BUTTS COUNTY
BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

BUTTS COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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Greg S. Griffin
STATE AUDITOR
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May 31, 2017

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Butts County 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 Butts County 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 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.

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, Schedules 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 vii , and pages 33 through 39 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 8 through 10, is presented for the purposes of 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

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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 May 31, 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

BUTTS COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The discussion and analysis of the Butts County Board of Education's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. 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 fiscal year 2016 are as follows:

- ✓ The School District's financial status remained stable during fiscal year 2016. In total, net position increased $4,348,750, which represents an increase from fiscal year 2015. This total increase was due to governmental activities since the School District has no business-type activities.

- ✓ General revenues accounted for $15.5 million or 42.3 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $21.2 million or 57.7 percent of total revenues. Total revenues were $36.7 million.

- ✓ The School District had $32.4 million in expenses related to governmental activities; these expenses were offset by $21.2 million in program specific charges for services, grants or contributions. General revenues and taxes of $15.5 million also provided for these programs.

- ✓ Among major funds, the General Fund had $32.8 million in revenues and $31.5 million in expenditures. The General Fund's fund balance increased from $7.8 million to $9.1 million.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Butts County Board of Education as a financial whole, or as an entire operating entity.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds, if any, presented in total in one column. In the case of the Butts County Board of Education, the general fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and *Statement of Activities*

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in those assets. This change in net position is important because it tells the reader whether, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's 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, after school program, school activity accounts and various others.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Capital Projects Fund and the Debt Service Fund.

Governmental Funds All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* 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 you 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* is reconciled in 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 school activity 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.

The School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2016, compared to fiscal year 2015.

Table 1
Net Position

	2016	2015
Current and other assets	**$ 16,098,907**	$ 17,418,804
Capital assets	**61,269,651**	59,225,434
Total assets	**77,368,558**	76,644,238
Deferred outflows of resources - pensions	**2,385,906**	2,198,377
Long-term liabilities outstanding	**27,028,508**	24,824,861
Other liabilities	**3,524,815**	4,403,366
Total liabilities	**30,553,323**	29,228,227
Deferred inflows of resources - pensions	**3,417,390**	8,179,387
Net position:		
Net investment in capital assets	**58,018,390**	54,387,378
Restricted	**3,705,635**	5,165,001
Unrestricted	**(15,940,274)**	(18,117,378)
Total net position	**$ 45,783,751**	$ 41,435,001

Table 2 shows the changes in net position for fiscal year 2016 compared to fiscal year 2015. The total net position increased $4,348,750, for fiscal year 2016, compared to a $5,089,864 increase for fiscal year 2015. The increase in net position was due to revenues exceeding expenses because of conservative budgeting and spending.

Table 2
Changes in Net Position

	2016	2015
Revenues		
Program revenues:		
Charges for services	**$ 519,191**	$ 576,198
Operating grants and contributions	**20,199,715**	18,990,530
Capital grants and contributions	**461,835**	1,566,776
General revenues:		
Property taxes		
For maintenance and operations	**10,735,520**	10,831,504
Sales taxes	**3,620,182**	4,005,309
Other taxes	**172,436**	138,936
Grant and contributions not restricted to specific programs	**421,320**	477,840
Investment income	**12,677**	15,167
Miscellaneous	**582,108**	392,258
Total revenues	**36,724,984**	36,994,518
Expenses		
Instruction	**19,756,905**	19,415,164
Support services		
Pupil services	**1,733,552**	1,558,141
Improvement of instructional services	**1,295,044**	1,293,671
Educational media services	**332,983**	400,005
General administration	**778,916**	929,156
School administration	**1,866,297**	1,807,012
Business administration	**293,765**	274,233
Maintenance and operations	**1,911,149**	1,921,795
Student transportation	**1,852,099**	1,867,345
Central support services	**148,992**	154,021
Other support services	**98,846**	91,000
Operations of noninstructional services		
School nutrition	**2,254,058**	2,094,198
Enterprise operations	**40,538**	43,489
Interest on long-term debt	**13,090**	55,424
Total expenses	**32,376,234**	31,904,654
Increase in net position	**4,348,750**	5,089,864
Net position, beginning of year, as restated	**41,435,001**	36,345,137
Net position, end of year	**$ 45,783,751**	$ 41,435,001

Governmental Activities

Instruction comprises 61.0 percent of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. Comparative data from fiscal year 2015 is also presented.

