

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

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016
(Including Independent Auditor's Reports)

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

August 25, 2017

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

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, 2016, 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2016, 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 2016, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement 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 68,* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* Our opinions are not modified with respect to this matter.

As discussed in Note 14 to the financial statements, in 2016, the School District restated the prior period financial statements to correct misstatements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 i through ix and 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, consisting of Schedules 6 through 9, is presented for the purposes of

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additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

INTRODUCTION

The discussion and analysis of the City of Buford Board of Education's (School District) financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2016 and June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal years 2016 and 2015 are as follows:

- On the government-wide financial statements, the assets and deferred outflow of resources of the School District exceeded liabilities and deferred inflow of resources by $40.0 million and $30.0 million, respectively, for the fiscal years ended June 30, 2016 and 2015. Of these amounts, $6,687,237 and $8,717,387 respectively, for fiscal years 2016 and 2015 are available for spending at the School District's discretion. The amounts for fiscal year 2015 do not reflect the effects of the restatement of net position as described in Note 14.

- The School District had $48.9 million and $45.2 million in expenses relating to governmental activities for the fiscal years ended June 30, 2016 and June 30, 2015, respectively. Only $34.4 million and $30.0 million of the above mentioned expenses for 2016 and 2015 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of $25.5 million and $18.2 million, respectively, for 2016 and 2015, along with fund balance were adequate to provide for these programs.

- The current ratio, which measures the School District's ability to transform current assets into cash and pay its short-term liabilities, was 3.98 and 1.61 for the fiscal years ended June 30, 2016 and June 30, 2015, respectively. Generally, a ratio greater than 2.0 is considered very financially stable.

- The general fund (the primary operating fund), presented on a current financial resource basis, ended the fiscal year with a fund balance of $7.3 million, an increase of $567 thousand from the June 30, 2015 fund balance of $6.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the government-wide and fund financial statements.

The government-wide financial statements include the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the School District presenting both short-term and long-term information about the overall financial status.

The fund financial statements focus on individual parts, reporting the School District's operation in more detail. The governmental funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a trustee or

agent for the benefit of others. The fund financial statements reflect the School District's most significant funds. For the years ending June 30, 2016 and 2015, the general fund, the capital projects fund, and the debt service fund represent the most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

Government-wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, are one way to measure the School District's overall financial health or position. Over time, increases or decreases in net position are an indication of whether its financial health is improving or deteriorating. Changes may be the result of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has one distinct type of activity:

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, student activity accounts and various others.

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required by State law and some by bond requirements. The School District's major governmental funds are the general fund, capital projects fund, and debt service fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled to the financial statements.

Fiduciary Funds - The School District is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2016 and 2015.

Table 1
Net Position

	Governmental Activities			
	Fiscal Year 2016	Percent of Total	Fiscal Year 2015 (1)	Percent of Total
Assets				
Current and Other Assets	$ 51,514,789	42%	$ 17,759,706	23%
Capital Assets, Net	71,195,851	58%	60,214,213	77%
Total Assets	122,710,640	100%	77,973,919	100%
Deferred Outflows of Resources				
Related to Defined Benefit Pension Plan	4,841,722	100%	3,659,288	100%
Liabilities				
Current and Other Liabilities	9,487,465	11%	8,024,490	19%
Long-Term Liabilities	75,165,443	89%	34,507,853	81%
Total Liabilities	84,652,908	100%	42,532,343	100%
Deferred Inflows of Resources				
Related to Defined Benefit Pension Plan	3,032,714	100%	9,143,955	100%
Net Position				
Net Investment in Capital Assets	62,467,919	157%	51,334,463	171%
Restricted	1,461,093	4%	1,618,637	5%
Unrestricted (Deficit)	(24,062,272)	(61)%	(22,996,191)	(76)%
Total Net Position	$ 39,866,740	100%	$ 29,956,909	100%

(1) Fiscal year 2015 balances do not reflect the effects of the restatement of net position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

During fiscal year 2015, The School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Together, these two statements drastically changed the presentation of the government-wide balance sheet by requiring the reporting of the School District's net pension liability and the deferred inflows and outflows associated with pension payments for all State pension programs in which the School District participates. The total liability effect of these pensions was $30.7 million for the year ended June 30, 2016. These liabilities exceeded the School District's unrestricted net position. Although this causes a large deficit balance in unrestricted net position, it should not be considered a financial weakness as these costs are spread out over multiple years well into the future.

Table 2 shows the Changes in Net Position for fiscal years ending June 30, 2016 and June 30, 2015.

Table 2
Change in Net Position

	Governmental Activities			
	Fiscal Year 2016	Percent of Total	Fiscal Year 2015 (1)	Percent of Total
Revenues				
Program Revenues:				
Charges for Services	$ 3,500,392	10%	$ 2,906,433	10%
Operating Grants and Contributions	22,295,019	65%	27,056,760	90%
Capital Grants and Contributions	8,637,423	25%	77,220	-
Total Program Revenues	34,432,834	100%	30,040,413	100%
General Revenues:				
Property Taxes	10,843,274	42%	10,781,309	59%
Sales Taxes	3,866,701	15%	3,800,146	21%
Investment Earnings	159,043	1%	8	-
Miscellaneous	2,555,943	10%	3,578,410	20%
City Allocation	8,091,071	32%	-	-
Total General Revenues	25,516,033	100%	18,159,873	100%
Total Revenues	59,948,867		48,200,286	
Program Expenses:				
Instruction	32,372,627	65%	29,659,108	66%
Support Services				
Pupil Services	1,883,711	4%	1,741,230	4%
Improvement of Instructional Services	360,622	1%	368,516	1%
Educational Media Services	586,418	1%	597,277	1%
General Administration	2,335,789	5%	2,206,783	5%
School Administration	2,825,356	6%	2,707,223	6%
Business Administration	483,687	1%	395,233	1%
Maintenance and Operation of Plant	3,179,308	6%	3,050,734	7%
Student Transportation Services	1,423,790	2%	1,234,447	2%
Other Support Services	14,708	-	34,086	-
Operations of Non-Instructional Services				
Enterprise Operation	608,207	1%	1,034,765	2%
Community Services	361,839	1%	314,202	1%
Food Services	1,946,386	4%	1,854,822	4%
Interest on Short-Term and Long-Term Debt	1,275,802	3%	-	-
Total Expenses	49,658,250	100%	45,198,426	100%
Increase in Net Position	$ 10,290,617		$ 3,001,860	

(1) Fiscal year 2015 balances do not reflect the effects of the restatement of net position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions increased by $4.4 million for governmental activities. This increase is the net of an increase in capital grants and contributions reflecting the $8.6 million transfer from the City of Buford for Arena expenditures exceeding SPLOST proceeds and a decrease in operating grants and contributions due to a change in presentation of program revenues to general revenues as discussed below.

