

HALL COUNTY
BOARD OF EDUCATION
GAINESVILLE, GEORGIA

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

HALL COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

March 1, 2017

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

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effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2016, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68,* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinions are not modified with respect to this matter.

As discussed in Note 16 to the financial statements, in 2016, the School District restated the prior period financial statements to correct a misstatement. 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 xi, and pages 35 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.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, consisting of Schedules 6 through 8, 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 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 March 1, 2017, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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INTRODUCTION

The School District's financial statements for the fiscal year ended June 30, 2016 includes a series of basic financial statements that report financial information for the School District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide financial information about all of the District's activities and present both a short term and long term view of the District's finances on a global basis. The fund financial statements provide information about all of the District's funds. Information about these funds, such as the District's General Fund, is important in its own right, but will also give insight into the District's overall soundness as reported in the Statement of Net Position and the Statement of Activities.

FINANCIAL HIGHLIGHTS

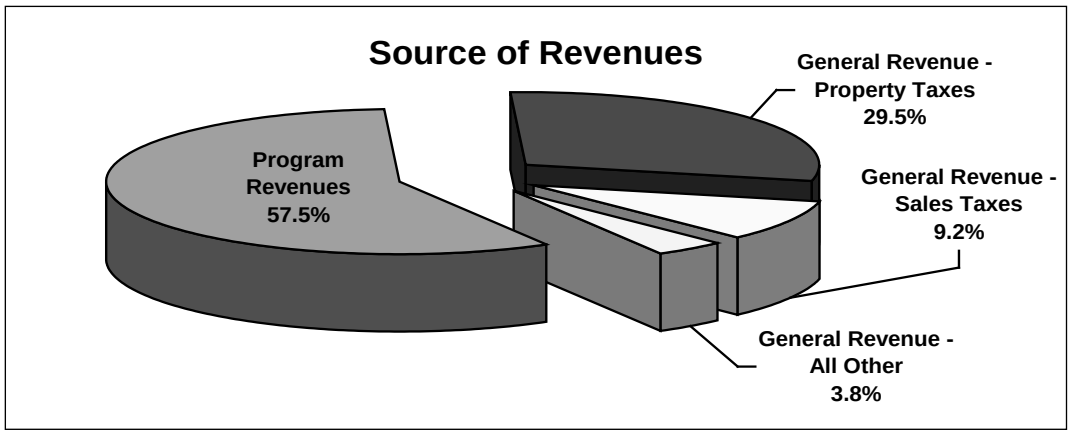
Key financial highlights for fiscal year 2016 are as follows:

On the government-wide financial statements:

- The School District's net position at June 30, 2016 was almost $148.3 million. Net position reflects the difference between all assets and deferred outflows of resources of the School District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term, and deferred inflows of resources. The net position at June 30, 2016 of $148.3 million represented an increase of $24.4 million when compared to the prior year. The increase in net position occurred in large part due to an increase of $7.5 million in grants and contributions. There was a net increase of $4.2 million in property taxes and sales taxes. Expenditures increased less than revenues, thus yielding a positive position.

- The School District had $252.7 million in expenses relating to governmental activities; $159.4 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of $117.7 million were adequate to provide for these programs.

- As stated above, general revenues accounted for $117.7 million or about 42% of all revenues totaling almost $277.1 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues. (Percentages in table below have been rounded to one decimal place).



On the fund financial statements:

- Among major funds, the general fund had $253.5 million in revenues and $246.6 million in expenditures. The general fund balance of $39.3 million at June 30, 2016 increased almost $7.8 million from the prior year. The increase in general fund balance resulted primarily because revenues were about $1.9 million more than anticipated and expenditures were almost $5.8 less than anticipated.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consists of three parts; management's discussion and analysis (this section), the basic financial statements including notes to the financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the government-wide and fund financial statements.

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

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The 'Governmental Funds' statements disclose how basic services are financed in the short-term as well as what remains for future spending. The 'Fiduciary Funds' statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. In the case of the Hall County School District, the general fund, capital projects fund, and debt service fund are all considered to be major funds. The School District has no funds reported as nonmajor funds as defined by generally accepted accounting principles.

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

Government-wide Statements

Since Hall County School District has no operations that have been classified as "Business Activities", the government-wide financial statements are basically a consolidation of all of the District's operating funds into one column called governmental activities. In reviewing the government-wide financial statements, a reader might ask the question, are we in a better financial position now than last year? The 'Statement of Net Position' and the 'Statement of Activities' provides the basis for answering this question. These financial statements include all School District's assets and liabilities and uses 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 any changes in net position. The change in net position is important because it tells the reader that, 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 results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, student-teacher ratios, and other factors.

When analyzing government-wide financial statements, it is important to remember these statements are prepared using an economic resources measurement focus (accrual accounting) and involve the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt, including pension obligations, as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position as follows:

    - *Net Investment in capital assets*
    - *Restricted net position* is amounts with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
    - *Unrestricted* for no specific use

Fund Financial Statements

The School District uses many funds or sub-funds to account for a multitude of financial transactions during the fiscal year. The fund financial statements presented in this report provide detail information about the School District's significant or major funds. As discussed previously, the School District has no nonmajor Funds as defined by generally accepted accounting principles.

The School District has two kinds of funds as discussed below:

Governmental Funds – Most 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 the **modified accrual method of accounting** which measures cash and all other financial assets that can be readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net position, which is the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, is one indicator of the financial condition of the School District. When revenues exceed expenses, the result is an increase in net position. When

expenses exceed revenues, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as the School District's operating results. The School District's net position, as measured in the Statement of Net Position is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position- as measured in the Statement of Activities- are one indicator of whether its financial health is improving or deteriorating. However, the School District's goal and mission is to provide success for each child's education, not to generate profits as private corporations do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the School District.

