CITY OF BUFORD BOARD OF EDUCATION

A COMPONENT UNIT OF THE CITY OF BUFORD
GWINNETT COUNTY, GEORGIA

ANNUAL FINANCIAL REPORT
(Including Independent Auditor's Report)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

CITY OF BUFORD BOARD OF EDUCATION – GWINNETT COUNTY

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156

Atlanta, Georgia 30334-8400

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

July 25, 2018

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
City of Buford Board of Education

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the Schedules of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages 31 through 35, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2018 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

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CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

EXHIBIT "A"

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 10,382,174
Receivables:	
Taxes	1,574,829
State Government	3,037,602
Federal Government	843,278
Other	140
Inventory	30,699
Prepaid items	255,431
Cash on hand with fiscal agent	27,909,226
Capital assets (nondepreciable)	13,124,825
Capital assets (depreciable, net of accumulated depreciation)	70,035,248
Total assets	127,193,452
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension items	13,184,444
LIABILITIES	
Accounts payable	2,480,379
Due to primary government	1,195,033
Contracts payable	2,642,303
Retainage payable	824,629
Salaries and benefits payable	5,770,139
Interest payable	776,285
Deposits and unearned revenue	154,448
Intergovernmental payable, due within one year	2,385,527
Intergovernmental payable, due in more than one year	36,721,123
Net pension liability	45,434,048
Total liabilities	98,383,914
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension items	224,672
NET POSITION	
Net investment in capital assets	66,897,190
Restricted for:	
Federal programs	430,077
Capital projects	481,104
Unrestricted (deficit)	(26,039,061)
Total net position	$ 41,769,310

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

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 36,597,753	$ 2,486,572	$ 18,627,756	$ 1,661,648	$ (13,821,777)
Support services:					
Pupil services	2,072,743	-	89,052	-	(1,983,691)
Improvement of instructional services	321,565	-	240,729	-	(80,836)
Educational media services	664,667	-	604,172	-	(60,495)
General administration	2,816,020	-	753,560	-	(2,062,460)
School administration	3,274,854	-	1,005,240	-	(2,269,614)
Business administration	481,038	-	-	-	(481,038)
Maintenance and operation of plant	3,453,657	-	1,397,621	426,064	(1,629,972)
Student transportation services	1,438,434	-	141,212	-	(1,297,222)
Other support services	37,736	-	9,480	-	(28,256)
Enterprise operation	731,119	-	-	-	(731,119)
Food services operation	2,013,484	698,542	1,415,048	42,606	142,712
Community service operation	403,455	343,226	-	-	(60,229)
Interest	1,190,451	-	-	-	(1,190,451)
Total governmental activities	$ 55,496,976	$ 3,528,340	$ 24,283,870	$ 2,130,318	(25,554,448)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					12,851,494
Sales taxes					3,899,128
Unrestricted investment earnings					219,861
City Allocation					7,497,089
Miscellaneous					2,989,446
Total general revenues					27,457,018
Change in net position					1,902,570
Net position, beginning of year					39,866,740
Net position, end of year					$ 41,769,310

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

EXHIBIT "C"

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

ASSETS	General	Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	$ 10,382,174	$ -	$ -	$ 10,382,174
Receivables:				
Taxes	1,241,400	333,429	-	1,574,829
State Government	3,037,602	-	-	3,037,602
Federal Government	843,278	-		843,278
Other	140	-	-	140
Cash on hand with fiscal agent	-	27,909,226	-	27,909,226
Prepaid items	255,431	-	-	255,431
Inventory	30,699	-	-	30,699
Total assets	$ 15,790,724	$ 28,242,655	$ -	$ 44,033,379
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 1,908,633	$ 571,746	$ -	$ 2,480,379
Due to primary government	-	1,195,033		1,195,033
Contracts payable	-	2,642,303		2,642,303
Retainage payable	-	824,629	-	824,629
Salaries and benefits payable	5,770,139	-	-	5,770,139
Deposits and unearned revenue	154,448	-	-	154,448
Total liabilities	7,833,220	5,233,711	-	13,066,931
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	823,080	-	-	823,080
Total deferred inflows of resources	823,080	-	-	823,080
FUND BALANCES				
Nonspendable:				
Inventory	30,699	-	-	30,699
Prepaid items	255,431	-	-	255,431
Restricted for:				
Continuation of federal programs	397,009			397,009
Capital projects	-	22,232,659	-	22,232,659
Debt service	-	776,285	-	776,285
Assigned for:				
Local school accounts	1,095,680	-	-	1,095,680
Appropriation for next year's budget	2,875,062	-	-	2,875,062
Unassigned	2,480,543	-	-	2,480,543
Total fund balances	7,134,424	23,008,944	-	30,143,368
Total liabilities, deferred inflows of resources, and fund balances	$ 15,790,724	$ 28,242,655	$ -	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		
	Cost	101,199,960
	Less accumulated depreciation	(18,039,887)
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.		823,080
Long-term liabilities and amounts related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.		
	Deferred outflows of resources - pension items	13,184,444
	Intergovernmental payable	(35,085,896)
	Unamortized premium	(4,020,754)
	Acrrued interest	(776,285)
	Net pension liability	(45,434,048)
	Deferred inflows of resources - pension items	(224,672)
Net position of governmental activities		$ 41,769,310

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

EXHIBIT "D"