General revenues increased by $7.4 million during fiscal year 2016 mostly due to the change in presentation of the City Allocation being reported as general revenues instead of program revenues.

The School District continues to analyze spending patterns and look for areas where reductions can be made without affecting the level of education provided. As a result of these savings, the School District was able to restore two furlough days in 2016 to bring the total down to three. Table 3 shows the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2016	Fiscal Year 2015 (1)	Fiscal Year 2016	Fiscal Year 2015 (1)
Instruction	$ 32,372,627	$ 29,659,108	$ 5,428,042	$ 5,374,491
Support Services:				
Pupil Services	1,883,711	1,741,230	1,789,300	1,629,153
Improvement of Instructional Services	360,622	368,516	49,592	89,792
Educational Media Services	586,418	597,277	10,824	50,686
General Administration	2,335,789	2,206,783	1,557,459	1,525,059
School Administration	2,825,356	2,707,223	1,807,787	1,773,778
Business Administration	483,687	395,233	483,687	395,233
Maintenance and Operation of Plant	3,179,308	3,050,734	1,073,205	1,790,494
Student Transportation Services	1,423,790	1,234,447	1,208,840	1,020,985
Other Support Services	14,708	34,086	(1,880)	22,933
Operations of Non-Instructional Services:				
Enterprise Operations	608,207	1,034,765	608,208	1,034,765
Community Services	361,839	314,202	141,438	314,202
Food Services	1,946,386	1,854,822	(206,888)	136,442
Interest on Short-Term and Long-Term Debt	1,275,802	-	1,275,802	-
Total Expenses	$ 49,658,250	$ 45,198,426	$ 15,225,416	$ 15,158,013

(1) Fiscal year 2015 balances do not reflect the effects of the restatement of net position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

Although program revenues make up a majority of the funding, the School District is still dependent upon tax revenues for governmental activities. For 2016, 56% of instruction and support activities were supplemented by taxes and other general revenues compared to 43% in 2015. It exemplifies the State's stance that the public is becoming an equal partner in bearing the cost of educating Georgia's children.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of $61.6 million and total expenses and other financing uses of $65.1 million. There was a decrease in the fund balance totaling $3.6 million for the governmental funds as a whole. The $7.3 million fund balance in the general fund reflects that the School District continues to be able to adequately meet current costs.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the general fund, funded primarily through state revenue and local property tax revenue. During the course of fiscal years 2016 and 2015, the School District amended its general fund budget as needed.

During fiscal year 2016 the general fund had final actual revenues and other financing sources totaling $48.2 million, which represented an increase from the original budgeted amount of $42.4 million by $5.8 million. This difference (final actual vs. original budget) was due to conservative estimates by the School District that were exceeded slightly in every major category and school activity revenues which were not budgeted in the general fund.

Final actual expenditures during fiscal year 2016 totaling $47.6 million represented an increase from the original budgeted amount of $43.9 million by $3.7 million. The increase in actual expenditures versus original budget expenditures was due primarily to school activity expenditures reported in the general fund but not budgeted.

General fund revenues and other financing sources exceeded expenditures by $567 thousand for the fiscal year 2016.

CAPITAL ASSETS

At the fiscal years ended June 30, 2016 and June 30, 2015, the School District had $71.2 million and $60.2 million, respectively, invested in a broad range of capital assets, including land, buildings and furniture and equipment for its governmental activities. Special Purpose Local Option Sales Tax (SPLOST) financed all major additions and new construction. Most renovations of the School District are financed by the capital projects fund. Table 4 breaks down the asset balances, by class, net of accumulated depreciation.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Land	$ 1,050,210	$ 1,050,210
Construction In Progress	22,918,448	10,886,285
Building and Improvements	45,204,516	46,144,057
Equipment	1,069,562	1,186,097
Land Improvements	953,115	947,564
Total	$ 71,195,851	$ 60,214,213

The construction in progress balance at June 30, 2016 consists of the following projects:

- Buford City Arena
- New Buford City High School

DEBT ADMINISTRATION

The School District is not able to issue general obligation bonds, however the School District entered into two intergovernmental agreements, one with Gwinnett County Board of Education and the other with the City of Buford. As of June 30, 2016, the School District had $38.2 million in intergovernmental agreements outstanding with $3.1 million due within one year. The intergovernmental agreements will be repaid from sales tax proceeds of a Special Purpose Local Option Sales Tax (SPLOST). Table 5 summarizes intergovernmental agreement outstanding at June 30, 2016 and 2015.

Table 5
Long-Term Debt Outstanding

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Intergovernmental Agreements	$ 38,224,053	$ 41,328,942

CURRENT ISSUES

In fiscal year 2017, the cost of the employer portion of TRS pension will remain at the current rate of 14.27%. However, the employer cost for State Health for classified employees will cost the School District an additional $97 thousand. For fiscal year 2016 and fiscal year 2017 the School District adjusted all salary scales for a 3% cost of living increase. Both in fiscal year 2016 and fiscal year 2017 the School District added additional teaching positions to maintain class size at minimum the required class size under Georgia Department of Education State Board Rules.

Approximately 80% of general fund expenses, the main operating fund for the School District, were related to salaries and employee benefits for the year ended June 30, 2016. During fiscal year 2016 there were 305 certified personnel. Of the 305 certified personnel 26% had 21+ years of experience and 81% held an advanced degree resulting in salaries at the highest possible state pay level. With such personnel heavy expenses, it is difficult to offset mandated expense increases such as TRS and health insurance premium expenses. The School District consistently evaluates how funds can be spent smarter and more effectively to ensure that City of Buford students receive a quality education from effective personnel.

The School District's millage rate for fiscal year 2016 was 12.90 which was decreased slightly from fiscal year 2015 which was 12.95 mills. The digest continues to strengthen with manufacturing and retail growth. However, the population for the school district is continuing to grow at a rate of between 4% and 5% per year. It is anticipated that this pressure to provide local monies to meet mandated educational requirements and operational costs will continue.

The most significant challenge facing the School District is the relative uncertainty regarding how School Districts will be funded moving forward. The General Assembly is in the process of exploring new funding formulas that would likely cement in the austerity reductions received annually and change the way personnel salaries are calculated. It is uncertain at this point what type of financial impact these changes might have on the School District's finances.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Adams at the City of Buford Board of Education, 2625 Sawnee Avenue, Buford, Georgia 30518. You may also email your questions to angela.adams@bufordcityschools.org.