In the case of the Hall County School District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by almost $148.3 million at June 30, 2016. To better understand the School District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net position category. For example, of the $148.3 million of net position, $25.3 million was restricted for continuation of various State and Federal programs, debt service and ongoing capital projects. Accordingly, these funds were not available to meet the School District's ongoing obligations to citizens and creditors.

In addition, the School District had almost $274.7 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The School District uses these capital assets to provide educational services to students within geographic boundaries served by the School District. Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the net position is *not* available for future spending.

Because of the restrictions on net position as discussed above, the School District had an unrestricted deficit of $151.7 million at June 30, 2016. This deficit includes pension related charges recorded in accordance with GASB 68 *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date on Amendment of GASB No. 68*.

Table 1 provides a summary of the School District's net position for this fiscal year as compared to the prior fiscal year.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015 (Restated)
Assets		
Current and Other Assets	$ 89,266,142	$ 79,399,957
Capital Assets, Net	281,308,840	278,344,493
Total Assets	370,574,982	357,744,450
Deferred Outflow of Resources	18,112,226	16,167,197
Total Assets and Deferred Outflow of Resources	388,687,208	373,911,647
Liabilities		
Current and Other Liabilities	29,550,884	29,254,250
Long-Term Liabilities	14,572,347	19,026,042
Net Pension Liability	177,302,744	147,492,400
Total Liabilities	221,425,975	195,772,692
Deferred Inflows of Resources	18,973,247	54,213,303
Total Liabilities and Deferred Inflows of Resources	240,399,222	249,985,995
Net Position		
Invested in Capital Assets, Net of Debt	274,695,088	267,950,741
Restricted	25,299,677	23,530,911
Unrestricted (Deficit)	(151,706,779)	(167,556,000)
Total Net Position	$ 148,287,986	$ 123,925,652

Total net position increased almost $24.4 million in fiscal year 2016 from the prior year. This change in net position is detailed in Table 2 as presented below.

Table 2 provides a summary of the School District's net position for this fiscal year as compared to the prior fiscal year.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015 (Restated)
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 4,002,787	$ 4,292,009
Operating Grants and Contributions	154,899,927	147,430,332
Capital Grants and Contributions	518,310	459,937
Total Program Revenues	159,421,024	152,182,278
General Revenues:		
Property Taxes	81,699,239	78,648,529
Sales Taxes	25,539,996	24,423,435
Grants and Contributions not Restricted to Specific Programs	7,812,256	6,454,292
Investment Earnings	72,834	44,171
Miscellaneous	2,534,956	4,275,377
Special Item		
Loss of Disposal of Capital Assets	-	(52,637)
Total General Revenues and Special Item	117,659,281	113,793,167
Total Revenues	277,080,305	265,975,445
Program Expenses		
Instruction	164,700,095	162,256,840
Support Services		
Pupil Services	9,128,658	8,557,453
Improvement of Instructional Services	8,547,388	6,352,888
Educational Media Services	4,243,987	4,169,015
General Administration	630,170	644,880
School Administration	14,859,972	13,926,115
Business Administration	419,529	2,082,059
Maintenance and Operation of Plant	14,596,487	14,384,920
Student Transportation Services	13,563,228	11,861,235
Central Support	5,362,750	4,961,264
Other Support Services	974,659	1,122,771
Operations of Non-Instructional Services		
Enterprise Operations	1,050,351	1,137,670
Community Services	317,662	284,826
Food Services	13,990,094	14,239,635
Interest on Short-Term and Long-Term Debt	332,941	437,771
Total Expenses	252,717,971	246,419,342
Increase in Net Position	$ 24,362,334	$ 19,556,103

Cost of Providing Services

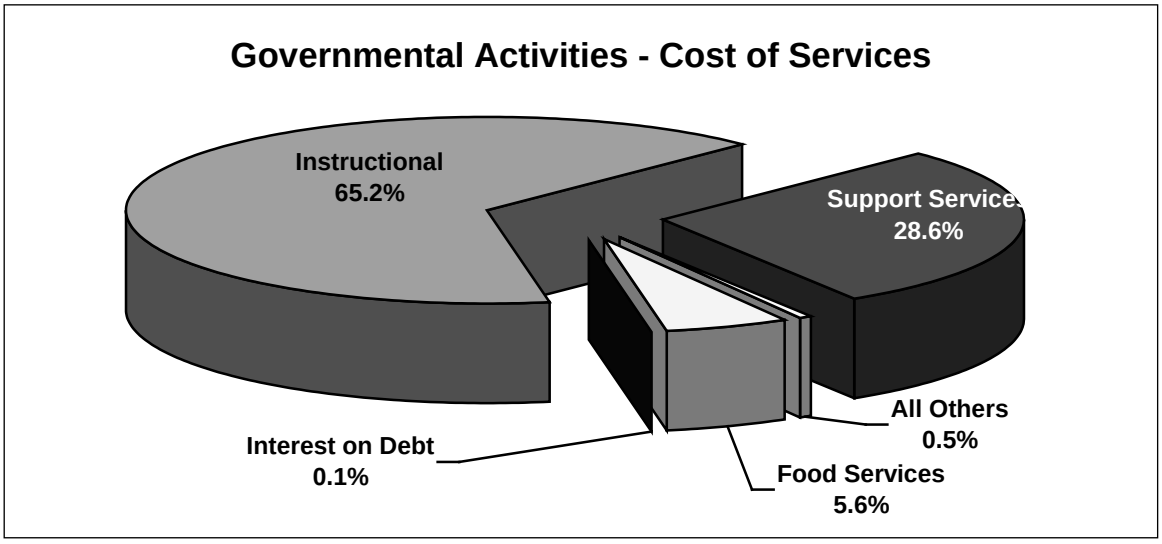
The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity as compared to the prior fiscal year.

