equities	130,661,198	n/a	n/a	131,308,749	n/a	n/a
Mutual Funds, Invested in Domestic Equities	186,396,453	n/a	n/a	178,192,940	n/a	n/a
Total	<u>\$ 426,641,840</u>			<u>\$ 414,266,641</u>		

**Fulton County School Employees' Pension Trust Fund**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2019 and 2018*

**Note 3 - Other Notes (Continued)**

**Quality Credit Risk** – The Pension Trust Fund policy prohibits investments in direct real estate, and no more than 75% (at cost) of Pension Trust Fund assets shall be invested in equities. It is the Pension Trust Fund's policy to limit investments in common or preferred stock of a corporation to those corporations listed on one or more of the recognized national stock exchanges in the United States, or those traded on the NASDAQ National Market as required by Georgia law. Domestic bonds are limited to those with ratings that meet or exceed Standard and Poor's BBB or Moody's Baa ratings. The policy also limits stock investments to not more than five (5) percent of the cost of any assets of any fund in common or preferred stock of any one issuing corporation and the aggregate investment of any fund in any one issuing corporation shall not exceed three (3) percent of the outstanding capital stock of that corporation.

On June 30, 2019 and June 30, 2018, the Pension Trust Fund did not have debt or equity investments in any one organization other than those issued by the U.S. Government which represented greater than 5% of Plan net position.

The Pension Trust Fund's investments at June 30, 2019 and June 30, 2018 are comprised of only mutual funds, money market funds and limited partnership holdings that are not rated by any of the major ratings agencies.

**Foreign Currency Risk** - As of June 30, 2019, \$130,661,198 or 30.6% of the Pension Trust Fund's assets had exposure of foreign currency risk through investments in foreign companies. These investments had the form of US dollars invested in mutual funds with only international equity holdings. As of June 30, 2018, \$131,308,749 or 31.5% of the Pension Trust Fund's assets had exposure of foreign currency risk through investments in foreign companies. These investments had the form of US dollars invested in mutual funds with only international equity holdings.

**Rate of Return** - For the fiscal year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.79%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Long-range Expected Rate of Return** - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-range expected rate of return as of June 30, 2019 and June 30, 2018 was 7%.

**Fulton County School Employees' Pension Trust Fund**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2019 and 2018*

**Note 3 - Other Notes (Continued)**

**Fair Value Measurements** – The Pension Trust Fund 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 Pension Trust Fund has the following recurring fair value measurements as of June 30, 2019 and June 30, 2018:

**As of June 30, 2019**

<b>Investment</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
<b>Investments by Fair Value Level</b>				
Mutual funds invested in:				
Domestic equities	\$ 186,396,453	\$ -	\$ -	\$ 186,396,453
International equities	130,661,198	-	-	130,661,198
Fixed income securities	94,934,406	-	-	94,934,406
Total investments by fair value level	<u>\$ 411,992,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>411,992,057</u>
<b>Investments Measured at Net Asset Value (NAV)</b>				
Private investment fund (limited partnership)				14,649,783
Total investments measured at NAV				<u>14,649,783</u>
Total investments measured at fair value				<u>\$ 426,641,840</u>

**As of June 30, 2018**

<b>Investment</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
<b>Investments by Fair Value Level</b>				
Mutual funds invested in:				
Domestic equities	\$ 178,192,940	\$ -	\$ -	\$ 178,192,940
International equities	131,308,749	-	-	131,308,749
Fixed income securities	100,960,992	-	-	100,960,992
Total investments by fair value level	<u>\$ 410,462,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>410,462,681</u>
<b>Investments Measured at Net Asset Value (NAV)</b>				
Private investment fund (limited partnership)				3,803,960
Total investments measured at NAV				<u>3,803,960</u>
Total investments measured at fair value				<u>\$ 414,266,641</u>

The investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. This includes the mutual funds invested in both equity and fixed income securities.

The private investment fund measured at the net asset value invests primarily in venture capital investments, leveraged buyouts (LBOs), and distressed debt and equity. As of June 30, 2019 and 2018, the fund is invested in complex structures in underlying holdings, alternative investments, and items that fall within Level 3 of the fair value hierarchy. The limited partnership will continue until the dissolution of the last underlying fund or termination at the General Partner's discretion. Withdrawals, redemptions, or transfers are not permitted during the life of the partnership.