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CITY OF BUFORD BOARD OF EDUCATION – GWINNETT COUNTY

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CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 9,330,809.76
Investments	110,938.35
Receivables, Net	
Taxes	1,315,325.36
State Government	2,860,781.25
Federal Government	847,748.95
Local	845,565.15
Other	140.00
Due from Primary Government	35,952,335.25
Inventories	11,351.92
Prepaid Items	239,793.29
Capital Assets, Non-Depreciable	23,968,658.03
Capital Assets, Depreciable (Net of Accumulated Depreciation)	47,227,192.76
Total Assets	122,710,640.07
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	4,841,722.06
LIABILITIES	
Accounts Payable	1,986,167.81
Salaries and Benefits Payable	5,032,554.39
Payroll Withholdings Payable	123,754.44
Interest Payable	776,284.38
Contracts Payable	303,405.00
Retainages Payable	1,167,267.00
Deposits and Unearned Revenues	98,031.93
Net Pension Liability	32,558,518.00
Long-Term Liabilities	
Due Within One Year	3,443,144.01
Due in More Than One Year	39,163,781.49
Total Liabilities	84,652,908.45
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow of Resource	3,032,714.00
NET POSITION	
Net Investment in Capital Assets	62,467,919.12
Restricted for	
Continuation of Federal Programs	317,113.50
Debt Service	784,924.57
Capital Projects	359,055.32
Unrestricted (Deficit)	(24,062,272.83)
Total Net Position	$ 39,866,739.68

The notes to the basic financial statements are an integral part of this statement.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 32,372,626.83	$ 2,623,993.86
Support Services		
Pupil Services	1,883,710.71	-
Improvement of Instructional Services	360,621.98	-
Educational Media Services	586,418.39	-
General Administration	2,335,789.04	-
School Administration	2,825,356.01	-
Business Administration	483,686.72	-
Maintenance and Operation of Plant	3,179,307.72	-
Student Transportation Services	1,423,789.75	-
Other Support Services	14,707.89	-
Operations of Non-Instructional Services		
Enterprise Operations	608,207.44	-
Community Services	361,838.80	220,401.09
Food Services	1,946,386.14	655,996.94
Interest on Short-Term and Long-Term Debt	1,275,802.42	-
Total Governmental Activities	$ 49,658,249.84	$ 3,500,391.89
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Investment Earnings		
Miscellaneous		
City Allocation		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year (Restated)		
Net Position - End of Year		

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
$ 16,876,471.12	$ 7,444,120.23	$ (5,428,041.62)
80,080.00	14,330.29	(1,789,300.42)
311,029.74	-	(49,592.24)
575,594.00	-	(10,824.39)
744,297.88	34,032.63	(1,557,458.53)
971,235.00	46,333.64	(1,807,787.37)
-	-	(483,686.72)
1,324,429.10	781,674.04	(1,073,204.58)
137,729.61	77,220.00	(1,208,840.14)
16,587.80	-	1,879.91
-	-	(608,207.44)
-	-	(141,437.71)
1,257,565.38	239,711.69	206,887.87
-	-	(1,275,802.42)
$ 22,295,019.63	$ 8,637,422.52	(15,225,415.80)
		10,843,274.35
		3,866,701.06
		159,042.36
		2,555,943.34
		8,091,070.99
		25,516,032.10
		10,290,616.30
		29,576,123.38
		$ 39,866,739.68

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 9,774,809.76	$ -	$ -	$ 9,774,809.76
Investments	110,938.35	-	-	110,938.35
Receivables, Net				
Taxes	983,639.50	331,685.86	-	1,315,325.36
State Government	2,860,781.25	-	-	2,860,781.25
Federal Government	847,748.95	-	-	847,748.95
Local	-	845,565.15	-	845,565.15
Other	140.00	-	-	140.00
Due from Primary Government	-	35,952,335.25	-	35,952,335.25
Inventories	11,351.92	-	-	11,351.92
Prepaid Items	239,793.29	-	-	239,793.29
Total Assets	$ 14,829,203.02	$ 37,129,586.26	$ -	$ 51,958,789.28
LIABILITIES				
Cash Overdraft	$ -	$ 444,000.00	$ -	$ 444,000.00
Accounts Payable	1,439,726.31	546,441.50	-	1,986,167.81
Salaries and Benefits Payable	5,032,554.39	-	-	5,032,554.39
Payroll Withholdings Payable	123,754.44	-	-	123,754.44
Contracts Payable	-	303,405.00	-	303,405.00
Retainages Payable	-	1,167,267.00	-	1,167,267.00
Deposits and Unearned Revenue	98,031.93	-	-	98,031.93
Total Liabilities	6,694,067.07	2,461,113.50	-	9,155,180.57
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	861,099.00	-	-	861,099.00
FUND BALANCES				
Nonspendable	251,145.21	-	-	251,145.21
Restricted	317,113.50	34,668,472.76	-	34,985,586.26
Committed	1,039,097.58	-	-	1,039,097.58
Unassigned	5,666,680.66	-	-	5,666,680.66
Total Fund Balances	7,274,036.95	34,668,472.76	-	41,942,509.71
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 14,829,203.02	$ 37,129,586.26	$ -	$ 51,958,789.28

The notes to the basic financial statements are an integral part of this statement.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")		$ 41,942,509.71
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	$ 1,050,210.00	
Construction in progress	22,918,448.03	
Buildings and improvements	57,594,674.93	
Equipment	4,166,260.45	
Land improvements	1,828,826.92	
Accumulated depreciation	(16,362,569.54)	71,195,850.79
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(32,558,518.00)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		1,809,008.06
Taxes that are not available to pay for current period expenditures are deferred in the funds.		861,099.00
Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Intergovernmental agreement	$ (38,224,053.36)	
Unamortized premium	(4,382,872.14)	
Accrued interest payable	(776,284.38)	(43,383,209.88)
Net position of governmental activities (Exhibit "A")		$ 39,866,739.68