Table 3
Cost of Services

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2016	Fiscal Year 2015 (Restated)	Fiscal Year 2016	Fiscal Year 2015 (Restated)
Instruction	$ 164,700,095	162,256,840	$ 49,391,643	$ 53,899,987
Support Services				
Pupil Services	9,128,658	8,557,453	7,623,326	6,984,524
Improvement of Instructional Services	8,547,388	6,352,888	5,147,076	3,650,906
Educational Media Services	4,243,987	4,169,015	737,689	665,632
General Administration	630,170	644,880	(2,630,622)	(2,793,433)
School Administration	14,859,972	13,926,115	8,104,268	7,108,015
Business Administration	419,529	2,082,059	404,023	2,047,492
Maintenance and Operation of Plant	14,596,487	14,384,920	6,040,207	5,805,828
Student Transportation Services	13,563,228	11,861,235	10,910,673	9,253,853
Central Support Services	5,362,750	4,961,264	5,260,763	4,717,558
Other Support Services	974,659	1,122,771	579,866	778,412
Operations of Non-Instructional Services				
Enterprise Operations	1,050,357	1,137,670	1,050,351	1,137,670
Community Services	317,662	284,826	314,950	280,771
Food Services	13,990,094	14,239,635	29,793	262,078
Interest on Short-Term and Long-Term Debt	332,941	437,771	332,941	437,771
Total Expenses	$ 252,717,976	$ 246,419,342	$ 93,296,947	$ 94,237,064

Overall District expenses increased about $5.8 million from the prior year, while the net costs of services actually decreased by almost $1.5 million from the prior year. This situation occurred primarily because program revenues increased by $7.2 million from the prior year, largely due to an increase of $7.4 million in revenues for operating grants and contributions as compared to the prior year.

The chart below shows a functional summary of the expenses made by the District during fiscal year 2016. The percentages are rounded to one decimal place.



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of $277.3 million and total expenditures of $268.2 million in fiscal year 2016. Total governmental fund balances of almost $57.2 million at June 30, 2016, increased $9.1 million from the prior year. This increase occurred because General Fund revenues were $1.9 million more than anticipated and General Fund expenses were almost $5.8 million less than anticipated.

General Fund Budget Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2016, the School District amended its general fund budget as needed.

The School District budget is adopted at the aggregate level and maintained at the program, function, object, and site levels to facilitate budgetary control. The budgeting systems are designed to control the total budget, but provide flexibility to meet the ongoing programmatic needs. The budgeting systems are also designed to control total site budgets but provide flexibility for site management as well.

For the General Fund, the final actual revenues of $253.5 million exceeded the final budgeted revenues by $1.9 million. This variance was primarily due to revenues from property taxes exceeding the final budgeted amount by $476,000, sales tax revenues exceeding the budget by $893,000, and State and Federal Funds revenues (combined) exceeding the final budget by almost $462,000.

The General Fund's final actual expenditures of $246.6 million were less than the final budget amount by almost $5.8 million. The primary reason expenditures were less than the final budget was due to the fact that expenditures for instruction were less than budget by $2.5 million, expenditures for school administration were less than budget by $795,000, expenditures for student transportation were less than budget by almost $1.1 million and expenditures for food service were less than budget by $982,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2016, the School District had $281.3 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation, as compared to the prior fiscal year.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Land	$ 28,975,930	$ 28,882,762
Construction in Progress	9,545,119	1,629,387
Land Improvements	6,655,602	7,272,989
Buildings and Improvements	222,740,136	227,187,195
Equipment	13,392,053	13,372,160
Total	$ 281,308,840	$ 278,344,493

Additional information about the School District's capital assets can be found in the Notes to the Basic Financial Statements.

Long-Term Debt

At June 30, 2016, the School District had $14.6 million in total debt outstanding which was consisted of almost $14.0 million in bond debt and $577,000 in compensated absences. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

Table 5
Change in Long Term Debt

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
General Obligation Bonds Payable	$ 8,380,000	$ 12,160,000
QZAB Bonds Payable	2,615,000	2,615,000
QSCB Bonds Payable (Intergovernmental Agreement)	3,000,000	3,000,000
Capital Lease Debt	-	656,616
Compensated Absences	577,347	594,426
Total	$ 14,572,347	$ 19,026,042

At June 30, 2016, the School District's assigned bond rating was "Aa2" as determined by Moody's rating service.

Additional information about the School District's debt can be found in the Notes to the Basic Financial Statements.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

Currently known circumstances that are expected to have a significant effect on financial position or results of operations in future years are as follows:

- The School District is financially stable. The School District's operating millage for fiscal year 2016 was 18.8 mills, which produced over $4.3 million per mill. The School District will construct additional facilities to accommodate the growth at various schools as needed. The School District plans to fund additional capital outlays, in part, with the one percent local sales tax revenue and state capital outlay grants.

- The economy has shown slight improvement from the prior year. Operating revenues from the State of Georgia increased about $8.9 million or about 5.8% from the prior year. Property tax revenues showed a modest increase of almost $2.8 million as compared to the prior year, even though the millage rate was slightly lowered for calendar year 2015. The general fund had an unassigned fund balance of $29.0 million at June 30, 2016, which is an increase of about $6.5 million from the prior year. The Board anticipates significant financial challenges going forward due to expected continued higher health insurance and benefit costs for employees. In spite of these challenges, the School District will continue to be a good steward of tax dollars while providing a quality educational opportunity.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Lee Lovett, Deputy Superintendent, Hall County Board of Education, 711 Green Street, Gainesville, Georgia 30505. You may also email your questions to Mr. Lovett at lee.lovett@hallco.org.