**Fulton County School Employees' Pension Fund, Georgia**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Required Supplementary Information*  
*Schedule of Employer Contributions*  
*For the Last Ten Fiscal Years*

<i>Fiscal Year Ended June 30,</i>	<i>Actuarially Determined Contribution</i>	<i>Actual Employer Contribution</i>	<i>Contribution Deficiency (Excess)</i>	<i>Covered Payroll</i>	<i>Contributions as a % of Covered Payroll</i>
2010*	\$ 27,525,000	\$ 27,525,000	\$ -	\$ -	-
2011	29,258,000	29,258,000	-	110,563,251	26.46%
2012	29,534,000	29,534,000	-	95,551,169	30.91%
2013	29,758,000	29,758,000	-	79,060,187	37.64%
2014	29,179,000	29,179,000	-	73,331,881	39.79%
2015	29,385,000	29,385,000	-	67,286,403	43.67%
2016	26,319,000	26,319,000	-	65,643,933	40.09%
2017	24,333,000	24,333,000	-	63,420,099	38.37%
2018	23,193,000	23,193,000	-	58,693,797	39.52%
2019	24,236,000	24,236,000	-	57,447,417	42.19%

**Notes to The Schedule:**

\*A full valuation was not performed for this year.

Methods and Assumptions Used to Determine Contribution Rates:

Valuation Timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Layered
Remaining Amortization Period	3 to 30 years
Asset Valuation Method	5 Year Smoothed Market
Inflation Rate	2.75%
Salary Increases	Service-graded rates
Investment Rate of Return	7%
Cost of Living Adjustments	3%
Retirement Age	Rates Based on Age
Turnover	Rates vary by group and age
Mortality	RP-2000 mortality set forward 2 years for employees and healthy Annuitants with generational projection per Scale AA, RP-2000 Disabled Mortality for Disabled Annuitants

**Fulton County School Employees' Pension Fund, Georgia**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Required Supplementary Information*  
**Schedule of Changes in the School System's Net Pension Liability and Related Ratios**  
**Fulton County School Employees Pension Plan**  
**For the Fiscal Years Ended June 30**

<b>Total Pension Liability</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Service cost	\$ 4,367,831	\$ 4,381,345	\$ 4,370,809	\$ 4,623,790	\$ 5,625,193	\$ 5,091,739
Interest on total pension liability	34,127,216	32,882,506	33,036,913	32,687,981	32,346,582	31,987,391
Differences between expected and actual experience	(2,896,589)	19,226,199	(6,560,082)	(765,488)	(3,609,613)	1,959,567
Changes of assumptions or other inputs	5,974,789		-	-		-
Benefit payments, including refunds of employee contributions	(34,420,860)	(33,681,823)	(32,457,819)	(31,694,134)	(30,973,571)	(30,693,628)
<b>Net Change in Total Pension Liability</b>	<b>7,152,387</b>	<b>22,808,227</b>	<b>(1,610,179)</b>	<b>4,852,149</b>	<b>3,388,591</b>	<b>8,345,069</b>
<b>Total Pension Liability - Beginning of Fiscal Year</b>	<b>504,742,093</b>	<b>481,933,866</b>	<b>483,544,045</b>	<b>478,691,896</b>	<b>475,303,305</b>	<b>466,958,236</b>
<b>Total Pension Liability - End of Fiscal Year</b>	<b>\$ 511,894,480</b>	<b>\$ 504,742,093</b>	<b>\$ 481,933,866</b>	<b>\$ 483,544,045</b>	<b>\$ 478,691,896</b>	<b>\$ 475,303,305</b>
<b>Plan Fiduciary Net Position</b>						
Employer contributions	\$ 24,236,000	\$ 23,193,000	\$ 24,333,000	\$ 26,319,000	\$ 29,385,000	\$ 29,179,000
Employee contributions	2,707,928	2,572,698	2,714,675	2,684,487	2,998,844	2,700,403
Net investment income (expense)	21,304,499	30,806,476	44,818,599	(9,257,318)	3,277,028	61,848,328
Benefit payments, including refunds of employee contributions	(34,420,860)	(33,681,823)	(32,457,819)	(31,694,134)	(30,973,571)	(30,788,335)
Administrative expenses	(834,245)	(872,896)	(787,441)	(962,392)	(960,758)	(924,980)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>12,993,322</b>	<b>22,017,455</b>	<b>38,621,014</b>	<b>(12,910,357)</b>	<b>3,726,543</b>	<b>62,014,416</b>
<b>Total Plan Fiduciary Net Position - Beginning of Fiscal Year</b>	<b>416,033,857</b>	<b>394,016,402</b>	<b>355,395,388</b>	<b>368,305,745</b>	<b>364,579,202</b>	<b>302,564,786</b>
<b>Total Plan Fiduciary Net Position - End of Fiscal Year</b>	<b>\$ 429,027,179</b>	<b>\$ 416,033,857</b>	<b>\$ 394,016,402</b>	<b>\$ 355,395,388</b>	<b>\$ 368,305,745</b>	<b>\$ 364,579,202</b>
<b>School System's Net Pension Liability - End of Fiscal Year</b>	<b>\$ 82,867,301</b>	<b>\$ 88,708,236</b>	<b>\$ 87,917,464</b>	<b>\$ 128,148,657</b>	<b>\$ 110,386,151</b>	<b>\$ 110,724,103</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>83.81%</b>	<b>82.43%</b>	<b>81.76%</b>	<b>73.50%</b>	<b>76.94%</b>	<b>76.70%</b>
<b>Covered Payroll</b>	<b>\$ 57,447,417</b>	<b>\$ 58,693,797</b>	<b>\$ 63,420,099</b>	<b>\$ 65,643,933</b>	<b>\$ 67,286,403</b>	<b>\$ 73,331,881</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>144.25%</b>	<b>151.14%</b>	<b>138.63%</b>	<b>195.22%</b>	<b>164.05%</b>	<b>150.99%</b>