Table 3
Governmental Activities

	Total Cost of Services		**Net Cost of Services**	
	Fiscal Year 2016	Fiscal Year 2015	**Fiscal Year 2016**	Fiscal Year 2015
Instruction	**$ 19,756,905**	$ 19,415,164	**$ (5,315,794)**	$ (4,743,424)
Support services				
Pupil services	**1,733,552**	1,558,141	**(1,473,381)**	(1,275,311)
Improvement of instructional services	**1,295,044**	1,293,671	**(599,838)**	(451,232)
Educational media services	**332,983**	400,005	**85,630**	18,052
General administration	**778,916**	929,156	**(187,973)**	(362,066)
School administration	**1,866,297**	1,807,012	**(1,001,613)**	(959,697)
Business services	**293,765**	274,233	**(293,765)**	(274,233)
Maintenance and operations	**1,911,149**	1,921,795	**(906,576)**	(891,651)
Student transportation	**1,852,099**	1,867,345	**(1,334,433)**	(1,361,829)
Central support services	**148,992**	154,021	**(145,319)**	(150,213)
Other support services	**98,846**	91,000	**(89,229)**	(75,111)
School nutrition	**2,254,058**	2,094,198	**120,426**	(145,522)
Enterprise operations	**40,538**	43,489	**(40,538)**	(43,489)
Interest on long-term debt	**13,090**	55,424	**(13,090)**	(55,424)
Total expenses	**$ 32,376,234**	$ 31,904,654	**$ (11,195,493)**	$ (10,771,150)

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Over 26.9 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 34.6 percent.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of $38.4 million and expenditures and other financing uses of $38.8 million. There was a decrease in fund balance of approximately $1.7 million in the Capital Projects Fund and the fund balance of the General Fund had an increase of approximately $1.2 million due to expenditures for the year being more than the revenue. This is a result of zero based budgeting and years of conservative spending.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund.

The School District uses function-based budgeting. The budgeting systems are designed to tightly control total function budgets but provide flexibility for site management.

For the General Fund, budgeted revenues increased from $31.57 million to $31.88 million while budgeted expenditures decreased from $33.31 million to $33.04 million. Budgeted revenues increased due to the tenacious tax collecting efforts of the Butts County Tax Commissioner which is reflected in the actual revenues being over the budgeted amounts by $0.5 million. Budgeted expenditures decreased due to conservative spending efforts. Additionally, School Activity Accounts were not budgeted.

The School District is compliant with the state's 65% rule for Minimum Direct Classroom Expenditures through its graduation. The State's graduation rate is 79.4%. The School District's graduation rate is 80.7%.

Capital Assets

At the end of fiscal year 2016, the School District had $61.27 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2016. Capital asset comparisons to fiscal year 2015 are also included.

Table 4
Capital Assets (Net of Depreciation*)*

	Fiscal Year 2016	Fiscal Year 2015
Land	**$ 1,972,342**	$ 1,972,342
Construction in progress	**-**	1,707,251
Land improvements	**407,803**	436,236
Buildings and improvements	**57,985,587**	54,090,064
Equipment	**903,919**	1,019,541
Total	**$ 61,269,651**	$ 59,225,434

Capital assets increased due to the School District spending SPLOST proceeds on buildings and improvements, particularly Jackson High School.

Debt

Long-Term Liabilities

At fiscal year ended June 30, 2016, the School District had $27.03 million in long-term liabilities outstanding. Table 5 summarizes the School District's liabilities as compared to the prior fiscal year.

Table 5
Long-term Liabilities

	Balance July 1, 2015	Additions	Reductions	**Balance June 30, 2016**	Due Within One Year
Governmental activities:					
General Obligation Bonds	$ 4,650,000	$ -	$ (1,500,000)	**$ 3,150,000**	$ 1,550,000
Bond Premium	188,056	-	(86,795)	**101,261**	86,795
Net Pension Liability	19,986,805	6,199,244	(2,408,802)	**23,777,247**	-
Governmental activities Long-term liabilities	$ 24,824,861	$ 6,199,244	$ (3,995,597)	**$ 27,028,508**	$ 1,636,795

Current Issues

The Butts County Board of Education's current operating millage rate is 18.064 mills. Management and the Board of Education hope to hold this level for a few years as to not place a hardship on the property owners in Butts County.

SPLOST revenues will be used to service debt for the 2012 bonds.

The Butts County Board of Education is currently working on a list of projects to include in a new referendum for the continued collection of the penny sales tax for capital expenditures.

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 information, contact Jennifer Lucier, Coordinator of Finance, 181 N. Mulberry Street, Jackson, Georgia, 30233. You may also email your questions to lucierj@bcssk12.org.