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HALL COUNTY BOARD OF EDUCATION

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HALL COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 58,068,081.30
Investments	53,174.78
Accounts Receivable, Net	
Taxes	6,312,110.15
State Government	18,720,469.23
Federal Government	3,163,424.96
Other	130,722.88
Prepaid Items	1,183,550.60
Restricted Assets	
Cash and Investments with Fiscal Agent of Trustee	1,303,764.56
Inventories	330,843.55
Capital Assets, Non-Depreciable	38,521,049.22
Capital Assets, Depreciable (Net of Accumulated Depreciation)	242,787,790.44
Total Assets	370,574,981.67
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	18,112,226.00
LIABILITIES	
Accounts Payable	19,523.00
Salaries and Benefits Payable	28,730,669.97
Claims Incurred but not Reported (IBNR)	195,854.36
Payroll Withholdings Payable	198,452.86
Interest Payable	25,000.33
Retainages Payable	381,383.00
Net Pension Liability	177,302,744.00
Long-Term Liabilities	
Due Within One Year	4,095,000.00
Due in More Than One Year	10,477,347.23
Total Liabilities	221,425,974.75
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	18,973,247.00
NET POSITION	
Net Investment in Capital Assets	274,695,087.66
Restricted for	
Continuation of State and Federal Programs	7,454,132.66
Debt Service	4,100,000.07
Capital Projects	13,745,544.46
Unrestricted (Deficit)	(151,706,778.93)
Total Net Position	$ 148,287,985.92

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

HALL COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 164,700,095.45	$ 1,624,913.38
Support Services		
Pupil Services	9,128,657.67	-
Improvement of Instructional Services	8,547,387.93	-
Educational Media Services	4,243,987.12	-
General Administration	630,169.93	-
School Administration	14,859,971.69	-
Business Administration	419,528.74	-
Maintenance and Operation of Plant	14,596,486.82	15,251.00
Student Transportation Services	13,563,227.69	-
Central Support Services	5,362,749.65	-
Other Support Services	974,659.32	-
Operations of Non-Instructional Services		
Enterprise Operations	1,050,351.26	-
Community Services	317,662.24	-
Food Services	13,990,094.45	2,362,622.18
Interest on Short-Term and Long-Term Debt	332,940.81	-
Total Governmental Activities	$ 252,717,970.77	$ 4,002,786.56
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services/Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year, Restated		
Net Position - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
$ 113,510,388.88	$ 173,150.49	$ (49,391,642.70)
1,505,223.09	109.04	(7,623,325.54)
3,400,312.30	-	(5,147,075.63)
3,506,298.02	-	(737,689.10)
3,260,792.05	-	2,630,622.12
6,748,705.45	6,998.18	(8,104,268.06)
14,676.28	829.65	(404,022.81)
8,539,503.13	1,525.17	(6,040,207.52)
2,343,674.48	308,880.00	(10,910,673.21)
89,586.81	12,399.48	(5,260,763.36)
394,793.49	-	(579,865.83)
-	-	(1,050,351.26)
2,712.52	-	(314,949.72)
11,583,260.78	14,417.99	(29,793.50)
-	-	(332,940.81)
$ 154,899,927.28	$ 518,310.00	(93,296,946.93)
		81,699,238.53
		23,296,558.63
		2,243,437.26
		7,812,256.00
		72,834.46
		2,534,955.71
		117,659,280.59
		24,362,333.66
		123,925,652.26
		$ 148,287,985.92

HALL COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 43,440,901.52	$ 13,715,035.17	$ 912,144.61	$ 58,068,081.30
Investments	53,174.78	-	-	53,174.78
Accounts Receivable, Net				
Taxes	4,262,860.63	2,049,249.52	-	6,312,110.15
State Government	18,454,039.23	266,430.00	-	18,720,469.23
Federal Government	3,163,424.96	-	-	3,163,424.96
Other	130,722.88	-	-	130,722.88
Inventories	330,843.55	-	-	330,843.55
Prepaid Items	1,178,246.60	-	5,304.00	1,183,550.60
Restricted				
Cash and Investments with Fiscal Agent or Trustee	-	-	1,303,764.56	1,303,764.56
Total Assets	$ 71,014,214.15	$ 16,030,714.69	$ 2,221,213.17	$ 89,266,142.01
LIABILITIES				
Accounts Payable	$ 19,523.00	$ -	$ -	$ 19,523.00
Salaries and Benefits Payable	28,730,669.97	-	-	28,730,669.97
Payroll Withholdings Payable	198,452.86	-	-	198,452.86
Retainages Payable	-	381,383.00	-	381,383.00
Total Liabilities	28,948,645.83	381,383.00	-	29,330,028.83
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes/State Revenue	2,742,868.41	-	-	2,742,868.41
FUND BALANCES				
Nonspendable	1,509,090.15	-	5,304.00	1,514,394.15
Restricted	7,123,289.11	15,649,331.69	2,215,909.17	24,988,529.97
Assigned	1,690,061.61	-	-	1,690,061.61
Unassigned	29,000,259.04	-	-	29,000,259.04
Total Fund Balances	39,322,699.91	15,649,331.69	2,221,213.17	57,193,244.77
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 71,014,214.15	$ 16,030,714.69	$ 2,221,213.17	$ 89,266,142.01

HALL COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 57,193,244.77
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:		
Land	$ 28,975,930.15	
Construction in progress	9,545,119.07	
Land improvements	22,657,223.90	
Buildings and improvements	305,046,826.28	
Equipment	35,129,027.12	
Accumulated depreciation	(120,045,286.86)	
Total capital assets		281,308,839.66
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(177,302,744.00)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		(861,021.00)
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		
Property taxes		2,742,868.41
Some liabilities reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as liabilities in the Governmental Fund Statements.		
Accrued interest on long-term debt	$ (25,000.33)	
Claims incurred but not reported (IBNR)	(195,854.36)	(220,854.69)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These consist of:		
Bonds payable	$ (10,995,000.00)	
Compensated absences payable	(577,347.23)	
Qualified school construction bonds	(3,000,000.00)	
Total long-term liabilities		(14,572,347.23)
Net position of governmental activities (Exhibit "A")		$ 148,287,985.92