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 10,796,279.35	$ -	$ -	$ 10,796,279.35
Sales Taxes	-	3,866,701.06	-	3,866,701.06
City Allocation	8,091,070.99	-	-	8,091,070.99
State Funds	19,851,234.38	-	-	19,851,234.38
Federal Funds	3,350,059.96	-	-	3,350,059.96
Charges for Services	3,500,391.89	-	-	3,500,391.89
Investment Earnings	9,106.39	149,935.97	-	159,042.36
Miscellaneous	2,555,943.34	8,560,202.52	-	11,116,145.86
Total Revenues	48,154,086.30	12,576,839.55	-	60,730,925.85
EXPENDITURES				
Current				
Instruction	31,492,460.19	-	-	31,492,460.19
Support Services				
Pupil Services	1,926,628.93	-	-	1,926,628.93
Improvement of Instructional Services	363,356.60	-	-	363,356.60
Educational Media Services	602,625.64	-	-	602,625.64
General Administration	2,361,007.73	-	-	2,361,007.73
School Administration	2,892,006.03	-	-	2,892,006.03
Business Administration	494,978.79	-	-	494,978.79
Maintenance and Operation of Plant	3,148,670.00	-	-	3,148,670.00
Student Transportation Services	1,418,852.72	-	-	1,418,852.72
Other Support Services	14,730.05	-	-	14,730.05
Enterprise Operations	608,036.64	-	-	608,036.64
Community Services	363,431.58	-	-	363,431.58
Food Services Operation	1,900,636.45	-	-	1,900,636.45
Capital Outlay	-	12,782,163.03	-	12,782,163.03
Debt Services				
Principal	-	3,104,888.64	-	3,104,888.64
Interest	-	-	836,662.05	836,662.05
Total Expenditures	47,587,421.35	15,887,051.67	836,662.05	64,311,135.07
Revenues over (under) Expenditures	566,664.95	(3,310,212.12)	(836,662.05)	(3,580,209.22)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	836,662.05	836,662.05
Transfers Out	-	(836,662.05)	-	(836,662.05)
Total Other Financing Sources (Uses)	-	(836,662.05)	836,662.05	-
Net Change in Fund Balances	566,664.95	(4,146,874.17)	-	(3,580,209.22)
Fund Balances - Beginning (Restated)	6,707,372.00	38,815,346.93	-	45,522,718.93
Fund Balances - Ending	$ 7,274,036.95	$ 34,668,472.76	$ -	$ 41,942,509.71

The notes to the basic financial statements are an integral part of this statement.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2016

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")		$ (3,580,209.22)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	$ 12,405,293.33	
Depreciation expense	(1,423,655.54)	10,981,637.79
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	$ 46,995.00	
Intergovernmental revenues	(787,623.60)	(740,628.60)
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. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.		
Intergovernmental agreement	$ 3,104,888.64	
Costs related to the amortization of the intergovernmental agreement premium	337,144.01	3,442,032.65
Expenses recorded in the Statement of Activities related to the Defined Benefit Pension Plans do not require the use of current financial resources		
Pension expense		964,068.06
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in accrued interest		(776,284.38)
Change in net position of governmental activities (Exhibit "B")		$ 10,290,616.30

The notes to the basic financial statements are an integral part of this statement.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 24,237.54
LIABILITIES	
Funds Held for Others	$ 24,237.54

The notes to the basic financial statements are an integral part of this statement.

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NOTE 1: DESCRIPTION OF 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 board elected by the voters and a Superintendent appointed by the Board. The School District is not organized as a separate legal entity and 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, which is the primary government.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

BASIS OF PRESENTATION

The School District's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements. The government-wide statements focus on the School District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

GOVERNMENT-WIDE STATEMENTS:

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

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

1. Net investment in capital assets consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
2. Restricted net position consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of resources not meeting the definition of the two preceding categories. Unrestricted net positon often has constraints on resources imposed by management which can be removed or modified.

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

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

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

FUND FINANCIAL STATEMENTS:

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

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST III and SPLOST IV) that are restricted for capital outlay expenditures, including the acquisitions, construction or renovation of major capital facilities.
- The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

- Agency funds are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, 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 are 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 days after year-end. Property taxes, sales taxes, intergovernmental revenue, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases 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.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District did not have any items that required a reassessment of value for reporting purposes as a result of adoption of this statement.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement 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 68.* This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68*, Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of this statement does not have a significant impact on the School District’s financial statements.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants.* This statement addresses accounting and financial reporting for certain external investment pools and pool participants. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool’s participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The adoption of this statement does not have an impact on the School District’s financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (O.C.G.A.) §45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

INVESTMENTS

The School District can invest its funds as permitted by O.C.G.A. § 36-83-4. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity.

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. All other investments are reported at fair value.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

RECEIVABLES

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

INVENTORIES

Food Inventories

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

PREPAID ITEMS

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items, in both the government-wide and governmental fund financial statements.

CAPITAL ASSETS

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at acquisition value on the date donated. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. The School District does not capitalize book collections or works of art.

Capital acquisition and construction are recorded as expenditures in the governmental fund financial statements at the time of purchase (including ancillary charges), and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is computed using the straight-line for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives.

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

		Capitalization Policy	Estimated Useful Life
Land		all	N/A
Land Improvements	$	5,000.00	15 years
Buildings and Improvements	$	5,000.00	15 - 60 years
Equipment	$	5,000.00	5 - 12 years
Intangible Assets	$	5,000.00	Individually Determined

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time.

LONG-TERM LIABILITIES

In the School District's government-wide financial statements, outstanding 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 proceeds of debt and premiums are reported as other financing sources. Payments of principal and interest and issuance cost, whether or not withheld from actual proceeds, are reported as debt service expenditures.

PENSIONS

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

FUND BALANCES

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

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

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

Restricted consists of resources that can be used only for specific purposes pursuant constraints either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed consists of resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. The Board is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned consists of resources constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned consists of resources within the general fund not meeting the definition of any aforementioned category. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

USE OF ESTIMATES

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

PROPERTY TAXES

The City of Buford adopted the property tax levy for the 2015 tax digest year (calendar year) on August 3, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on November 20, 2015 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The 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, 2016, for maintenance and operations amounted to $10,218,700.85.

The tax millage rate levied for the 2015 tax year (calendar year) for the School District was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	12.90 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $577,578.50 during fiscal year ended June 30, 2016.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $3,866,701.06 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

The Superintendent is authorized by the Board to approve adjustments of no more than 5% of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board no later than the regular Board meeting following such action. If expenditure of funds in any budget function for any fund is anticipated to be more than 5% of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual in the Supplementary Information Section for a detail of any over/under expenditures during the fiscal year under review.

NOTE 4: DEPOSITS

COLLATERALIZATION OF DEPOSITS

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

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

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

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

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

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

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2016, the School District had deposits with a carrying amount of $9,465,985.65 and a bank balance of $10,702,381.59. The bank balances insured by Federal depository insurance were $8,195.672.46, and the bank balances collateralized with securities held by the pledging financial institution in the School District's name were $2,506,709.13.