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

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	$ 12,889,513	$ -	$ -	$ 12,889,513
Sales taxes	-	3,899,128	-	3,899,128
Local contribution	7,497,089	-	-	7,497,089
State funds	21,398,199	-	-	21,398,199
Federal funds	2,864,326	-	-	2,864,326
Charges for services	3,528,340	-	-	3,528,340
Investment earnings	7,487	212,374	-	219,861
Miscellaneous	2,989,446	2,130,318	-	5,119,764
Total revenues	51,174,400	6,241,820	-	57,416,220
EXPENDITURES				
Current:				
Instruction	34,071,552	-	-	34,071,552
Support services:				
Pupil services	2,001,282	-	-	2,001,282
Improvement of instructional services	321,565	-	-	321,565
Educational media services	664,667	-	-	664,667
General administration	2,723,933	-	-	2,723,933
School administration	3,111,638	-	-	3,111,638
Business administration	481,038	-	-	481,038
Maintenance and operation of plant	3,277,510	-	-	3,277,510
Student transportation services	1,491,375	-	-	1,491,375
Other support services	9,477	-	-	9,477
Enterprise operations	731,119	-	-	731,119
Food services operation	2,025,402	-	-	2,025,402
Community services operation	403,455	-	-	403,455
Capital outlay	-	13,210,623	-	13,210,623
Debt service:				
Principal	-	3,138,157	-	3,138,157
Interest	-	-	1,552,569	1,552,569
Total expenditures	51,314,013	16,348,780	1,552,569	69,215,362
Deficiency of revenues over expenditures	(139,613)	(10,106,960)	(1,552,569)	(11,799,142)
TOTAL OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,552,569	1,552,569
Transfers out	-	(1,552,569)	-	(1,552,569)
Total other financing sources (uses)	-	(1,552,569)	1,552,569	-
Net change in fund balances	(139,613)	(11,659,529)	-	(11,799,142)
FUND BALANCE, beginning of fiscal year	7,274,037	34,668,473	-	41,942,510
FUND BALANCE, end of fiscal year	$ 7,134,424	$ 23,008,944	$ -	$ 30,143,368

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY "EXHIBIT "E"

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

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (11,799,142)
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. In the current period, these amounts are:		
Capital outlay	$ 13,641,539	
Depreciation expense	(1,677,317)	11,964,222
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(38,019)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Principal payments - intergovernmental note payable	$ 3,138,157	
Premium amortization	362,118	3,500,275
Governmental funds report current period pension contributions as expenditures. However, in the statement of net position, these contributions reduce the net pension liability and relate to the balances reported as deferred outflows of resources and deferred inflows of resources for pension related items. This amount is the effect of these differences in the treatment of pension related items.		
Change in deferred outflows and inflows of resources related to pensions and pension expense		(1,724,766)
Change in net position of governmental activities		$ 1,902,570

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY **EXHIBIT "F"**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2017

	Agency Fund
ASSETS	
Cash	$ 32,969
LIABILITIES	
Funds held for others	$ 32,969

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

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CITY OF BUFORD BOARD OF EDUCATION – GWINNETT COUNTY
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1: DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The City of Buford Board of Education ("School District") was established under the laws of the State of Georgia and operates under the guidance of a five (5) member board elected by the voters of the City of Buford and a Superintendent appointed by the Board. The School District does not have the power to levy taxes or issue bonds. Its budget is subject to approval by the City of Buford, Georgia. Accordingly, the School District is determined to be a component unit of the City of Buford, Georgia.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The School District's basic financial statements are collectively comprised of the governnment-wide financial statements, fund financial statements and notes to the basic financial statements of the City of Buford Board of Education.

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

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

1. **Net investment in capital assets** consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

2. **Restricted net position** consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law though constitutional provisions or enabling legislation.

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

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

The School District reports the following major governmental funds:

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

- *Capital Projects Fund* accounts for financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) that are restricted for capital outlay expenditures, including to be used for the acquisition, construction or renovation of major capital facilities.

- *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

Measurement Focus and Basis of Accounting

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty (60) days after year-end. Property taxes, sales taxes, intergovernmental revenue, and

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases and notes are reported as other financing sources.

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

Revenue from grants and donations are 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, or matching requirements, in which the School System must provide local resources to be used for a specified purpose.

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

New Accounting Pronouncements

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statements requires governments that enter into tax abatement agreements to disclose the following information: (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

The additional criterion does apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units – an amendment of Statement No. 14*. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the School District's financial statements.

Cash and Cash Equivalents

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

Receivables

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

Property Taxes

The City of Buford fixed the 2016 tax digest, for fiscal year 2017, on August 1, 2016. Taxes were due on November 20, 2016. Taxes collected within the current fiscal year or within 60 days after year-end are reported as revenue in the governmental funds for fiscal year 2017. The City of Buford City Clerk bills and collects the property taxes for the School District and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2017, for maintenance and operations amounted to $12,889,513.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The City of Buford Board of Education is in compliance with this law. The Tax millage rate levied for the 2016 tax year for the City of Buford Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

School Maintenance and Operations	12.85 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, which are included in property taxes as shown above amounted to $596,053 during fiscal year ended June 30, 2017.

Sales Taxes

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $3,899,128 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years. The current sales tax rate is effective through fiscal year 2018.

Inventories

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

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to June 30, 2017, are recorded as prepaid items. The School District accounts for the prepaid items on the consumption basis.

Capital Assets

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

	Capitalization Policy	Estimated Useful Life
Land	all	not applicable
Land improvements	$ 5,000	15 years
Buildings and improvements	$ 5,000	15-60 years
Equipment	$ 5,000	5-12 years
Intangible assets	$ 5,000	individually determined

Compensated Absences

Annual employees earn vacation leave at the rate of 10 days per year for the first four years up to a maximum of 15 days after fifteen years being employed at the City of Buford Board of Education. The maximum possible accumulation is 30 days. The School District does not permit employees to carry forward unused vacation days. As such, the School District does not report a liability for unused vacation days or compensated absences.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums are deferred and amortized over the life of the debt using the straight line method. To conform to generally accepted accounting principles, debt premiums should be amortized using the effective interest method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements in the governmental activities Statement of Net Position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Payments of principal and interest and issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

Use of Estimates

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

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."

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

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

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Only the Board of Education may modify or rescind the commitment through the adoption of a resolution.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the (1) Board of Education, (2) the budget or finance committee, (3) the Superintendent, or (4) a designee made by the Superintendent to assign fund balances.