HALL COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 81,241,705.60	$ -	$ -	$ 81,241,705.60
Sales Taxes	2,243,437.26	19,147,101.95	4,149,456.68	25,539,995.89
State Funds	138,504,504.56	266,430.00	-	138,770,934.56
Federal Funds	24,945,863.29	-	-	24,945,863.29
Charges for Services	4,002,786.56	-	-	4,002,786.56
Investment Earnings	29,240.29	11,591.10	32,003.07	72,834.46
Miscellaneous	2,538,619.67	5,121.98	145,002.00	2,688,743.65
Total Revenues	253,506,157.23	19,430,245.03	4,326,461.75	277,262,864.01
EXPENDITURES				
Current				
Instruction	159,485,882.65	4,596,939.35	-	164,082,822.00
Support Services				
Pupil Services	9,423,876.13	-	-	9,423,876.13
Improvement of Instructional Services	8,903,517.93	-	-	8,903,517.93
Educational Media Services	4,043,490.35	345,436.77	-	4,388,927.12
General Administration	617,326.93	-	-	617,326.93
School Administration	13,776,263.06	-	-	13,776,263.06
Business Administration	1,753,947.44	8,862.25	-	1,762,809.69
Maintenance and Operation of Plant	14,662,486.48	-	-	14,662,486.48
Student Transportation Services	12,985,925.85	-	-	12,985,925.85
Central Support Services	4,786,007.58	-	-	4,786,007.58
Other Support Services	1,182,395.72	-	-	1,182,395.72
Enterprise Operations	1,078,325.26	-	-	1,078,325.26
Community Services	331,363.24	-	-	331,363.24
Food Services Operation	13,580,554.44	-	-	13,580,554.44
Capital Outlay	-	11,837,339.74	-	11,837,339.74
Debt Services				
Principal	-	656,615.71	3,780,000.00	4,436,615.71
Dues and Fees	-	-	2,273.75	2,273.75
Interest	-	2,206.09	339,737.97	341,944.06
Total Expenditures	246,611,363.06	17,447,399.91	4,122,011.72	268,180,774.69
Excess of Revenues over (under) Expenditures	6,894,794.17	1,982,845.12	204,450.03	9,082,089.32
OTHER FINANCING SOURCES (USES)				
Sale of Equipment/ Capital Assets	55,457.22	-	-	55,457.22
Transfers In	948,369.83	-	145,995.90	1,094,365.73
Transfers Out	(145,995.90)	(948,369.83)	-	(1,094,365.73)
Total Other Financing Sources (Uses)	857,831.15	(948,369.83)	145,995.90	55,457.22
Net Change in Fund Balances	7,752,625.32	1,034,475.29	350,445.93	9,137,546.54
Fund Balances - Beginning, Restated	31,570,074.59	14,614,856.40	1,870,767.24	48,055,698.23
Fund Balances - Ending	$ 39,322,699.91	$ 15,649,331.69	$ 2,221,213.17	$ 57,193,244.77

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ 9,137,546.54
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 12,251,460.74	
Depreciation expense - Land improvements	(694,236.09)	
Depreciation expense - Buildings	(6,409,461.61)	
Depreciation expense - Equipment	(1,974,171.37)	
Excess of capital outlay over depreciation expense		3,173,591.67
In the Statement of Activities, only the gain or loss on the sale or disposal of the capital assets equipment is reported, whereas in the Governmental Funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the carrying value of the capital assets sold or disposed of.		(209,245.16)
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		457,532.93
Georgia Financing and Investment Commissions recognized in the prior year Government-wide Statements but were deferred in the Government Fund Statements.		(57,000.00)
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:		
Accrued interest expense	$ 11,277.00	
Compensated absences	17,079.37	
Pension expense	7,374,741.00	
Claims and judgments	20,194.60	7,423,291.97
Repayment of long-term debt is reported as an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Bond principal retirements	$ 3,780,000.00	
Capital lease payments	656,615.71	
Total long-term debt repayments		4,436,615.71
Change in net position of governmental activities (Exhibit "B")		$ 24,362,333.66

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

HALL COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 403,864.36
LIABILITIES	
Funds Held for Others	$ 403,864.36

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Hall County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a board elected by the voters and a Superintendent appointed by the Board. The School District is 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.

CHARTER SCHOOLS

The School District operates six Charter Schools within the School District. These Charter Schools were created through contracts between the School District and the Charter School. The School District Office maintains the financial records for these schools and accordingly, the financial statements of the Charter Schools have been included within the School District's general fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS:

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate financial statements are presented for governmental and fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The School District has no Funds reported as non-major funds.

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned 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.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty 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, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

NEW ACCOUNTING PRONOUNCEMENTS

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

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68.* This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68*, Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 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 GASB Statement No. 73 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 School District participates in an external investment pool, the State of Georgia local government investment pool (Georgia Fund 1), which does not meet the criteria of this statement. Therefore, the investment in this pool is measured at fair value as provided in paragraph 11 of GASB Statement No. 31, as amended.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (O.C.G.A.) §45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

INVESTMENTS

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

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

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

RECEIVABLES

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

INVENTORIES

Food Inventories

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

PREPAID ITEMS

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

RESTRICTED ASSETS

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bonds (QZAB) sinking funds. At June 30, 2016, the School District has restricted assets of $1,303,764.56 held for retirement of QZAB Bonds due to be retired in fiscal year 2023.