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

Statement of Net Position		
Cash and cash equivalents	$	9,330,809.76
Statement of Fiduciary Net Position		
Cash and cash equivalents		24,237.54
Total cash and cash equivalents		9,355,047.30
Add:		
Deposits with original maturity of three months or more reported as investments		110,938.35
Total carrying value of deposits - June 30, 2016	$	9,465,985.65

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 1,050,210.00	$ -	$ -	$ 1,050,210.00
Construction in Progress	10,886,285.00	12,032,163.03	-	22,918,448.03
Total Capital Assets Not Being Depreciated	11,936,495.00	12,032,163.03	-	23,968,658.03
Capital Assets Being Depreciated				
Buildings and Improvements	57,540,050.00	54,624.93	-	57,594,674.93
Equipment	3,958,952.00	207,308.45	-	4,166,260.45
Land Improvements	1,717,630.00	111,196.92	-	1,828,826.92
Less Accumulated Depreciation for:				
Buildings and Improvements	11,395,993.00	994,165.91	-	12,390,158.91
Equipment	2,772,855.00	323,843.88	-	3,096,698.88
Land Improvements	770,066.00	105,645.75	-	875,711.75
Total Capital Assets, Being Depreciated, Net	48,277,718.00	(1,050,525.24)	-	47,227,192.76
Governmental Activity Capital Assets - Net	$ 60,214,213.00	$ 10,981,637.79	$ -	$ 71,195,850.79

Current year depreciation expense by function is as follows:

Instruction		$ 1,103,300.34
Support Services		
Pupil Services	$ 2,383.29	
General Administration	5,660.00	
School Administration	7,705.79	
Maintenance and Operation of Plant	130,000.96	
Student Transportation Services	134,738.47	280,488.51
Food Services		39,866.69
		$ 1,423,655.54

NOTE 6: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfers to	Transfers From Capital Projects Fund
Debt Service Fund	$ 836,662.05

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 the bonds. In fiscal year 2016, 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 7: LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance July 1, 2015 (Restated)	Additions	Deductions	Balance June 30, 2016	Due Within One Year
Intergovernmental Contracts	$ 41,328,942.00	$ -	$ 3,104,888.64	$ 38,224,053.36	$ 3,106,000.00
Unamortized Premium	4,720,016.15	-	337,144.01	4,382,872.14	337,144.01
	$ 46,048,958.15	$ -	$ 3,442,032.65	$ 42,606,925.50	$ 3,443,144.01

INTERGOVERNMENTAL CONTRACT

In fiscal year 2013, Gwinnett County Board of Education issued Series 2012A General Obligation Sales Tax Bonds, of which $17,100,000.00 was advanced to the City of Buford Board of Education. The School District used $6,997,924.00 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. The intergovernmental payable pertaining to this agreement as of June 30, 2016 is $5,174,053.36.

In fiscal year 2015, the City of Buford, on behalf of the School District, issued $33,050,000.00 in general obligation bonds, with a premium of $4,720,016.15 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, 2016, $34,472,853.44 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, 2016, 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.

The intergovernmental payable pertaining to this agreement is as follows:

Fiscal Year Ended June 30:	Principal	Interest	Unamortized Bond Premium
2017	$ -	$ 1,552,568.76	$ 337,144.01
2018	-	1,552,568.76	337,144.01
2019	11,960,000.00	1,552,568.76	337,144.01
2020	-	1,074,168.76	337,144.01
2021	-	1,074,168.76	337,144.01
2022 - 2026	10,390,000.00	4,346,006.28	1,685,720.05
2027 - 2029	10,700,000.00	1,685,250.00	1,011,432.04
Total Principal and Interest	$ 33,050,000.00	$ 12,837,300.08	$ 4,382,872.14

NOTE 8: RISK MANAGEMENT

INSURANCE

Commercial Insurance

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 carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceed commercial insurance coverage in any of the past three fiscal years.

UNEMPLOYMENT COMPENSATION

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2015	$ -	$ 5,607.00	$ 5,607.00	$ -
2016	$ -	$ -	$ -	$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 50,000.00
Assistant Superintendent	$ 50,000.00
Principals	$ 3,000.00

NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2016:

Nonspendable		
Inventories	$ 11,351.92	
Prepaid Assets	239,793.29	$ 251,145.21
Restricted		
Continuation of Federal Programs	317,113.50	
Capital Projects	33,107,263.81	
Debt Service	1,561,208.95	34,985,586.26
Committed		
School Activity Accounts		1,039,097.58
Unassigned		5,666,680.66
Fund Balance, June 30, 2016		$ 41,942,509.71

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of not less than 8.3% of expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with O.C.G.A. § 20-2-167(a)5. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

NOTE 10: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. Any disallowances resulting from the grantor audit may become a liability of the School District. However, the School District believes that such disallowances, if any, will be immaterial to its overall financial position.

LITIGATION

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to have a material adverse effect on the financial condition of the School District.

STATE OF GEORGIA INTERCEPT PROGRAM

In May 2015, the City of Buford, Georgia issued $33,050,000.00 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 and 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, 2016, no such amounts were required to be paid by the Georgia Department of Education for debt service related to the bonds.

NOTE 11: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2016:

Project	Unearned Executed Contracts (1)	Payments through June 30, 2016 (2)
Arena	$ 2,876,139.82	$ 19,902,638.78

(1) The amounts described are not reflected in the basic financial statements.
(2) Payments include Contracts and Retainages Payable at year end.

NOTE 12: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Post-Employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). Additional information about the School OPEB Fund is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This report can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012 pay approximately 25% of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2016:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

July 1, 2015 – June 30, 2016	$945.00 per member per month

For non-certificated school personnel:

July 1, 2015 – December 31, 2015	$596.20 per member per month
January 1, 2016 – June 30, 2016	$746.20 per member per month

No additional contribution was required by the Board for fiscal year 2016 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

Fiscal Year	Percentage Contributed		Required Contribution
2016	100%	$	4,647,137.22
2015	100%	$	4,428,598.00
2014	100%	$	4,199,073.00

NOTE 13: RETIREMENT PLANS

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

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description: All teachers of the School District as defined in O.C.G.A §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through the 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. The Teachers Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual School District payroll, of which 14.24% of payroll was required from the School District and 0.03% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $3,447,602.06 and $8,200.11 from the School District and the State, respectively.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

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

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

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

Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was $49,723.00.

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

At June 30, 2016, the School District reported a liability of $32,558,518.00 for its proportionate share of the net pension liability for TRS.

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

School District's proportionate share of the net pension liability	$	32,558,518.00
State of Georgia's proportionate share of the net pension liability associated with the School District		4,263.00
Total	$	32,562,781.00

The net pension liability for TRS was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 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, 2015.