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

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the General Fund at the end of the fiscal year of not less than 8.3% and not to exceed 15% of expenditures of the total subsequent fiscal year's budget. If the unassigned fund balance at the fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance. As of June 30, 2017, the School District's General Fund was reporting a committed, assigned, and unassigned fund balance of $6,451,285 or 13.2% of the School District's General Fund budgeted expenditures for the year ended June 30, 2017.

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

- Committed
- Assigned
- Unassigned

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources for activities and funds which use the accrual basis of accounting. Amounts shown as net investment in capital assets are made up of capital asset costs, net of accumulated depreciation, reduced by retainage payable and the outstanding balances of any borrowing used (i.e., the amount that the School District has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The School District has two types of items that qualify for reporting in this category – both of which relate to the reporting of its net pension liability. A deferred outflow of resources is reported for the School District's actual contributions to the Teachers Retirement System of Georgia (TRS) during the fiscal year ended June 30, 2017 which occurred subsequent to the measurement date for the net pension liability and will be recognized in fiscal year 2017. In addition, a deferred outflow of resources is reported for the difference between the School District's actual contributions to TRS and the School District's proportionate share of contributions which will be amortized over the remaining service period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one type of deferred inflow which arises only under a modified accrual basis of accounting and one item that qualifies for reporting in this category that occurs in the statement of net position. Under the modified accrual basis of accounting, the governmental funds report unavailable revenues from property taxes and intergovernmental revenues as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. In the statement of net position, a deferred inflow of resources is reported for the net difference between projected and actual investment earnings on the pension assets for TRS. This difference will be amortized over a five (5) year period.

Pensions

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

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Note 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The School District adopts an annual budget for its General Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. After the City of Buford Board of Education has tentatively adopted the budgets, such budgets are advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budgets are revised as necessary and adopted as the final budgets.

The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2017:

General Fund:	
Instruction	1,279,845
Support services:	
Pupil services	5,647
Educational media services	66,776
General administration	12,384
School administration	83,091
Maintenance and operation of plant	68,390
Student transportation services	1,610
Other support services	9,477
Enterprise operations	670,784

Note 4: DEPOSITS

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than 10 days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2017, the School District had deposits with a carrying amount of $10,415,143 and a bank balance of $10,646,301. The bank balances insured by Federal depository insurance were $6,947,514, and the bank balance collateralized with securities held by the pledging financial institution in the School District's name were $3,698,787.

Note 4: DEPOSITS (CONTINUED)

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

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,

(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,

(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

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

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their federally assigned value of $133,199.

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Note 6: CAPITAL ASSETS

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

	Balances July 1, 2016	Increases	Decreases	Transfers	Balances June 30, 2017
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	$ 1,050,210	$ -	$ -	$ -	$ 1,050,210
Construction in Progress	22,918,448	12,732,890	-	(23,576,723)	12,074,615
Total Capital Assets Not Being Depreciated	23,968,658	12,732,890	-	(23,576,723)	13,124,825
Capital Assets Being Depreciated					
Buildings and Improvements	57,594,675	177,255	-	23,576,723	81,348,653
Equipment	4,166,260	222,161	-	-	4,388,421
Land Improvements	1,828,828	509,233	-	-	2,338,061
Intangible Assets	-	-	-	-	-
Less Accumulated Depreciation for:					
Buildings and Improvements	12,390,160	1,206,753	-	-	13,596,913
Equipment	3,096,699	316,938	-	-	3,413,637
Land Improvements	875,711	153,626	-	-	1,029,337
Intangible Assets	-	-	-	-	-
Total Capital Assets, Being Depreciated, Net	47,227,193	(768,668)	-	23,576,723	70,035,248
Governmental Activity Capital Assets - Net	$ 71,195,851	$ 11,964,222	$ -	$ -	$ 83,160,073

Depreciation expense was charged to the functions as follows:

Instruction		$ 1,143,473
Support Services		
Pupil Services	$ 2,470	
General Administration	5,866	
School Administration	7,987	
Maintenance and Operation of Plant	336,560	
Student Transportation Services	139,644	492,527
Food Services		41,317
		$ 1,677,317

Note 7: INTERFUND TRANSFERS

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

Transfer in	Transfer out	Amount
Debt service fund	Capital projects fund	$ 1,552,569

The City of Buford (City Government) sold general obligation bonds to provide advance funding for capital outlay projects associated with the issuance of Special Purpose Local Option Sales Tax (SPLOST). The School District has pledged its total receipts and credits of the SPLOST received for the payment of bonds. In fiscal year 2017, a transfer was used to move bond proceeds held within a capitalized interest fund from the capital projects fund to the debt service fund for payment of the bond.

Note 8: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters. The School District has obtained commercial insurance for these risks. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

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

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

Fiscal Year	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2017	$ -	$ 4,620	$ 4,620	$ -
2016	-	-	-	-

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 50,000
Assistant Superintendent	$ 50,000
Principals	$ 3,000

Note 9: LONG–TERM DEBT AND OBLIGATIONS

The changes in long-term debt during the fiscal year ended June 30, 2017, were as follows:

	Governmental Activities				
	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Intergovernmental contracts	$ 38,224,053	$ -	$ 3,138,157	$ 35,085,896	$ 2,035,896
Unamortized premium	4,382,872	-	362,118	4,020,754	349,631
Net pension liability	32,558,518	16,323,132	3,447,602	45,434,048	-
	$ 75,165,443	$ 16,323,132	$ 6,947,877	$ 84,540,698	$ 2,385,527

The net pension liability is liquidated by the General Fund.

Intergovernmental contracts

In fiscal year 2013, Gwinnett County Board of Education issued Series 2012A General Obligation Sales Tax Bonds, of which $17,100,000 was advanced to the City of Buford Board of Education. The School District used $6,997,924 of the proceeds to pay off their portion of the remaining advanced funds from the Series 2008 bonds through the intergovernmental contract. There was no debt service savings as a result of this transaction as no interest is charged. This agreement also requires the City of Buford Board of Education to remit the monthly sales tax proceeds received from the Georgia Department of Revenue to Gwinnett County Board of Education until the advanced SPLOST funds are repaid. At the conclusion of the sales tax collection, if there is a remaining balance, the School District is ultimately responsible for any shortage in sales tax collections. The amount estimated to be due within one year is based on the current year's sales tax collections for the Gwinnett County sales tax. As of June 30, 2017 the outstanding balance is $2,035,896.