CAPITAL ASSETS

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

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	$ 5,000.00	10 to 60 years
Buildings and Improvements	$ 100,000.00	10 to 70 years
Equipment	$ 5,000.00	5 to 50 years
Intangible Assets	$ 100,000.00	Individually determined

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

COMPENSATED ABSENCES

Compensated absences payable consists of vacation leave employees earned based on services already rendered.

Vacation leave of 15 days is awarded on a fiscal year basis year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 15 days. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements.

Members of the Teachers Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual School Districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School District's financial statements.

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

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

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

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

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

USE OF ESTIMATES

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

PROPERTY TAXES

The Hall County Board of Commissioners adopted the property tax levy for the 2015 tax digest year (calendar year) on June 25, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on December 1, 2015 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The Hall 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 $75,677,896.17.

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

School Operations	18.80 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $5,563,809.43 during fiscal year ended June 30, 2016.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $23,296,558.63 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, 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 O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual in the Supplementary Information Section for a detail of any over/under expenditures during fiscal year 2016.

NOTE 4: DEPOSITS

COLLATERALIZATION OF DEPOSITS

O.C.G.A. § 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. § 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance. At June 30, 2016, $21,172.66 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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

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

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

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

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

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2016, School District had deposits requiring collateral with a carrying amount of $57,613,537.96, and a bank balance of $70,850,962.30. The bank balances insured by Federal depository insurance were $1,121,048.31.

At June 30, 2016, $69,729,913.99 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$	21,172.66
Uninsured with collateral held by the pledging financial institution		597,775.88
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name		69,110,965.45
Total	$	69,729,913.99

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

Statement of Net Position		
Cash and cash equivalents	$	58,068,081.30
Statement of Fiduciary Net Position		
Cash and cash equivalents		403,864.36
Total cash and cash equivalents		58,471,945.66
Add:		
Deposits with original maturity of three months or less reported as investments		53,174.78
Less:		
Cash on hand		-
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		911,582.48
Total carrying value of deposits - June 30, 2016	$	57,613,537.96

CATEGORIZATION OF CASH EQUIVALENTS

Additionally, the School District reported cash equivalents of $911,582.48 in Georgia Fund 1, a local government investment pool. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share, which approximates fair value. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2016, was 42 days.

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

CATEGORIZATION OF INVESTMENTS

At June 30, 2016, the School District had the following investments, excluding certificates of deposit.

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Debt Securities		
U. S. Treasuries	$ 1,303,703.62	$ 1,303,703.62
Fidelity Institutional -Treasury Fund	60.94	60.94
	$ 1,303,764.56	$ 1,303,764.56

Fair Value of Investments

The School District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs other than quoted marker prices; and;

Level 3: Unobservable inputs

The School District has the following recurring fair value measurements as of June 30, 2016:

U.S. Treasuries of $1,303,703.62 and Money Market Funds of $60.94 are valued using quoted market prices. (Level 1 inputs)

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.

At June 30, 2016, $1,303,764.56 of the School District's applicable investments were uninsured or unregistered with the securities held by the investment’s counterparty, not in the School District's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those prescribed O.C.G.A. §36-83-4. The School District does not have a formal policy that would further limit its investment choices or one that addresses credit risk.

The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Ratings Aaa-mf
Debt Securities		
Fidelity Institutional Treasury Fund	$ 60.94	$ 60.94

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. More than 5% of the School District's investments are in U.S. Treasuries This investment is 96% of the School District's total investments.

NOTE 5: RESTRICTED ASSETS

The restricted assets represent the investment balance, totaling $1,303,764.56 for the QZAB Bond Sinking Fund.

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2015	Increases	Decreases	Transfers	Balances June 30, 2016
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	$ 28,882,762.32	$ 131,985.12	$ 38,817.29	$ -	$ 28,975,930.15
Construction in Progress	1,629,386.87	9,905,869.67	-	(1,990,137.47)	9,545,119.07
Total Capital Assets Not Being Depreciated	30,512,149.19	10,037,854.79	38,817.29	(1,990,137.47)	38,521,049.22
Capital Assets Being Depreciated					
Buildings and Improvements	303,121,188.81	-	64,500.00	1,990,137.47	305,046,826.28
Equipment	33,477,456.52	2,136,757.04	485,186.44	-	35,129,027.12
Land Improvements	22,580,374.99	76,848.91	-	-	22,657,223.90
Less Accumulated Depreciation for:					
Buildings and Improvements	75,933,994.06	6,409,461.61	36,765.01	-	82,306,690.66
Equipment	20,105,296.38	1,974,171.37	342,493.56	-	21,736,974.19
Land Improvements	15,307,385.92	694,236.09	-	-	16,001,622.01
Total Capital Assets, Being Depreciated, Net	247,832,343.96	(6,864,263.12)	170,427.87	1,990,137.47	242,787,790.44
Governmental Activity Capital Assets - Net	$ 278,344,493.15	$ 3,173,591.67	$ 209,245.16	$ -	$ 281,308,839.66

Current year depreciation expense by function is as follows:

Instruction		$ 6,709,453.38
Support Services		
Pupil Services	$ 4,726.60	
School Administration	303,340.30	
Business Administration	35,961.59	
Maintenance and Operation of Plant	66,109.38	
Student Transportation Services	795,858.44	
Central Support Services	537,462.92	1,743,459.23
Food Services		624,956.46
		$ 9,077,869.07

NOTE 7: INTERFUND TRANSFERS

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

	Transfers From	
Transfers to	General Fund	Capital Projects Fund
General Fund	$ -	$ 948,369.83
Debt Service Fund	145,995.90	-
Total	$ 145,995.90	$ 948,369.83

Transfers between funds were made for the following purposes:

1) A transfer of $145,995.90 was made from the General Fund to the Debt Service Fund to pay the School District's annual deposit which provides for retirement of Qualified Zone Academy Bonds when they mature in fiscal year 2023.