At June 30, 2015, the School District's TRS proportion was 0.213863%, which was an increase of 0.006252% from its proportion measured as of June 30, 2014.

At June 30, 2016, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is $256,607.00.

The PSERS net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2015.

For the year ended June 30, 2016, the School District recognized pension expense of $2,484,723.00 for TRS and $15,303.00 for PSERS and revenue of $1,189.00 for TRS and $15,303.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 286,369.00
Net difference between projected and actual earnings on pension plan investments	-	2,746,345.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,394,120.00	-
School District contributions subsequent to the measurement date	3,447,602.06	-
Total	$ 4,841,722.06	$ 3,032,714.00

The School District contributions subsequent to the measurement date of $3,447,602.06 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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
2016	$ (981,642.00)
2017	$ (981,642.00)
2018	$ (981,644.00)
2019	$ 1,278,998.00
2020	$ 27,336.00

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System:

Inflation	3.00%
Salary increases	3.75% – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Public School Employees Retirement System:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

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

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

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 55,949,352.00	$ 32,558,518.00	$ 13,278,906.00

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS, ERS and PSERS financial report which is publically available at www.trsga.com/publications and http://www.ers.ga.gov/formspubs/formspubs.html.

NOTE 14: RESTATEMENT OF PRIOR YEAR NET POSITION

Net position in Governmental Activities and fund balance in the Capital Projects Fund as of July 1, 2015 have been restated to record the debt incurred and the proceeds received related to an intergovernmental agreement with the City of Buford for the 2015 general obligation bond issuance. These changes are in accordance with generally accepted accounting principles.

Net Position, July 1, 2015 as previously reported	$	29,956,908.72
2015 General Obligation Bond Issuance Proceeds net of Costs		37,389,230.81
Long-term Debt - Intergovernmental Agreement		(37,770,016.15)
Net Position, July 1, 2015, as restated	$	29,576,123.38
Fund Balance, July 1, 2015, as previously reported	$	1,426,116.12
2015 General Obligation Bond Issuance Proceeds net of Costs		37,389,230.81
Fund Balance, July 1, 2015, as restated	$	38,815,346.93

NOTE 15: SUBSEQUENT EVENTS

In the subsequent fiscal year, the School District approved to seek a general obligation bond issue through the City of Buford on the School District's behalf up to an amount of $30.0 million. Additionally, the School District approved a pledge of Hall County and Gwinnett County ESPLOST funds to retire general obligation bonds. The City of Buford has not issued these bonds as of the report date.

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CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	School District's proportion of the net pension liability	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	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.213863%	$ 32,558,518.00	$ 4,263.00	$ 32,562,781.00	$ 22,577,922.02	144.21%	81.44%
2015	0.207611%	$ 26,228,911.00	$ -	$ 26,228,911.00	$ 21,180,487.94	123.84%	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	School District's proportion of the net pension liability	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	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.00%	$ -	$ 256,607.00	$ 256,607.00	$ 475,587.44	N/A	87.00%
2015	0.00%	$ -	$ 188,706.00	$ 188,706.00	$ 450,853.12	N/A	88.29%

This schedule is intended to show information for 10 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 YEAR ENDED JUNE 30

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2016	$ 3,447,602.06	$ 3,447,602.06	$ -	$ 24,159,790.18	14.27%
2015	$ 2,968,998.79	$ 2,968,998.79	$ -	$ 22,577,922.02	13.15%
2014	$ 2,600,961.41	$ 2,600,961.41	$ -	$ 21,180,447.94	12.28%
2013	$ 2,335,428.43	$ 2,335,428.43	$ -	$ 20,468,257.42	11.41%
2012	$ 2,005,680.09	$ 2,005,680.09	$ -	$ 19,510,498.71	10.28%
2011	$ 1,926,521.16	$ 1,926,521.16	$ -	$ 18,740,469.23	10.28%
2010	$ 1,846,138.14	$ 1,846,138.14	$ -	$ 18,954,178.69	9.74%
2009	$ 1,795,058.37	$ 1,795,058.37	$ -	$ 19,343,275.59	9.28%
2008	$ 1,642,128.36	$ 1,642,128.36	$ -	$ 17,695,316.10	9.28%
2007	$ 1,469,420.86	$ 1,469,420.86	$ -	$ 15,834,247.76	9.28%

Teachers 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. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Public School Employees Retirement System

Changes of assumptions: The last experience investigation was prepared for the five-year period ending June 30, 2009, and based on the results of the investigation various assumptions and methods were revised and adopted by the board on December 16, 2010. The next experience investigation will be prepared for the period July 1, 2009 through June 30, 2014.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of living adjustments	1.50% semi-annually

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 18,900,000.00	$ 18,900,000.00	$ 10,796,279.35	$ (8,103,720.65)
State Funds	18,663,604.00	19,314,523.00	19,851,234.38	536,711.38
City Allocation	-	-	8,091,070.99	8,091,070.99
Federal Funds	2,632,734.00	2,678,883.00	3,350,059.96	671,176.96
Charges for Services	2,139,800.00	2,399,800.00	3,500,391.89	1,100,591.89
Investment Earnings	-	-	9,106.39	9,106.39
Miscellaneous	42,038.00	42,038.00	2,555,943.34	2,513,905.34
Total Revenues	42,378,176.00	43,335,244.00	48,154,086.30	4,818,842.30
EXPENDITURES				
Current				
Instruction	29,069,866.45	30,463,391.00	31,492,460.19	(1,029,069.19)
Support Services				
Pupil Services	1,944,489.84	1,926,501.00	1,926,628.93	(127.93)
Improvement of Instructional Services	222,188.00	316,924.00	363,356.60	(46,432.60)
Educational Media Services	637,183.68	581,539.00	602,625.64	(21,086.64)
General Administration	2,310,385.00	2,552,656.00	2,361,007.73	191,648.27
School Administration	2,943,534.00	2,814,603.00	2,892,006.03	(77,403.03)
Business Administration	443,704.00	494,983.00	494,978.79	4.21
Maintenance and Operation of Plant	3,113,508.83	3,075,150.00	3,148,670.00	(73,520.00)
Student Transportation Services	1,347,428.00	1,376,218.00	1,418,852.72	(42,634.72)
Other Support Services	-	12,654.00	14,730.05	(2,076.05)
Enterprise Operations	-	71,403.00	608,036.64	(536,633.64)
Community Services	-	355,726.00	363,431.58	(7,705.58)
Food Services Operation	1,873,975.00	1,873,975.00	1,900,636.45	(26,661.45)
Total Expenditures	43,906,262.80	45,915,723.00	47,587,421.35	(1,671,698.35)
Excess of Revenues over (under) Expenditures	(1,528,086.80)	(2,580,479.00)	566,664.95	3,147,143.95
Fund Balances - Beginning	10,217,890.42	10,218,929.37	6,707,372.00	(3,511,557.37)
Adjustments	42,897.94	(450,572.02)	-	450,572.02
Fund Balances - Ending	$ 8,732,701.56	$ 7,187,878.35	$ 7,274,036.95	$ 86,158.60

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

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are $3,162,020.17 and $2,944,455.34, respectively.