BUTTS COUNTY BOARD OF EDUCATION

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BUTTS COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 12,554,864
Investments	5,760
Receivables:	
Taxes	880,250
Intergovernmental:	
State	2,132,456
Federal	448,002
Other	35,815
Inventory	41,500
Prepaid items	260
Capital assets (nondepreciable)	1,972,342
Capital assets (net of accumulated depreciation)	59,297,309
Total assets	77,368,558
DEFERRED OUTFLOWS	
Related to defined benefit pension plans	2,385,906
LIABILITIES	
Accounts payable	107,826
Salaries and benefits payable	3,386,322
Accrued interest payable	30,667
Bonds payable due within one year	1,636,795
Bonds payable due in more than one year	1,614,466
Net pension liability	23,777,247
Total liabilities	30,553,323
DEFERRED INFLOWS	
Related to defined benefit pension plans	3,417,390
NET POSITION	
Net investment in capital assets	58,018,390
Restricted for:	
Continuation of federal programs	512,762
Capital projects	1,627,540
Debt service	1,565,333
Unrestricted (deficit)	(15,940,274)
Total net position	$ 45,783,751

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

BUTTS COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 19,756,905	$ 334,296	$ 13,722,200	$ 384,615	$ (5,315,794)
Support services:					
Pupil services	1,733,552	123,831	136,340	-	(1,473,381)
Improvement of instructional services	1,295,044	-	695,206	-	(599,838)
Educational media services	332,983	-	418,613	-	85,630
General administration	778,916	-	590,943	-	(187,973)
School administration	1,866,297	-	864,684	-	(1,001,613)
Business administration	293,765	-	-	-	(293,765)
Maintenance and operation of plant	1,911,149	-	1,004,573	-	(906,576)
Student transportation services	1,852,099	-	440,446	77,220	(1,334,433)
Central support services	148,992	-	3,673	-	(145,319)
Other support services	98,846	-	9,617	-	(89,229)
Enterprise operations	40,538	-	-	-	(40,538)
Food service operations	2,254,058	61,064	2,313,420	-	120,426
Interest on long-term debt	13,090	-	-	-	(13,090)
Total governmental activities	$ 32,376,234	$ 519,191	$ 20,199,715	$ 461,835	(11,195,493)
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations					10,735,520
Sales taxes, levied for capital projects					3,620,182
Intangible taxes					114,548
Transfer taxes					38,204
Railroad equipment tax					19,684
Grants and contributions not restricted to specific programs					421,320
Unrestricted investment earnings					12,677
Miscellaneous					582,108
Total general revenues					15,544,243
Change in net position					4,348,750
Net position, beginning of year					41,435,001
Net position, end of year					$ 45,783,751

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

BUTTS COUNTY BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

ASSETS	General	Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	$ 9,676,492	$ 2,878,372	$ -	$ 12,554,864
Investments	5,760	-	-	5,760
Receivables:				
Taxes	545,675	334,575	-	880,250
Intergovernmental:				
State	2,132,456	-	-	2,132,456
Federal	448,002	-	-	448,002
Other	35,815	-	-	35,815
Prepaid items	260	-	-	260
Inventory	41,500	-	-	41,500
Total assets	$ 12,885,960	$ 3,212,947	$ -	$ 16,098,907
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 87,752	$ 20,074	$ -	$ 107,826
Salaries and benefits payable	3,386,322	-	-	3,386,322
Total liabilities	3,474,074	20,074	-	3,494,148
DEFERRED INFLOWS				
Unavailable revenue - property taxes	334,941	-	-	334,941
FUND BALANCES				
Nonspendable:				
Inventory	41,500	-	-	41,500
Prepaid items	260	-	-	260
Restricted for:				
Federal programs	471,262	-	-	471,262
Debt service	-	1,568,500	-	1,568,500
Capital projects	-	1,624,373	-	1,624,373
Assigned for:				
Student activities	171,968	-	-	171,968
Subsequent year's budget	508,005	-	-	508,005
Unassigned	7,883,950	-	-	7,883,950
Total fund balances	9,076,945	3,192,873	-	12,269,818
Total liabilities, deferred inflows, and fund balances	$ 12,885,960	$ 3,212,947	$ -	

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 are not reported in the funds.			
	Cost	$ 83,543,414	
	Less accumulated depreciation	(22,273,763)	61,269,651
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.			
	Property taxes		334,941
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds	$ (3,150,000)	
	Bond premium	(101,261)	
	Accrued interest	(30,667)	
	Pensions - deferred outflows	2,385,906	
	Pension - deferred inflows	(3,417,390)	
	Net pension liability	(23,777,247)	(28,090,659)
Net position of governmental activities			$ 45,783,751