In fiscal year 2015, the City of Buford, on behalf of the School District, issued $33,050,000 in general obligation bonds, with a premium of $4,720,016 and principal and interest payments beginning January 1, 2016 through January 1, 2029 at interest rates varying from 3.625% to 5.250%. The School District entered into an intergovernmental contract with the City in regards to the issuance, use of proceeds, and payment of the bonds as of June 1, 2015. The contract stipulates that the School District's payment obligations consist of the payments of all amounts coming due as principal and interest on the bonds. The School District will fund the bonds with special local option sales tax (SPLOST) revenues and thus the School District has an intergovernmental payable to the City of Buford for the outstanding bonds. The bonds were issued to provide funds, together with other available funds of the School District to finance the costs of acquiring, constructing, and equipping certain capital outlay projects of the School System and the costs of issuance of the bonds including capitalized interest. The proceeds of the bonds are retained by the City and will be used to pay capital outlay expenditures as needed. As of June 30, 2017, $26,741,603 is available and held by the City. Additionally, the bonded debt portion of special local option sales taxes collected by the City on behalf of the School District is retained by the City and used to pay the annual debt service on the outstanding bonds. As of June 30, 2017, no SPLOST monies have been collected or used to service the debt as capitalized interest was available during the fiscal year to pay interest which came due.

Note 9: LONG–TERM DEBT AND OBLIGATIONS (CONTINUED)

Intergovernmental contracts (Continued)

The intergovernmental payable pertaining to this agreement is as follows:

Fiscal Year Ended June 30:	Principal	Interest	Unamortized Bond Premium
2018	$ -	$ 1,552,569	$ 349,631
2019	-	1,552,569	349,631
2020	11,960,000	1,074,168	349,631
2021	-	1,074,168	349,631
2022	-	1,074,168	349,631
2023 - 2027	10,390,000	3,833,589	1,748,155
2028 - 2029	10,700,000	1,123,500	524,444
Total Principal and Interest	$ 33,050,000	$ 11,284,731	$ 4,020,754

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and expenditures in the amount of $45,134 for retirement contributions paid on the School District's behalf by the following State Agencies:

Office of the State Treasurer of the State of Georgia
Paid to Public School Employee Retirement System
For Public School Employees Retirement (PSERS)
In the amount of $45,134

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Note 11: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

General Information about the Teachers Retirement System

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

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

Contributions. Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2017. The School District's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual school district payroll. District contributions to TRS were $3,695,510 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability as follows:

School District's proportionate share of the net pension liability	$	45,434,048

The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2016. At June 30, 2016, the School District's proportion was 0.220221%, which was an increase of 0.006358% from its proportion measured as of June 30, 2015.

Note 11: RETIREMENT PLANS (CONTINUED)

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS) (Continued)

For the year ended June 30, 2017, the School District recognized pension expense of $5,420,276. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 676,845	$ 224,672
Changes of Assumption	1,177,588	-
Net difference between projected and actual earnings on pension plan investments	5,747,594	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,886,907	-
Board contributions subsequent to the measurement date	3,695,510	-
Total	$ 13,184,444	$ 224,672

School District contributions subsequent to the measurement date of $3,695,510 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2018	$ 1,439,025.00
2019	$ 1,439,023.00
2020	$ 3,769,672.00
2021	$ 2,487,540.00
2022	$ 129,002.00

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

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

Note 11: RETIREMENT PLANS (CONTINUED)

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS) (Continued)

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

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

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

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

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

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

Note 11: RETIREMENT PLANS (CONTINUED)

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS) (Continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 70,718,656	$ 45,434,048	$ 24,616,341

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 OF GEORGIA (PSERS)

General Information about the Public School Employees Retirement System

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

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

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

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

Note 11: RETIREMENT PLANS (CONTINUED)

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA (PSERS) (Continued)

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, 2017, the School District did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the School District is as follows:

State of Georgia's proportionate share of the Net Pension Liability associated with the School District	$ 405,517

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

For the year ended June 30, 2017, the School District recognized pension expense of $66,479 and revenue of $66,479 for support provided by the State of Georgia.

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

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

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

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

Note 11: RETIREMENT PLANS (CONTINUED)

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA (PSERS) (Continued)

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

Asset Class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(.50)%
Domestic large equities	37.20%	9.00%
Domestic mid equities	3.40%	12.00%
Domestic small equities	1.40%	13.50%
International developed market equities	17.80%	8.00%
International emerging market equities	5.20%	12.00%
Alternatives	5.00%	10.50%
Total	100.00%	

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

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer and 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.

Note 12: COMMITMENTS AND CONTINGENCIES

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

Grant Contingencies. The School District 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 District has not complied with the rules and regulations governing the grants, refunds of any amounts received may be required and the collectability of any related receivable at year-end may be impaired. In the opinion of the School District, 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.

Note 12: COMMITMENTS AND CONTINGENCIES (CONTINUED)

State of Georgia Intercept Program. In May 2015, the City of Buford, Georgia issued $33,050,000 of General Obligation Bonds, Series 2015 to provide funds, together with other available funds of the School District, to finance the costs of acquiring, constructing, and equipping certain capital outlay projects of the School District and the costs of issuing the bonds. The obligation to pay the principal of and interest on the bonds is a general obligation debt of the City of Buford and constitutes a pledge of the full faith and credit and taxing power of the City of Buford. Debt service on the bonds will be paid from the General Fund of the City of Buford from ad valorem taxes to be levied upon all property in the City of Buford which is subject to taxation for bond purposes.