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.

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	16165GA324N1099	$ 252,960.28
National School Lunch Program	10.555	16165GA324N1099	1,567,640.24
Total U. S. Department of Agriculture			1,820,600.52
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	623,272.00
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A150010	20,994.91
English Language Acquisition Grants	84.365	S365A150010	73,202.09
Improving Teacher Quality State Grants	84.367	S367A150001	137,181.77
Title I Grants to Local Educational Agencies	84.010	S010A150010	644,166.61
Total Other Programs			875,545.38
Total U. S. Department of Education			1,498,817.38
Total Expenditures of Federal Awards			$ 3,319,417.90

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the 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.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	$ 1,371,664.00
Kindergarten Program - Early Intervention Program	76,321.00
Primary Grades (1-3) Program	3,329,296.00
Primary Grades - Early Intervention (1-3) Program	121,539.00
Upper Elementary Grades (4-5) Program	1,469,125.00
Upper Elementary Grades - Early Intervention (4-5) Program	73,214.00
Middle School (6-8) Program	2,607,119.00
High School General Education (9-12) Program	2,365,121.00
Vocational Laboratory (9-12) Program	576,086.00
Students with Disabilities	2,527,675.00
Gifted Student - Category VI	1,863,211.00
Remedial Education Program	59,356.00
Alternative Education Program	180,707.00
English Speakers of Other Languages (ESOL)	582,610.00
Media Center Program	472,354.00
20 Days Additional Instruction	137,066.00
Staff and Professional Development	78,434.00
Principal Staff and Professional Development	985.00
Indirect Cost	
Central Administration	609,161.00
School Administration	795,979.00
Facility Maintenance and Operations	1,078,326.00
Amended Formula Adjustment	(1,048,031.00)
Categorical Grants	
Pupil Transportation	
Regular	109,780.00
Nursing Services	80,080.00
Other State Programs	
Food Services	47,246.00
Math and Science Supplements	31,383.27
Pupil Transportation - State Bonds	154,440.00
Teachers Retirement	8,200.11
Vocational Education	43,064.00
Office of the State Treasurer	
Public School Employees Retirement	49,723.00
	$ 19,851,234.38

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2016

SCHEDULE "8"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3) (5)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED (4)	ESTIMATED COMPLETION DATE
Hall County SPLOST III projects: Acquiring, constructing and equipping additional classrooms and 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.	$ 3,000,000.00	$ 3,000,000.00	$ -	$ 2,615,869.00	$ 2,615,869.00	$ 384,131.00	Complete
Hall County SPLOST IV projects: 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 and instructional and support space, remodeling, renovating and equipping 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.	3,900,000.00	3,900,000.00	2,536,668.12	87,759.00	-	-	June 30, 2017
Gwinnett County SPLOST IV projects: Acquiring new sites for the construction of new schools, support facilities and athletic facilities and the expansion of existing school and support facilities; developing site for constructing and equipping new schools, support facilities; and athletic facilities; making additions to, acquiring or renovating, equipping and modernizing existing schools, support facilities and athletic facilities; 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 modernizing technology and making system-wide technology improvements.	17,100,000.00	17,341,234.88	51,758.88	17,289,476.00	-	-	June 30, 2017
	$ 24,000,000.00	$ 24,241,234.88	$ 2,588,427.00	$ 19,993,104.00	$ 2,615,869.00	$ 384,131.00	

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

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

(3) The voters of 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.

(5) The Amount Expended in Prior Years of the SPLOST IV - Gwinnett County SPLOST was restated to exclude the repayment of the bond proceeds from fiscal year 2013, as the proceeds are reported as SPLOST expenditures as expended. Additionally, the Amount Expended in Prior Years was restated to also exclude prior year expense related to retainage as this amount will be paid in the future by the City of Buford as a donation to the School District. Lastly, a portion of the $17,100,000 of SPLOST proceeds was used to pay off remaining advanced funds from the previous intergovernmental agreement and was added to the Amount Expended in Prior Years.

See notes to the basic financial statements.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2016

SCHEDULE "9"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 1,673,404.00	$ 2,031,719.65	$ 63,440.53	$ 2,095,160.18
Kindergarten Program-Early Intervention Program	92,819.00	191,702.13	45.00	191,747.13
Primary Grades (1-3) Program	4,022,730.00	4,780,762.26	110,102.78	4,890,865.04
Primary Grades-Early Intervention (1-3) Program	145,731.00	262,158.75	-	262,158.75
Upper Elementary Grades (4-5) Program	1,793,233.00	2,664,756.23	69,846.05	2,734,602.28
Upper Elementary Grades-Early Intervention (4-5) Program	85,912.00	274.53	-	274.53
Middle School (6-8) Program	3,148,579.00	3,969,085.21	145,404.67	4,114,489.88
High School General Education (9-12) Program	2,862,760.00	3,297,016.79	428,958.58	3,725,975.37
Vocational Laboratory (9-12) Program	692,312.00	615,006.54	35,132.16	650,138.70
Students with Disabilities	3,052,998.00			
Category I		399,332.87	207,266.74	606,599.61
Category III		2,575,385.81	619.49	2,576,005.30
Gifted Student - Category VI	2,174,509.00	1,160,310.74	1,238.51	1,161,549.25
Remedial Education Program	96,926.00	192,578.53	-	192,578.53
Alternative Education Program	219,781.00	-	21,897.03	21,897.03
English Speakers of Other Languages (ESOL)	702,361.00	698,873.92	532.25	699,406.17
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	20,764,055.00	22,838,963.96	1,084,483.79	23,923,447.75
Media Center Program	571,503.00	553,050.51	28,112.98	581,163.49
Staff and Professional Development	95,871.00	24,713.05	64,087.78	88,800.83
TOTAL QBE FORMULA FUNDS	$ 21,431,429.00	$ 23,416,727.52	$ 1,176,684.55	$ 24,593,412.07

(1) Comprised of State Funds plus Local Five Mill Share.

(2) Allotments do not include the impact of the State amended formula adjustment.