BUTTS COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	$ 10,752,343	$ -	$ -	$ 10,752,343
Sales taxes	152,752	3,620,182	-	3,772,934
Other taxes	19,684	-	-	19,684
State funds	16,700,000	384,615	-	17,084,615
Federal funds	4,049,756	-	-	4,049,756
Charges for services	519,191	-	-	519,191
Investment earnings	10,846	1,831	-	12,677
Miscellaneous	582,108	-	-	582,108
Total revenues	32,786,680	4,006,628	-	36,793,308
EXPENDITURES				
Current:				
Instruction	18,907,096	61,487	-	18,968,583
Support services:				
Pupil services	1,715,316	82,823	-	1,798,139
Improvement of instructional services	1,323,313	16,171	-	1,339,484
Educational media services	353,591	-	-	353,591
General administration	965,629	13,263	-	978,892
School administration	1,944,757	-	-	1,944,757
Business administration	306,429	-	-	306,429
Maintenance and operation of plant	1,771,383	146,540	-	1,917,923
Student transportation services	1,786,043	30,337	-	1,816,380
Central support services	159,422	-	-	159,422
Other support services	98,939	-	-	98,939
Enterprise operations	40,538	-	-	40,538
Food services operations	2,174,018	-	-	2,174,018
Capital outlay	-	3,720,851	-	3,720,851
Debt service:				
Principal retirement	-	-	1,500,000	1,500,000
Interest and fees	-	-	114,885	114,885
Total expenditures	31,546,474	4,071,472	1,614,885	37,232,831
Excess (deficiency) of revenues over (under) expenditures	1,240,206	(64,844)	(1,614,885)	(439,523)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,614,885	1,614,885
Transfers out	-	(1,614,885)	-	(1,614,885)
Total other financing sources (uses)	-	(1,614,885)	1,614,885	-
Net change in fund balances	1,240,206	(1,679,729)	-	(439,523)
FUND BALANCE, beginning of year	7,836,739	4,872,602	-	12,709,341
FUND BALANCE, end of year	$ 9,076,945	$ 3,192,873	$ -	$ 12,269,818

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

BUTTS COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Net change in fund balances - total governmental funds		$ (439,523)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which capital outlay exceeded depreciation is to increase net position.		
Capital outlay	$ 3,797,282	
Depreciation expense	(1,686,988)	2,110,294
Net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations, etc.) is to decrease net position.		(66,077)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(16,823)
Issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments - bonds	$ 1,500,000	
Bond premium amortization	86,795	
Adjustment to record pension expense and related revenue for pension special funding situation, net of fund level amounts	(51,501)	
Change in net pension liability and deferred inflows and outflows related to pension activity	1,210,585	2,745,879
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest		15,000
		$ 4,348,750

BUTTS COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Fund
ASSETS	
Cash	$ 132,045
LIABILITIES	
Funds held for others	$ 132,045

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

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 of the Butts County Board of Education. 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Statements (Continued)

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 statements for are presented for governmental and fiduciary funds. The emphasis of fund financial statements is on major governmental funds, with 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 of the School District, except those resources required to be accounted for in another fund.

- The *Capital Projects Fund* accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), and grants from the Georgia State Financing and Investment Commission, that are restricted, committed, or assigned to the expenditure for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.

- 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The government-wide governmental and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus; however, they use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the *current financial resources measurement focus* and *the modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes 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, if any, 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 resources are 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.

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally, teachers are contracted for the school year (July 1 – June 30) and paid over a 12-month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School District over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

New Accounting Pronouncements

In fiscal year 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

Composition of Deposits - 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Composition of 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.

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

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.

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.

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 in 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 (first-in, first-out). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

Prepaid Items

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Construction in Progress	All	N/A
Land Improvements	$ 5,000	20 Years
Buildings and Improvements	5,000	25 to 70 Years
Equipment	5,000	8 to 15 Years
Computers and Software	5,000	5 Years
Intangible Assets	5,000	10 to 20 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or governmental funds balance sheet 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 net position and/or governmental funds balance sheet 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Liabilities and Bond Discounts/Premiums

In the School District's government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the straight-line method. To conform to generally accepted accounting principles, bond premiums and discounts 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. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the governmental fund financial statements, the School District recognizes the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs 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 – Amounts that are not in spendable form (e.g., inventory and prepaid items) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

Restricted – Constraints placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for the specific purposes determined by a formal action of the Board of Education. The Board of Education 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Assigned – Amounts that are 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 of Education or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned – Amounts within the General Fund not meeting the definition of any aforementioned category. The General Fund is the only fund that reports positive unassigned fund balance. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

The fund balance of the School District's General Fund has been accumulated to meet the purpose of providing stability and flexibility to respond to unexpected adversity and/or opportunities. The School District's basic goal is to maintain annual expenditure increases necessary to provide a consistent educational environment satisfactory to its citizens and to limit expenditures to anticipate revenue in order to maintain a balanced budget.

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.

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 Butts County Board of Commissioners adopted the property tax levy for the 2015 tax digest year (calendar year) on July 6, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on December 3, 2015 (lien date) and could be paid in two installments on September 24, 2015 and December 3, 2015. 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 Butts County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District.

Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations amounted to $10,037,881.

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

School Operations	18.898 mills

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $714,462 during the 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 $3,620,182 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 reauthorized 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, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund and function. 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, as well as the School District's website. 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 Official Code of Georgia Annotated section 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.

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 – Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than 10 days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1), the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent 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 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 $12,692,669, which includes $5,760 in a Certificate of Deposit that is reported as Investments and bank balances of $14,064,239. The bank balances insured by Federal depository insurance were $2,494,721.