2) A transfer of $948,369.83 was made from the Capital Projects Fund to the General Fund to reimburse the costs of certain Capital Outlay Projects and acquisition of school buses.

NOTE 8: LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
General Obligation Bonds	$ 12,160,000.00	$ -	$ 3,780,000.00	$ 8,380,000.00	$ 4,050,000.00
Qualified Zone Academy Bonds	2,615,000.00	-	-	2,615,000.00	-
Intergovernmental Agreement (QCSB)	3,000,000.00	-	-	3,000,000.00	-
Capital Leases	656,615.71	-	656,615.71	-	-
Compensated Absences	594,426.60	740,582.48	757,661.85	577,347.23	45,000.00
	$ 19,026,042.31	$ 740,582.48	$ 5,194,277.56	$ 14,572,347.23	$ 4,095,000.00

GENERAL OBLIGATION DEBT 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. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

Voters authorized $45,000,000.00 in general obligation debt which was not issued.

General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2011	1.81%	6/29/2011	11/1/2017	$ 9,500,000.00	$ 4,190,000.00
General Government - Series 2012	1.77%	1/13/2012	11/1/2017	9,500,000.00	4,190,000.00
				$ 19,000,000.00	$ 8,380,000.00

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

	General Obligation Debt	
Fiscal Year Ended June 30:	Principal	Interest
2017	$ 4,050,000.00	$ 113,754.50
2018	4,330,000.00	38,753.50
Total Principal and Interest	$ 8,380,000.00	$ 152,508.00

QUALIFIED ZONE ACADEMY BONDS (QZAB)

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts.

The debt requires the School District to deposit funds annually into a sinking fund account on or before November 30, 2022. The amount on deposit at June 30, 2016 was $1,303,764.56.

Debt currently outstanding under Qualified Zone Academy Bonds is as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QZAB Series 2007	0.00%	11/30/2007	11/30/2022	$ 2,615,000.00	$ 2,615,000.00

The following schedule reports the annual Qualified Zone Academy Bond payments:

Fiscal Year Ended June 30:	Principal
2023	$ 2,615,000.00

QUALIFIED SCHOOL CONSTRUCTION BONDS (QSCB)

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows School Districts to borrow without incurring interest costs.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the School District may apply for a direct cash subsidy payment from the U. S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. To qualify for this subsidy the School District is required to

periodically file appropriate documents with the Internal Revenue Service. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The interest subsidy received by the School District in fiscal year 2016 was $145,002.00, which funded all but $10,998.00 of interest expense due on the QSCB.

Debt currently outstanding under Qualified School Construction Bonds is as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB Debt- (Intergovernmental Conduit Debt)	5.20%	10/25/2010	2/1/2028	$ 3,000,000.00	$ 3,000,000.00

The following is a schedule of total Qualified School Construction Bond payments:

Fiscal Year Ended June 30:	Principal	Interest
2017	$ -	$ 156,000.00
2018	-	156,000.00
2019	-	156,000.00
2020	-	156,000.00
2021	-	156,000.00
2022 - 2026	-	780,000.00
2027 - 2028	3,000,000.00	312,000.00
Total Principal and Interest	$ 3,000,000.00	$ 1,872,000.00

COMPENSATED ABSENCES

Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the general fund is the fund used to liquidate this long-term debt. The School District uses the vesting method to compute compensated absences.

NOTE 9: RISK MANAGEMENT

INSURANCE

Commercial Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters. Except as described below, the School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District has elected to self-insure for losses related to workers' compensation and unemployment compensation.

WORKERS' COMPENSATION

The School District has established a limited risk management program for workers' compensation claims. A premium is charged when needed by the general fund to each user program on the basis of the percentage of that program's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures and the related liability reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of $400,000.00 loss per occurrence, up to the statutory limit.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2015	$ -	$ 1,422,957.91	$ 1,206,908.95	$ 216,048.96
2016	$ 216,048.96	$ 890,168.31	$ 910,362.91	$ 195,854.36

UNEMPLOYMENT COMPENSATION

The School District is self-insured with regard to unemployment compensation claims. A premium is charged when needed by the general fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures and with the related liability reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2015	$ -	$ 9,149.00	$ 9,149.00	$ -
2016	$ -	$ 10,572.00	$ 10,572.00	$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 25,000.00

NOTE 10: FUND BALANCE CLASSIFICATION DETAILS

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

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.

Nonspendable		
Inventories	$ 330,843.55	
Prepaid Items	1,183,550.60	$ 1,514,394.15
Restricted		
Continuation of Federal Programs	7,105,029.80	
Continuation of State Program	18,259.31	
Capital Projects	13,745,544.46	
Debt Service	4,119,696.40	24,988,529.97
Assigned		
School Activity Accounts		1,690,061.61
Unassigned		29,000,259.04
Fund Balance, June 30, 2016		$ 57,193,244.77

NOTE 11: SIGNIFICANT COMMITMENTS

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

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

Project	Unearned Executed Contracts (1)	Expenses through June 30, 2016	Funding Available From State (1)
North Hall High School - Peforming Arts Center	$ 52,217.00	$ 5,432,404.80	$ -
North Hall High School - Renovations	1,438,903.87	986,644.40	1,662,028.00
East Hall High School - Phase 1	72,748.00	1,703,538.00	-
East Hall High School - Phase 2	5,825,915.35	1,035,398.95	-
East Hall High School - Waste Water Plant	2,407.50	7,222.50	-
Johnson High School - Renovations	322,219.00	119,802.92	-
Wauka Mountain Elementary School	344,300.00	260,107.50	30,911.95
	$ 8,058,710.72	$ 9,545,119.07	$ 1,692,939.95

(1) The amounts described are not reflected in the basic financial statements.