As additional security for the bonds, the School District is a participant in the State of Georgia Intercept Program. Under the terms of the program, the sinking fund custodian is required to transfer to the paying agent for the bonds such amount of moneys as are necessary to provide for the payment of the interest, or principal and interest, on the bonds coming due each interest payment date. If, on the 15th day of the calendar month preceding each interest payment date there is not on deposit in the sinking fund an amount sufficient to pay in full the interest, or principal and interest, coming due on the bonds on the payment date, and the City of Buford or the School District do not immediately remedy the deficiency, the sinking fund custodian shall notify the Georgia Department of Education of the amount of any such deficiency. Upon notification, the Georgia Department of Education will withhold such amount from any State appropriation to which the School District may be entitled and thereafter transfer the amount withheld to the sinking fund custodian for immediate deposit into the sinking fund.

For the fiscal year ended June 30, 2017, no such amounts were required to be paid by the Georgia Department of Education for debt service related to the bonds.

Contractual Commitments. The School District has executed contracts with third parties for various construction projects. As of June 30, 2017, the balance of those contracts representing commitments made by the School District for work not yet completed is $48,667,093.

Note 13: POSTEMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POSTEMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The School District contributes to the Georgia School Personnel Postemployment Health Benefit Fund ("School OPEB Fund"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Department of Community Health. The School OPEB Fund provides health insurance benefits to eligible retire**e**s and their qualified beneficiaries. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the Plan is assigned to the Board of Community Health. The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for the School OPEB Fund. That report may be obtained from the Department of Community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

Funding Policy. The contribution requirements of the Plan members and participating employers are established and may be amended by the Board of Community Health. Contributions of Plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, Plan members pay approximately twenty-five percent (25%) of the cost of health insurance coverage. Participating employers are statutorily required to contribute in accordance with the employer contribution rate established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. Contributions are not based on the actuarially

Note 13: POSTEMPLOYMENT BENEFITS (CONTINUED)

GEORGIA SCHOOL PERSONNEL POSTEMPLOYMENT HEALTH BENEFIT FUND (CONTINUED)

calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each fiscal year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The employer contribution rates for the combined active and retiree plans for the fiscal year ended June 30, 2017, were as follows:

Certified Employees	
July 2016 – June 2017	$945.00 per member per month
Non-Certificated Employees	
July 2016 – December 2016	$746.20 per member per month
January 2017 – June 2017	$846.00 per member per month

No additional contribution was required by the Board of Community Health for fiscal year 2017 nor contributed to the Benefit Fund to prefund retirement benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other postemployment benefits and are subject to appropriation. The School District's contributions to the health insurance plans for the fiscal years ended June 30, 2017, 2016, and 2015 were $5,409,945, $4,647,137, and $4,428,598, respectively, which equaled the required contribution.

Note 14: SUBSEQUENT EVENTS

In December 2017, the City of Buford, the primary government, issued $30,000,000 of Series 2017A and 2017B General Obligation bonds to cover the cost of issuance and the costs of acquiring, constructing, and equipping certain capital outlay projects for the School System. The 2017A Series bonds carry a 5.00% interest rate and mature in 2029, with principal and interest payments commencing January 2018. The 2017B Series bonds carry a 5.00% interest rate and mature in 2029, with principal and interest payments commencing January 2018.

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CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

SCHEDULE "1"

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

	2017	2016	2015
School District's proportion of the net pension liability	0.220221%	0.213863%	0.207611%
School District's proportionate share of the net pension liability	$ 45,434,048	$ 32,558,518	$ 26,228,911
Total	$ 45,434,048	$ 32,558,518	$ 26,228,911
School District's covered payroll	$ 24,159,790	$ 22,577,922	$ 21,180,488
School District's proportionate share of the net pension liability as a percentage of its covered payroll	188.06%	144.21%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	76.06%	81.44%	84.03%

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

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

	2017	2016	2015	2014	2013
Contractually required contributions	$ 3,695,510	$ 3,447,602	$ 2,968,999	$ 2,600,961	$ 2,335,428
Contributions in relation to the contractually required contributions	3,695,510	3,447,602	2,968,999	2,600,961	2,335,428
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District's covered payroll	25,897,057	24,159,790	22,577,922	21,180,448	20,468,257
Contributions as a percentage of covered payroll	14.27%	14.27%	13.15%	12.28%	11.41%

	2012	2011	2010	2009	2008
Contractually required contributions	$ 2,005,680	$ 1,926,521	$ 1,846,138	$ 1,795,058	$ 1,642,128
Contributions in relation to the contractually required contributions	2,005,680	1,926,521	1,846,138	1,795,058	1,642,128
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District's covered payroll	19,510,499.00	18,740,469	18,954,179	19,343,275	17,695,316
Contributions as a percentage of covered payroll	10.28%	10.28%	9.74%	9.28%	9.28%

For years 2015 and earlier, the contribution amount includes payments made on-behalf of School District employees by the State of Georgia.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

SCHEDULE "3"

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

	2017	2016	2015
School District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%
School District's proportionate share of the net pension liability	$ -	$ -	$ -
State of Georgia's proportionate share of the net pension liability associated with the School District	405,517	256,607	188,706
Total	$ 405,517	$ 256,607	$ 188,706
School District's covered payroll	$ 548,875	$ 475,587	$ 450,853
School District's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	81.00%	87.00%	88.29%

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

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

Teachers Retirement System of Georgia:

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

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

Public School Employees Retirement System

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

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

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

	Budget			Variance With
	Original (1)	Final (1)	Actual	Final Budget
REVENUES				
Property taxes	$ 20,100,000	$ 20,100,000	$ 12,889,513	$ (7,210,487)
Local contribution	-	-	7,497,089	7,497,089
State funds	20,157,306	20,157,306	21,398,199	1,240,893
Federal funds	1,216,000	1,216,000	2,864,326	1,648,326
Charges for services	2,399,800	2,399,800	3,528,340	1,128,540
Investment earnings	-	-	7,487	7,487
Miscellaneous	91,300	91,300	2,989,446	2,898,146
Total revenues	43,964,406	43,964,406	51,174,400	7,209,994
EXPENDITURES				
Current:				
Instruction	31,148,029	32,791,707	34,071,552	(1,279,845)
Support services:				
Pupil services	1,908,339	1,995,635	2,001,282	(5,647)
Improvement of instructional services	144,162	358,247	321,565	36,682
Educational media services	644,206	597,891	664,667	(66,776)
General administration	2,538,299	2,711,549	2,723,933	(12,384)
School administration	3,076,093	3,028,547	3,111,638	(83,091)
Business administration	462,504	482,679	481,038	1,641
Maintenance and operation of plant	3,621,597	3,209,120	3,277,510	(68,390)
Student transportation services	1,496,330	1,489,765	1,491,375	(1,610)
Other support services	-	-	9,477	(9,477)
Enterprise operations	60,335	60,335	731,119	(670,784)
Community service	379,687	379,687	403,455	(23,768)
Food service operation	1,873,975	1,873,975	2,025,402	(151,427)
Total expenditures	47,353,556	48,979,137	51,314,013	(2,334,876)
Net change in fund balances	(3,389,150)	(5,014,731)	(139,613)	4,875,118
FUND BALANCE, beginning of fiscal year	7,274,037	7,274,037	7,274,037	-
FUND BALANCE, end of fiscal year	$ 3,884,887	$ 2,259,306	$ 7,134,424	$ 4,875,118

Note to the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

(1) Original and Final Budget amounts do not include budgeted revenues ($3,443,925) or expenditures ($3,387,343) of the various school activity accounts.

The accompanying schedule of revenues, expenditures and changes in fund balances - budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

SCHEDULE "6"

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

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
U. S. Department of Agriculture			
Pass-Through From Georgia Department of Education			
Child Nutrition Cluster			
National School Breakfast Program	10.553	17175GA324N1099	$ 276,920
National School Lunch Program	10.555	17175GA324N1100	1,689,223
Total Child Nutrition Cluster			1,966,143
Total U. S. Department of Agriculture			1,966,143
U. S. Department of Education			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Grants to States	84.027	H027A160073	623,185
Other Programs			
Pass-Through From Georgia Department of Education			
Title I, Part A, Grants to Local Education Agencies	84.010	S010A150010	183,750
Title I, Part A, Grants to Local Education Agencies	84.010	S010A160010	523,116
Career and Technical Education - Basic Grants to States	84.048	V048A160010	24,693
English Language Acquisition Grants	84.365	S365A150010	14,313
English Language Acquisition Grants	84.365	S365A160010	50,243
Improving Teacher Quality State Grants	84.367	S367A150001	6,900
Improving Teacher Quality State Grants	84.367	S367A160001	83,334
Total U. S. Department of Education			1,509,534
Total Expenditures of Federal Awards			**$ 3,475,677**

N/A = Not Available

See Notes to the Basic Financial Statements.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

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

Notes to the Schedule of Expenditures of Federal Awards

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

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

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

Project	Original Estimated Cost(1)	Current Estimated Cost (2)	Expended In Current Year (3)	Expended In Prior Years (3)	Total Completion Cost	Excess Proceeds Not Expended (4)	Project Status
SPLOST III - HALL COUNTY							
(i) Acquiring, constructing, and equipping additional classrooms, instructional and support space and remodeling, renovating, and equipping existing classrooms, instructional and support space; acquiring, constructing, and equipping new middle schools; acquiring and installing technology improvements system-wide; and renovating existing school buildings and facilities.	$ 3,000,000	$ 3,000,000	$ -	$ 2,615,869	$ 2,615,869	$ 384,131	Complete
Total SPLOST III Expenditures			$ -				

Continued

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

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

Project	Original Estimated Cost(1)	Current Estimated Cost (2)	Expended In Current Year (3)	Expended In Prior Years (3)	Total Completion Cost	Excess Proceeds Not Expended (4)	Project Status
SPLOST IV - HALL COUNTY							
(i) Acquiring, constructing and equipping new schools, fine arts facilities, physical education facilities, student activity facilities and other school system facilities, acquiring and conducting site preparation of real estate for school district purposes, constructing and equipping additional classrooms, instructional and support space, and other school district facilities at existing school system facilities, and acquiring furnishings, equipment and fixtures for new and existing facilities system-wide, including technology equipment, textbooks, library books and school buses; and (ii) paying expenses incident thereto.	$ 3,900,000	$ 3,900,000	$ 644,630	$ 2,624,427	$ -	$ -	30-Sep-17
SPLOST IV - GWINNETT COUNTY							
(i) Acquiring new sites for the construction of new schools, support facilities and athletic facilities and the expansion of existing schools and support facilities; (ii) developing sites for constructing and equipping new schools, support facilities and athletic facilities; (iii) making additions to, acquiring or renovating, equipping and modernizing existing schools, support facilities and athletic facilities; (iv) making existing or new lease/purchase payments or payments with respect to the acquisition of new and existing schools and support facilities along with buses and other transportation vehicles, textbooks, library books and other media; and (v) modernizing technology and making system-wide technology improvements in the Buford School District.	$ 17,100,000	$ 17,341,235	$ -	$ 17,341,235	$ 17,341,235	$ -	Complete
Total SPLOST IV Expenditures			$ 644,630				

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Special Purpose Local Option Sales Tax.

(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

(3) The voters of Hall County and Gwinnett County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

(4) The surplus of SPLOST proceeds will be used to fund future SPLOST projects as appropriate.