The amounts exposed to custodial credit risk are classified into three categories as follows:

Category 1 - Uncollateralized,
Category 2 - Cash collateralized with securities held by the pledging financial institution, or
Category 3 - Cash collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

Note 4: DEPOSITS (CONTINUED)

The School District's deposits by custodial credit risk category at June 30, 2016, are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ -
2	151,282
3	11,418,236
	$ 11,569,518

Categorization of Investments

At June 30, 2016, the School District had the following investments:

Investment	Maturities	Fair Value
Certificate of deposit	July 27, 2016	$ 5,760

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk.

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their federally assigned value. **See Note 2 – Inventories.**

Note 6: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,972,342	$ -	$ -	$ -	$ 1,972,342
Construction in progress	1,707,251	3,412,558	-	(5,119,809)	-
Total	3,679,593	3,412,558	-	(5,119,809)	1,972,342
Capital assets, being depreciated:					
Buildings and improvements	69,864,109	252,973	(69,698)	5,119,809	75,167,193
Equipment	5,209,787	121,870	(97,302)	-	5,234,355
Land improvements	1,159,643	9,881	-	-	1,169,524
Total	76,233,539	384,724	(167,000)	5,119,809	81,571,072
Less accumulated depreciation for:					
Buildings and improvements	(15,774,045)	(1,411,182)	3,621	-	(17,181,606)
Equipment	(4,190,246)	(237,492)	97,302	-	(4,330,436)
Land improvements	(723,407)	(38,314)	-	-	(761,721)
Total	(20,687,698)	(1,686,988)	100,923	-	(22,273,763)
Total capital assets, being depreciated, net	55,545,841	(1,302,264)	(66,077)	5,119,809	59,297,309
Governmental activities capital assets, net	$ 59,225,434	$ 2,110,294	$ (66,077)	$ -	$ 61,269,651

Current year depreciation expense by function is as follows:

Instruction		$ 1,372,588
Support Services		
General Administration	$ 16,709	
School Administration	14,104	
Maintenance and Operations	21,960	
Student Transportation	155,533	208,306
Food Services		106,094
Total Depreciation Expense		$ 1,686,988

Note 7: INTERFUND TRANSFERS

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

Transfers To	Transfers From Capital Projects
Debt Service Fund	$ 1,614,885

Transfers are used to move sales tax revenues collected by the Capital Projects Fund to the Debt Service Fund for payment of bond.

Note 8: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; acts of God and unemployment compensation.

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

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.

Note 8: RISK MANAGEMENT (CONTINUED)

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
2016	**$ 1,710**	**$ 855**	**$ (2,565)**	**$ -**
2015	$ 1,000	$ 1,710	$ (1,000)	$ 1,710

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of $550,000 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of $550,000 loss per occurrence, up to $2 million. In addition to the $550,000 per occurrence retention, the Fund also retains an additional $150,000 per year corridor retention.

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

Position Covered	Amount
Superintendent	$ 100,000

Note 9: LONG–TERM LIABILITIES

Changes in Long-Term Liabilities

The changes in long-term debt during the fiscal year ended June 30, 2016, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General Obligation Bonds	$ 4,650,000	$ -	$ (1,500,000)	$ 3,150,000	$ 1,550,000
Bond Premiums Amortized	188,056	-	(86,795)	101,261	86,795
Net Pension Liability	19,986,805	6,199,244	(2,408,802)	23,777,247	-
Total	$ 24,824,861	$ 6,199,244	$ (3,995,597)	$ 27,028,508	$ 1,636,795

Note 9: LONG–TERM LIABILITIES (CONTINUED)

General Obligation Bonds Outstanding

The School District's bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The School District repays general obligation bonds from voter-approved property taxes and sales taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2012	2.0% - 4.0%	$ 3,150,000

Scheduled Maturities of Long-Term Liabilities

The following schedule details debt service requirements to maturity for the School District's total general obligation bonds payable:

Fiscal Year	General Obligation Bonds		
Ended June 30	Principal	Interest	Premium
2017	$ 1,550,000	$ 62,000	$ 86,795
2018	1,600,000	16,000	14,466
Total Principal and Interest	$ 3,150,000	$ 78,000	$ 101,261

Note 10: SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. 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.

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.

Note 11: OTHER 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 Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (OCGA) 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.

Note 11: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

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 30 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:

Period	Contribution Rate
July 2015 - June 2016	$945.00 per member per month

For non-certificated school personnel:

Period	Contribution Rate
July 2015 - December 2015	$596.20 per member per month
January 2016 - June 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.

Currently the State is requiring that local Boards of Education pay only on active employees. The School District's contribution to the health insurance plans for the fiscal years ended June 30, 2016, 2015 and 2014 was $3,244,872, $3,122,185, and $3,041,077, respectively, which equaled the required contribution.

Note 12: 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 §47-3-60 of the Official Code of Georgia Annotated (O.C.G.A.) and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. 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. Eligibility for disability and death benefits requires 10 years of service. 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%. For the current fiscal year, employer contributions to the pension plan were $2,351,111 and $36,678 from the School District and the State, respectively.