See notes to the basic financial statements.

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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

August 25, 2017

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

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*

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Buford Board of Education (School District) as of and for the year ended June 30, 2016, 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 August 25, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a

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material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2016-001 and FS 2016-002, to be material weaknesses.

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 is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item FS 2016-002.

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

August 25, 2017

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

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited City of Buford Board of Education's (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, 2016. 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.

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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.

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, 2016.

Report on Internal Control over Compliance

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

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, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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 to track the activity. 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.

Estimated corrective action date December 31, 2017

FS-2015-002 Segregation of Duties

Control Category: Cash and Cash Equivalents
Revenues/Receivables/Receipts
Expenditures/Liabilities/Disbursements
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Further Action Not Warranted

Findings/internal control deficiencies of this nature, that are not deemed significant deficiencies or material weaknesses and do not require reporting in the audit report in accordance with *Statements on Auditing Standards* (SAS) 122 or *Governmental Auditing Standards* (Yellow Book), will be communicated in a management letter.

FS-2015-003 Collateralization of Deposits

Control Category: Cash and Cash Equivalents
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance

Finding Status: Further Action Not Warranted

Findings/internal control deficiencies of this nature, that are not deemed significant deficiencies or material weaknesses and do not require reporting in the audit report in accordance with *Statements on Auditing Standards* (SAS) 122 or *Governmental Auditing Standards* (Yellow Book), will be communicated in a management letter.

CITY OF BUFORD BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-2015-004 Revenues and Related Balance Sheet Accounts

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

Finding Status: Unresolved

The School District will carefully review all transactions to ensure that transactions are recorded in accordance with GAAP. We are currently implementing controls to ensure the general ledger properly reflects all transactions in accordance with GAAP.

Estimated corrective action date December 31, 2017

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, 2016

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 2016-001 Controls over Financial Reporting
Control Category: Financial Reporting
Internal Control Impact: Material Weakness
Compliance Impact: None

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 22A *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 presented for audit:

- The intergovernmental agreement entered into with the City of Buford during fiscal year 2015 was not recorded resulting in beginning fund balance and due from the primary government each being understated by $37,389,230.81 for the capital projects fund. Beginning net position was overstated by $380,785.34, long-term liabilities were understated by $37,770,016.15 and due from the primary government was understated by $37,389,230.81 on the Government-wide Financial Statements as a result of this omission. Material corrections were proposed by the auditors and accepted by the School District to restate beginning net position, restate beginning fund balance and record this intergovernmental agreement including the proceeds and the related long-term debt.

- Current year activity related to the City of Buford intergovernmental agreement including transfers to the City of Buford of $750,000.00 and interest payments of $836,662.05 were not recorded in the Government-wide Financial Statements or in the Governmental Fund Financial Statements. Additionally, interest payable of $776,284.38 and the amortization of the premium of $337,144.01 were not recorded on the Government-wide Financial Statements. Significant and material corrections were proposed by the auditors and accepted by the School District to record this current year activity.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Principal payments made on the Intergovernmental Agreement with the Gwinnett County Board of Education were not recorded resulting in an understatement of debt service payments of $3,104,888.64, an understatement of accounts payable of $15,837.58 and an overstatement of accounts receivable of $3,089,051.06 for the capital projects fund. Additionally, the School District overstated revenue, accounts receivable and liabilities by $2,899,527.72, $3,089,051.06 and $189,523.34 respectively when recording this long-term debt retirement on the Government-wide Financial Statements. Corrections were proposed by the auditor and accepted by the School District for these material misstatements.

- Non-depreciable capital assets were overstated by $2,050,083.61 on the Government-wide Financial Statements due to various errors and omissions. The School District capitalized land of $3,450,749.57, which had not been deeded to the School District by the City of Buford. In addition, construction in progress was understated by $1,400,665.96. Corrections were proposed by the auditor and accepted by the School District for these material and significant misstatements.

- Employee contributions for teacher retirement of $1,447,251.87 were reported as a deferred outflow of resources rather than expenses on the Government-wide Financial Statements. A correction was proposed by the auditor and accepted by the School District for this significant misstatement.

- Beginning net position, as shown on the Government-wide Financial Statements presented for audit did not tie to the prior year ending net position per audit. Beginning net position was understated by $1,514,021.57. Revenues and Expenses were overstated by $1,601,727.60 and $87,706.03, respectively. Corrections were proposed by the auditor and accepted by the School District for this material misstatement.

- Current year receipts for allocations from the City of Buford that were accrued by the School District in the prior year were recorded as revenue again rather than as reductions of accounts receivable. Accounts receivable and revenue were each overstated by $3,060,985.35 on both the Government-wide Financial Statements and in the general fund. Corrections were proposed by the auditor and accepted by the School District for these material misstatements.

- The School District overstated accounts receivable and revenue from the City of Buford by $444,000.00 in 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 and significant misstatements.

- Numerous other material and 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.

Cause:

In discussing this deficiency with the School District, they stated that the cause was a direct result of the lack of time to train Board personnel to prepare the financial statements and note disclosures.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

Recommendation:
As part of internal controls over the preparation of financial statements, including disclosures, management should implement comprehensive preparation and review procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the School District's activities and operations.

Views of Responsible Officials:
We concur with this finding.

FS 2016-002	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:	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, 2016, the School District collected revenues from two different SPLOST referendums, SPLOST III and SPLOST IV, as well as from two different jurisdictions, Hall and Gwinnett Counties. 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 on this spreadsheet 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 utilize the general ledger system to record SPLOST activity, rather than a spreadsheet.

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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CITY OF BUFORD BOARD OF EDUCATION – GWINNETT COUNTY
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2016

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2016-001	Controls Over Financial Reporting
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None

The School District did not have adequate controls in place to ensure all required activity was correctly included in the financial statement information presented for audit.

Corrective Action Plans:
We concur with this finding. The Board 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 district's financial positions is material presented for the audit.

Estimated Completion Date: June 30, 2017

Contact Person: Angela Adams, Director of Finance
Telephone: (770) 945-5035
Fax: (770) 945-4629
E-mail: angela.adams@bufordcityschools.org

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

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

Corrective Action Plans:
We concur with this finding. The Board 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. The administrative staff will continue to communicate with City personnel to ensure all activity is captured in the correct financial period. The finance department will utilize the general ledger process to capture all financial activity. 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 Completion Date: June 30, 2017

Contact Person: Angela Adams, Director of Finance
Telephone: (770) 945--5035
Fax: (770) 945-4629
E-mail: angela.adams@bufordcityschools.org

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

No matters were reported.