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CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY SCHEDULE "8"

GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 1,831,947.00	$ 2,226,484.86	$ 48,920.75	$ 2,275,405.61
Kindergarten Program-Early Intervention Program	92,473.00	237,938.38		237,938.38
Primary Grades (1-3) Program	4,134,980.00	5,213,961.98	127,596.85	5,341,558.83
Primary Grades-Early Intervention (1-3) Program	145,128.00	242,412.10		242,412.10
Upper Elementary Grades (4-5) Program	2,064,271.00	2,547,112.77	97,571.22	2,644,683.99
Upper Elementary Grades-Early Intervention (4-5) Program	39,488.00	171.44		171.44
Middle School (6-8) Program	3,396,274.00	4,055,830.33	190,295.27	4,246,125.60
High School General Education (9-12) Program	2,958,210.00	3,454,442.06	432,394.65	3,886,836.71
Vocational Laboratory (9-12) Program	713,029.00	673,126.35	38,044.81	711,171.16
Students with Disabilities	3,192,511.00	77,102.76		77,102.76
Category I		321,628.06	192,209.67	513,837.73
Category III		2,510,896.67	2,081.82	2,512,978.49
Gifted Student - Category VI	2,177,065.00	1,435,295.03	1,076.21	1,436,371.24
Remedial Education Program	114,911.00	187,385.53		187,385.53
Alternative Education Program	233,147.00	-		-
English Speakers of Other Languages (ESOL)	767,432.00	679,766.39		679,766.39
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	21,860,866.00	23,863,554.71	1,130,191.25	24,993,745.96
Media Center Program	605,842.00	548,973.05	36,788.15	585,761.20
Staff and Professional Development	101,275.00	16,136.25	59,963.18	76,099.43
TOTAL QBE FORMULA FUNDS	$ 22,567,983.00	$ 24,428,664.01	$ 1,226,942.58	$ 25,655,606.59

(1) Comprised of State Funds plus Local Five mill share.
(2) Allotments as not include the impact of the state amended formula adjustment.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

July 25, 2018

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
And
Superintendent and Members of the
City of Buford Board of Education

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Buford Board of Education (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated July 25, 2018.

Internal Control Over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencyies in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as items FS 2017-001 and FS 2017-002, that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item FS 2017-002.

School District's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

July 25, 2018

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
City of Buford Board of Education

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

Respectfully submitted,



Greg S. Griffin
State Auditor

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-2016-001 Controls over Financial Reporting

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

Finding Status: Partially Resolved

The School District will contract with a CPA firm properly trained to prepare the financial statements and note disclosures for the School District in accordance with GAAP. The finance department will review the financial statements and notes prepared to ensure that the School District's financial positions is material presented for the audit.

Estimated corrective action date June 30, 2018

FS-2016-002 Accounting for Special Local Option Sales Tax Activity

Control Category: General Ledger
Internal Control Impact: Material Weakness
Compliance Impact: Material Noncompliance

Finding Status: Unresolved

The School District has implemented a process to review all SPLOST expenditures each month with City of Buford personnel. In addition, the City of Buford auditor reconciles the City's general ledger to the payments approved by the Board of Education. Additionally, the School District will utilize the general ledger system and QuickBooks to track the activity. The School District administration will review all expenditures at year-end with City of Buford administration and auditor to determine all activity has been captured. A CPA contracted to prepare the financial statements and note disclosures, will provide an outside review of all SPLOST activity to verify all transactions have been recorded.

Estimated corrective action date June 30, 2018

FS-2015-001 SPLOST Fund Accounting

Control Category: Revenues/Receivables/Receipts
Expenditures/Liabilities/Disbursements
Internal Control Impact: Material Weakness
Compliance Impact: Material Noncompliance

Finding Status: Unresolved

The School District will carefully review all revenues and expenditures to ensure the activity is properly reported in the appropriate SPLOST fund. Additionally, the School District will utilize the general ledger system and QuickBooks to track the activity. The School District administration will review all expenditures at year-end with City of Buford administration and auditor to determine all activity has been captured. We will take the necessary steps in the future to ensure all of the School District's SPLOST activity is properly reported in the appropriate fund.

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

Estimated corrective action date December 31, 2018

FS-2015-004 Revenues and Related Balance Sheet Accounts

Control Category: Revenues/Receivables/Receipts
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Previously Reported Corrective Action Implemented

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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CITY OF BUFORD BOARD OF EDUCATION – GWINNETT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

▪ Material weaknesses identified?	Yes
▪ Significant deficiency identified?	None Reported

Noncompliance material to financial statements noted:	Yes

Federal Awards

Internal Control over major programs:

▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported

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

All major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000.00
Auditee qualified as low-risk auditee?	No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-001	Controls over Financial Reporting
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2016-001

Description:

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

Criteria:

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

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

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

Condition:

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

- Non-depreciable capital assets were overstated by $24,075,390.00 on the government-wide financial statements due to various errors and omissions. The School District completed the Buford Arena construction project totaling $23,576,723.00 and placed the building into operation during the fiscal year but did not reclassify to depreciable capital assets. The School District capitalized land of $905,960.00, which was already capitalized in a prior year. In addition, construction in progress was understated by $407,293.00. Corrections were proposed by the auditor and accepted by the School District for these material and significant misstatements.

- The School District overstated accounts receivable and revenue from the City of Buford (Primary Government) by $6,998,287.00 on both the government-wide financial statements and the capital projects fund. Corrections were proposed by the auditor and accepted by the School District for these material misstatements.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Principal payments made on the Intergovernmental Agreement with the Gwinnett County Board of Education were overstated by $252,143.00 on the capital projects fund. Respectively, intergovernmental payable, due within one year, was understated on the government-wide financial statements. Corrections were proposed by the auditor and accepted by the School District for these significant misstatements.

- Miscellaneous revenues of $4,466,691.00 were inappropriately included within operating grants and contributions on the government-wide financial statements. Corrections were proposed by the auditor and accepted by the School District for this material misstatement.

- Net investment in capital assets was overstated by $6,869,637.00, net position restricted for continuation of federal programs was understated by $267,778.34, net position restricted for debt service was understated by $237,556.00, net position for capital projects was understated by $481,104.00, and net position unrestricted was understated by $6,150,977.00 on the government-wide financial statements. Corrections were proposed by the auditor and accepted by the School District for these material and significant misstatements.