Employees Retirement System

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

Note 12: RETIREMENT PLANS (CONTINUED)

Employees Retirement System (Continued)

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

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

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions: Member contributions under the Old Plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the New Plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for Old and New Plan members and 21.69% for GSEPS members. 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. Employer contributions to the pension plan were $25,624 for the current fiscal year.

Note 12: RETIREMENT PLANS (CONTINUED)

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 10 years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of 10 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 $84,147.

Note 12: RETIREMENT PLANS (CONTINUED)

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

At June 30, 2016, the School District reported a liability of $23,777,247 for its proportionate share of the Net Pension Liability for TRS ($23,593,557) and ERS ($183,690).

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	$ 23,593,557
State of Georgia's proportionate share of the net pension liability associated with the School District	368,421
Total	$ 23,961,978

The net pension liability for TRS and ERS 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 and ERS during the fiscal year ended June 30, 2015.

At June 30, 2015, the School District's TRS proportion was 0.154976%, which was a decrease of 0.001768% from its proportion measured as of June 30, 2014. At June 30, 2015, the School District's ERS proportion was 0.004534%, which was a decrease of 0.000379% 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 $325,961.

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.

Note 12: RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2016, the School District recognized pension expense of $1,249,708 for TRS, $17,829 for ERS, and $19,438 for PSERS and revenue of $49,886 for TRS and $19,438 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	$ -	$ 207,518
Net difference between projected and actual earnings on pension plan investments	-	1,990,141
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,194,399
School District contributions subsequent to the measurement date	2,351,111	-
Total	$ 2,351,111	$ 3,392,058

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,468
Net difference between projected and actual earnings on pension plan investments	-	13,254
Changes in proportion and differences between School District contributions and proportionate share of contributions	9,171	10,610
School District contributions subsequent to the measurement date	25,624	-
Total	$ 34,795	$ 25,332

Note 12: RETIREMENT PLANS (CONTINUED)

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

School District contributions subsequent to the measurement date of June 30, 2015 for TRS and ERS 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:

Fiscal Year Ended June 30	TRS	Fiscal Year Ended June 30	ERS
2017	$ (1,311,214)	2017	$ (4,789)
2018	(1,311,214)	2018	(9,933)
2019	(1,311,216)	2019	(5,907)
2020	563,055	2020	4,468
2021	(21,469)	2021	-

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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Employees Retirement System

Inflation	3.00%
Salary increases	5.45 – 9.25%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Note 12: RETIREMENT PLANS (CONTINUED)

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

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

The actuarial assumptions used in the June 30, 2014 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	3.0%
Salary increase	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, 2014 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

Note 12: RETIREMENT PLANS (CONTINUED)

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

Discount Rate: The discount rate used to measure the total TRS, ERS, 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, ERS, and PSERS pension plans' 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	$ 40,543,744	$ 23,593,557	$ 9,622,570

	Employees 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	$ 260,388	$ 183,690	$ 118,303

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 publicly available at www.trsga.com/publications and http://www.ers.ga.gov/formspubs/formspubs.html.

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BUTTS COUNTY BOARD OF EDUCATION

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

	2015	**2016**
School District's proportion of the net pension liability	0.156744%	**0.154976%**
School District's proportionate share of the net pension liability	$ 19,802,537	**$ 23,593,557**
State of Georgia's proportionate share of the net pension liability associated with the School District	290,954	**368,421**
	$ 20,093,491	**$ 23,961,978**
School District's covered-employee payroll	$ 15,990,961	**$ 16,358,608**
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	123.84%	**144.23%**
Plan fiduciary net position as a percentage of the total pension liability	84.03%	**81.44%**

Note: The measurement date for the year ended June 30, 2016 is June 30, 2015.

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

BUTTS COUNTY BOARD OF EDUCATION

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

	2015	**2016**
School District's proportion of the net pension liability	0.004913%	**0.004534%**
School District's proportionate share of the net pension liability	$ 184,268	**$ 183,690**
School District's covered-employee payroll	$ 110,628	**$ 103,657**
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	166.56%	**177.21%**
Plan fiduciary net position as a percentage of the total pension liability	77.99%	**76.20%**

Note: The measurement date for the year ended June 30, 2016 is June 30, 2015.

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	2015	**2016**
School District's proportion of the net pension liability	0.000000%	**0.000000%**
School District's proportionate share of the net pension liability	$ -	**$ -**
State of Georgia's proportionate share of the net pension liability associated with the School District	293,542	**325,961**
	$ 293,542	**$ 325,961**
School District's covered-employee payroll	$ 969,014	**$ 979,201**
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	**0.00%**
Plan fiduciary net position as a percentage of the total pension liability	88.29%	**87.00%**

Note: The measurement date for the year ended June 30, 2016 is June 30, 2015.