**Notes to this Schedule:**

This schedule will present 10 years of information once it is accumulated.

**Schedule of Investment Returns**

Annual money-weighted rate of return, net of investment expensed	5.17%	7.79%	12.75%	-2.86%	1.07%	20.49%
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**Notes to this Schedule:**

This schedule will present 10 years of information once it is accumulated.

**Fulton County School Employees' Pension Fund, Georgia**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Comparative Schedule of Investments*  
*June 30, 2019 and 2018*

<b>2019 and 2018 Identity of Issuer or Custodian</b>	<b>Investment Descriptions</b>	<b>Market Value</b>	
		<b>2019</b>	<b>2018</b>
SEI Private Trust Company	Large Cap Equity Fund	\$ 61,506,476	\$ 58,297,770
SEI Private Trust Company	Large Cap Equity Index Fund	63,198,377	58,736,322
SEI Private Trust Company	Dynamic Asset Allocation Fund	31,295,273	29,700,991
SEI Private Trust Company	Small Cap Equity	30,396,327	31,457,857
SEI Private Trust Company	Core Fixed Income Fund	68,112,146	64,403,310
SEI Private Trust Company	Real Return Fund A	6,402,927	16,925,395
SEI Private Trust Company	Institutional Investment High Yield Bond Fund	20,419,333	19,632,287
SEI Private Trust Company	Emerging Markets Equities Fund	13,510,128	13,945,834
SEI Private Trust Company	Emerging Markets Debt	15,885,066	14,891,852
SEI Private Trust Company	Opportunistic Income Fund	31,568,372	31,138,907
SEI Private Trust Company	World Equity Fund	69,697,632	71,332,156
SEI Private Trust Company	Core Property Collective Investment Trust	10,600,000	-
Invesco Partnership	Equity Limited Partnership	4,049,783	3,803,960
	Total	<u>\$ 426,641,840</u>	<u>\$ 414,266,641</u>

**Fulton County School Employees' Pension Fund**  
**(a component unit of the Fulton County Board of Education, Georgia)**  
*Comparative Schedule of Administrative Expenses*  
*For the Fiscal Years Ended June 30, 2019 and 2018*

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	<u>2019</u>	<u>2018</u>
<b>Administrative Expenses:</b>		
Salaries	\$ 321,188	\$ 323,008
Employee benefits	128,066	123,229
Professional fees	353,807	392,660
Office supplies, postage, printing and other	<u>31,184</u>	<u>33,999</u>
<b>Total Administrative Expenses</b>	<u>\$ 834,245</u>	<u>\$ 872,896</u>





**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**

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**To the Superintendent and Members of the Board of Trustees of the Fulton County School Employees’ Pension Trust Fund  
Atlanta, 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 **Fulton County School Employees’ Pension Trust Fund** (the “Fund”), a component unit of the Fulton County Board of Education, as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Fund’s basic financial statements, and have issued our report thereon dated December 23, 2019.

**Internal Control over Financial Reporting**

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

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

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

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**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 23, 2019