- Fund balance restricted for debt service was understated and fund balance restricted for capital projects was overstated by $776,285.00 in the capital projects fund. Corrections were proposed by the auditor and accepted by the School District for these significant misstatements.

- Fund balance assigned for school activity accounts was understated and unassigned fund balance was overstated by $877,505.00 in the general fund. Corrections were proposed by the auditor and accepted by the School District for these significant misstatements.

- Contractual commitments reported in the note disclosure were understated by $41,673,410.00. Corrections were proposed by the auditor and accepted by the School District for this material misstatement.

- Numerous other significant correction and reclassification entries were proposed by the auditor and accepted by the School District to properly present the School District's financial statements, note disclosures, and supplementary information.

Cause:

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

Effect or Potential Effect:

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:

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

Views of Responsible Officials:

We concur with this finding.

FS 2017-002	Accounting for Special Purpose Local Option Sales Tax Activity
Control Category:	General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Repeat of Prior Year Finding:	FS 2016-002; FS 2015-001

Description:

The School District did not adequately account for the activity of the Special Purpose Local Option Sales Tax (SPLOST). SPLOST activity was not maintained on the general ledger. Material and significant errors and omissions were noted related to SPLOST activity.

Criteria:

Internal controls should be in place to ensure that general ledgers are properly maintained using modified-accrual accounting methods based on generally accepted accounting principles (GAAP) to properly track and account for the activity on each of the School District's Special Purpose Local Option Sales Tax (SPLOST) accounts.

National Council on Governmental Accounting (NCGA) Statement 1 paragraph 21, *Governmental Accounting and Financial Reporting Principles*, requires governments to account for funds in a separate self-balancing set of accounts for its assets, liabilities, equity, revenues, expenditures or expenses (as appropriate), and transfers. This requirement of a complete set of accounts for each fund refers to identification of accounts in the accounting records.

Chapter 4 *Accounting Records* of the Financial Management for Georgia Local Units of Administration provides that every financial transaction is recorded in some form in the accounting records in order to maintain management control and provide the basis for financial reporting.

Official Code of Georgia Annotated (OCGA) §48-8-121(a) requires the activity of each SPLOST not be commingled with the activity of other SPLOST proceeds.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Condition:

During the fiscal year ended June 30, 2017, the School District collected revenues from two different jurisdictions, Hall and Gwinnett Counties for the SPLOST IV referendum. Rather than maintain SPLOST activity on the general ledger, the School District used a spreadsheet to track SPLOST activity throughout the fiscal year and posted the results of this activity to the general ledger at year-end. There were numerous errors and omissions that resulted in material and significant misstatements on the general ledger and on the financial statements presented for audit. Adjustments were proposed by the auditor and accepted by the School District to correct these misstatements and properly record SPLOST activity.

Cause:

In discussing this deficiency with the School District, management indicated that an excel spreadsheet was utilized to track activity throughout the year. They stated that the errors occurred due to a combination of human error from manual processes, lack of review procedures for posting year-end entries, and a communication breakdown with the City of Buford, which holds the School District's SPLOST funds and disburses said funds to the appropriate vendors on the School District's behalf.

Effect or Potential Effect:

The School District did not maintain complete and accurate accounting records in accordance with GAAP for the activity of the SPLOST projects. Material misstatements related to SPLOST activity were included in the government-wide and fund financial statements presented for audit. Numerous adjustments were necessary in order for the School District's financial statements to properly present SPLOST activity in conformity with GAAP.

Recommendation:

We recommend the School District carefully review all SPLOST transactions throughout the year to ensure that the activity is complete, accurate and reported in accordance with GAAP. Additionally, we recommend the School District periodically reconcile the activity maintained in subsidiary ledgers to the City of Buford records and make periodic entries to the general ledger system instead of one year-end entry.

Views of Responsible Officials:

We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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Buford City Schools

Geye S. Hamby, Ed.D.
Superintendent

Rita Cantrell, Ed.S.
Assistant Superintendent

2625 Sawnee Avenue
Buford, Georgia 30518
Phone: 770-945-5035
Fax: 770-945-4629

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2017-001	**Controls over Financial Reporting**
Control Category:	**Financial Reporting**
Internal Control Impact:	**Material Weakness**
Compliance Impact:	**None**
Repeat of Prior Year Finding:	**FS 2016-001**

The School District did not have adequate controls in place over the financial statement reporting process.

Corrective Action Plans:

The management of the school district will strengthen internal controls and review procedures over financial reporting to ensure that the financial statements, including disclosures, presented for audit are complete and accurate. Financials statements will be prepared by an outside firm possessing a thorough understanding of the applicable GAAP, GASB pronouncements and working knowledge of the school district. The Finance Director and Assistant Finance Director will complete a thorough review of the financial statements and use a prepared review checklist.

Estimated Completion Date: 12/31/2018

Contact Person: Angela Adams
Title: Director of Finance
Telephone: 770-945-5035
E-mail: angela.adams@bufordcityschools.org

FS 2017-002	**Accounting for Special Purpose Local Option Sales Tax Activity**
Control Category:	**General Ledger**
Internal Control Impact:	**Material Weakness**
Compliance Impact:	**Material Noncompliance**
Repeat of Prior Year Finding:	**FS 2016-002; FS 2015-001**

The School District did not adequately account for the activity of the Special Purpose Local Option Sales Tax (SPLOST). SPLOST activity was not maintained on the general ledger

Corrective Action Plans:

The management of the school district will utilized QuickBooks to maintain all SPLOST activity. Each project will be reviewed with City of Buford management and auditor on a quarterly basis to reconcile all revenue and expenditures for each project. After the year end reconciliation process is completed, the activity will be moved from QuickBooks to PCGenesis.

Estimated Completion Date: September 15, 2018

Contact Person: Angela Adams
Title: Director of Finance
Telephone: 770-945-5035
E-mail: angela.adams@bufordcityschools.org

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

No matters were reported.