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

BUTTS COUNTY BOARD OF EDUCATION

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

	2015	**2016**
Contractually required contribution	$ 2,151,157	**$ 2,351,111**
Contributions in relation to the contractually required contribution	$ 2,151,157	**$ 2,351,111**
Contribution deficiency (excess)	$ -	**$ -**
School District's covered-employee payroll	$ 16,358,608	**$ 16,734,255**
Contributions as a percentage of covered-employee payroll	13.15%	**14.05%**

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

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF CONTRIBUTIONS
EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	2015	**2016**
Contractually required contribution	$ 22,763	**$ 25,624**
Contributions in relation to the contractually required contribution	$ 22,763	**$ 25,624**
Contribution deficiency (excess)	$ -	**$ -**
School District's covered-employee payroll	$ 103,657	**$ 103,657**
Contributions as a percentage of covered-employee payroll	21.96%	**24.72%**

The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 the 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

Employees' Retirement System

Changes of assumptions:

There were no changes in assumptions or benefits that affect the measurement of the total pension liability since the prior measurement date.

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 the 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	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	5.45 – 9.25%
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 the 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	25 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

BUTTS COUNTY BOARD OF EDUCATION

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budget			Variance With
	Original (1)	Final (1)	Actual	Final Budget
REVENUES				
Property taxes	$ 10,300,000	$ 10,300,000	$ 10,752,343	$ 452,343
Sales taxes	100,000	100,000	152,752	52,752
Other taxes	-	-	19,684	19,684
State funds	15,977,175	16,338,346	16,700,000	361,654
Federal funds	5,130,334	5,065,910	4,049,756	(1,016,154)
Charges for services	47,169	47,169	519,191	472,022
Investment earnings	701	701	10,846	10,145
Miscellaneous	11,916	30,554	582,108	551,554
Total revenues	31,567,295	31,882,680	32,786,680	904,000
EXPENDITURES				
Current:				
Instruction	19,542,300	19,630,610	18,907,096	723,514
Support services:				
Pupil services	1,676,005	1,728,385	1,715,316	13,069
Improvement of instructional services	2,351,744	1,921,809	1,323,313	598,496
Educational media services	439,863	439,019	353,591	85,428
General administration	1,001,811	1,037,787	965,629	72,158
School administration	1,955,398	1,957,720	1,944,757	12,963
Business administration	316,023	316,023	306,429	9,594
Maintenance and operation of plant	1,836,549	1,834,299	1,771,383	62,916
Student transportation services	1,777,531	1,779,031	1,786,043	(7,012)
Central support services	156,213	156,313	159,422	(3,109)
Other support services	88,829	73,867	98,939	(25,072)
Enterprise operations	-	-	40,538	(40,538)
Food services operations	2,165,514	2,165,514	2,174,018	(8,504)
Total expenditures	33,307,780	33,040,377	31,546,474	1,493,903
Net change in fund balance	(1,740,485)	(1,157,697)	1,240,206	2,397,903
FUND BALANCE, beginning of year	7,836,739	7,836,739	7,836,739	-
FUND BALANCE, end of year	$ 6,096,254	$ 6,679,042	$ 9,076,945	$ 2,397,903

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

(1) Original and Final Budget amounts do not include budgeted revenues ($674,400) or expenditures ($642,322) of the various school activity accounts.

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

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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	$ (1)	
National School Lunch Program	10.555	16165GA324N1099	2,068,909	(2)
Total Child Nutrition Cluster			2,068,909	
Fresh Fruits and Vegetables	10.582	16145GA324L1603	28,132	
State Administrative Expenses for Child Nutrition	10.560	16165GA904N2533	11,355	
Total U.S. Department of Agriculture			2,108,396	
Education, U. S. Department of				
Special Education Cluster				
Pass-Through From Georgia Department of Education				
Special Education				
Grants to States	84.027	H027A150073	539,146	
Preschool Grants	84.173	H173A150081	24,907	
Total Special Education Cluster			564,053	
Other Programs				
Pass-Through From Georgia Department of Education				
Title I, Grants to Local Educational Agencies	84.010	S010A150010	996,600	
Improving Teacher Quality State Grants	84.367	S367A150001	135,010	
Career and Technical Education - Basic Grants to States	84.048	V048A150010	47,164	
Total U. S. Department of Education			1,742,827	
Defense, U. S. Department of				
Direct				
Department of the Air Force				
R.O.T.C. Program	12.unknown	N/A	69,844	
Total Expenditures of Federal Awards			$ 3,921,067	

N/A = Not Available

See notes to the basic financial statements.

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Notes to the Schedule of Expenditures of Federal Awards

(1) Expenditures for the funds earned on the School Breakfast Program ($633,103) were not maintained separately and are included in the National School Lunch Program.

(2) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of $111,778.

The Board did not provide Federal Assistance to any Subrecipient.

Note 1: The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal grant activity of the Butts County Board of Education 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 present the financial position or changes in financial position of the Board.

Note 2: 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 in 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.

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Agency/Funding	Governmental Fund Types: General Fund	Governmental Fund Types: Capital Projects Fund	Total
Grants			
Bright from the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 401,545	$ -	$ 401,545
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	892,380	-	892,380
Kindergarten Program - Early Intervention Program	238,154	-	238,154
Primary Grades (1-3) Program	2,134,117	-	2,134,117
Primary Grades - Early Intervention (1-3) Program	629,887	-	629,887
Upper Elementary Grades (4-5) Program	1,156,491	-	1,156,491
Upper Elementary Grades - Early Intervention (4-5) Program	194,445	-	194,445
Middle School (6-8) Program	1,911,851	-	1,911,851
High School General Education (9-12) Program	1,757,105	-	1,757,105
Vocational Laboratory (9-12) Program	609,455	-	609,455
Students with Disabilities	2,443,455	-	2,443,455
Program for Intellectually Gifted Students - Category VI	803,890	-	803,890
Remedial Education Program	137,446	-	137,446
Alternative Education Program	143,875	-	143,875
English Speakers of Other Languages (ESOL)	21,311	-	21,311
Media Center Program	352,029	-	352,029
20 Days Additional Instruction	106,556	-	106,556
Staff and Professional Development	62,272	-	62,272
Principal Staff and Professional Development	1,265	-	1,265
Indirect Cost			
Central Administration	485,458	-	485,458
School Administration	726,930	-	726,930
Facility Maintenance and Operations	838,306	-	838,306
Categorical Grants			
Pupil Transportation			
Pupil Transportation	393,474	-	393,474
State Bonds	77,220	-	77,220
Nursing Services	65,790	-	65,790
Mid-term Adjustment Hold-Harmless	185,900	-	185,900
Vocational Supervisors	13,584	-	13,584
Education Equalization Funding Grant	421,320	-	421,320
Food Services	53,846	-	53,846
Vocational Education	46,881	-	46,881
Amended Formula Adjustment	(847,057)	-	(847,057)
Other State Programs			
Math and Science Supplements	34,075	-	34,075
Preschool Handicapped Program	85,919	-	85,919
Teachers Retirement	36,678	-	36,678
Georgia State Financing and Investment Commission			
Reimbursement for Construction Projects	-	384,615	384,615
Office of the State Treasurer			
Public School Employees Retirement	84,147	-	84,147
	$ 16,700,000	$ 384,615	$ 17,084,615

See notes to the basic financial statements.

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Project	Original Estimated Cost (1)	Current Estimated Costs (2)	Expended In Current Year (3)(5)(6)	Expended In Prior Years (3)(5)(6)	Total Completion Cost	Project Status
Rehabilitating, repairing, renovating, extending and improving Jackson High School	$ 19,246,252	$ 19,246,252	$ 3,451,740	$ 10,715,037	$ -	2017
Rehabilitating, repairing, renovating, extending and improving Henderson Middle School	884,398	884,398	14,170	611,096	-	2017
Rehabilitating, repairing, renovating, extending and improving Daughtry Elementary School	390,180	403,023	-	403,023	-	2017
Rehabilitating, repairing, renovating, extending and improving Jackson Elementary School	257,500	356,312	-	356,312	-	2017
Rehabilitating, repairing, renovating, extending and improving Stark Elementary School	308,608	308,608	-	234,485	-	2017
Acquisition of school buses, vehicles and transportation and maintenance equipment	530,000	530,000	39,129	407,365	-	2017
Renovating or adding to existing administrative facilities	27,572	367,841	4,094	363,747	-	2017
Additional classrooms, physical education and athletic facilities, roof replacements and repairs, mechanical system repairs and replacements, and wiring and infrastructure modifications; additional parking and paving at School District facilities; acquiring and installing system-wide instructional and administrative technology, safety and security equipment; acquistion of music, vocational and physical education/athletic equipment; acquiring textbooks; planning for new School District site development and site acquistion, acquiring any necessary property, both real and personal; and paying costs incident to accomplishing and foregoing.	3,355,490	3,355,490	562,339	336,054	-	2017
	$ 25,000,000	$ 25,451,924	$ 4,071,472	$ 13,427,119	$ -	

(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 Butts 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 project.

(4) As of June 30, 2016, there were no excess proceeds which were not yet expended.

(5) Expenditures above include those funded through state capital outlay funding. Current year state capital outlay funding was $384,615.

(6) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	$ 485,083
Current Year	114,500
	$ 599,583

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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

May 31, 2017

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Butts County 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Butts County 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 May 31, 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.

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

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, 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

May 31, 2017

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Butts County 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 Butts County 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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BUTTS COUNTY 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

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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BUTTS COUNTY BOARD OF EDUCATION
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 weakness identified? — No
- Significant deficiency identified? — None Reported

Noncompliance material to financial statements noted: — No

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

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.