OPERATING LEASES

The School District leases various equipment under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases(s) totaled $308,708.42 for governmental activities for the year ended June 30, 2016. The following future minimum lease payments were required under operating leases at June 30, 2016:

Year Ending	Governmental Funds
2017	$ 307,369.92
2018	307,369.92
2019	307,369.92
2020	26,208.16
2021	324.00
Total	$ 948,641.92

NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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

LITIGATION

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

NOTE 13: THEFT OF SCHOOL FUNDS

During the prior year, the School District determined that one of its maintenance foremen had made unauthorized purchases for personal gain from School District funds. A court ordered settlement was reached and scheduled restitution payments of $252.00 per month were agreed upon. At June 30, 2016, an unpaid balance of $41,244.00 remained on this settlement. This amount has not been recorded as a receivable in the financial statements due to the uncertainty of collection.

NOTE 14: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description The Georgia School Personnel Post-Employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the

authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). Additional information about the School OPEB Fund is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This report can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

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

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

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

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

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

For non-certificated school personnel:

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

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

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

Fiscal Year	Percentage Contributed		Required Contribution
2016	100%	$	28,390,093.72
2015	100%	$	26,309,907.26
2014	100%	$	26,192,773.00

NOTE 15: RETIREMENT PLANS

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

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual School District payroll, of which 14.05% of payroll was required from the School District and 0.22% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $18,112,226.00 and $279,360.57 from the School District and the State, respectively.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

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

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

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

Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was $506,409.00.

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

At June 30, 2016, the School District reported a liability of $177,302,744.00 for its proportionate share of the net pension liability for TRS.

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

School District's proportionate share of the TRS net pension liability	$ 177,302,744.00
State of Georgia's proportionate share of the TRS net pension liability associated with the School District	2,678,664.00
Total	$ 179,981,408.00

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

At June 30, 2015, the School District's TRS proportion was 1.164626%, which was a decrease of 0.002143% 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 $2,080,597.00.

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

For the year ended June 30, 2016, the School District recognized pension expense of $11,079,968.00 for TRS and $124,075.00 for PSERS and revenue of $232,390.00 for TRS and $124,075.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

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

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,559,469.00
Net difference between projected and actual earnings on pension plan investments	-	14,955,673.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	2,458,105.00
School District contributions subsequent to the measurement date	18,112,226.00	-
Total	$ 18,112,226.00	$ 18,973,247.00

The School District contributions subsequent to the measurement date of $18,112,226.00 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2017	$ (8,022,572.00)
2018	$ (8,022,572.00)
2019	$ (8,022,584.00)
2020	$ 5,182,771.00
2021	$ (88,290.00)

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

Teachers Retirement System:

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

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

The actuarial assumptions used in the June 30, 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	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 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 and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return

by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

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

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 304,681,360.00	$ 177,302,744.00	$ 72,312,455.00

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

DEFINED CONTRIBUTION PLAN

The Hall County Board of Education maintains an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees' Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board selected The Variable Annuity Life Insurance Company (Valic) as the provider of this plan. For each employee covered under PSERS, the Board contributes to the plan an amount equal to 5% percent of the employee's base pay.

The employee becomes vested in the plan immediately. Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed		Required Contribution
2016	100%	$	198,539.00
2015	100%	$	170,942.06
2014	100%	$	163,434.15

NOTE 16: RESTATEMENT OF PRIOR YEAR NET POSITION

Net position in Governmental Activities and fund balance in the general fund as of July 1, 2015 have been restated because in fiscal year 2015, the School District did not record amounts for prepaid items in accordance with generally accepted accounting principles. These changes are in accordance with generally accepted accounting principles.

Net Position, July 1, 2015 as previously reported	$	123,384,886.31
Omission of Prepaid Expenses at June 30, 2015		540,765.95
Net Position, July 1, 2015, as restated	$	123,925,652.26
Fund Balance, July 1, 2015, as previously reported	$	47,514,932.28
Omission of Prepaid Expenses at June 30, 2015		540,765.95
Fund Balance, July 1, 2015, as restated	$	48,055,698.23

NOTE 17: SUBSEQUENT EVENTS

In the current fiscal year, voters authorized the School District to issue general obligation bonds in the amount of $45,000,000.00. The proceeds from these bonds will be used for the purposes of acquiring, constructing, and equipping capital facilities. The School District issued $9,750,000.00 of these bonds on December 14, 2016, to be labeled as General Obligation Bonds Series 2016, and issued an additional $9,750,000.00 of these bonds on January 6, 2017, to be labeled as General Obligation Bonds Series 2017.

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

Year Ended	School District's proportion of the Net Pension Liability	School District's proportionate share of the Net Pension Liability	State of Georgia's proportionate share of the Net Pension Liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the Net Pension Liability as a percentage of its covered employee payroll	Plan fiduciary Net Position as a percentage of the total Pension Liability
2016	1.164626%	$ 177,302,744.00	$ 2,678,664.00	$ 179,981,408.00	$ 124,781,368.61	142.09%	81.44%
2015	1.166769%	$ 147,405,873.00	$ 2,057,648.00	$ 149,463,521.00	$ 120,694,862.00	122.13%	84.03%

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

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

Year Ended	School District's proportion of the Net Pension Liability	School District's proportionate share of the Net Pension Liability	State of Georgia's proprotionate share of the Net Pension Liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the Net Pension Liability as a percentage of its covered employee payroll	Plan fiduciary Net Position as a percentage of the total Pension Liability
2016	0.00%	$ -	$ 2,080,597.00	$ 2,080,597.00	$ 7,625,534.08	0.00%	87.00%
2015	0.00%	$ -	$ 1,881,067.00	$ 1,881,067.00	$ 7,799,257.19	0.00%	88.29%

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

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a Percentage of Covered-Employee Payroll
2016	$ 18,112,226.00	$ 18,112,226.00	$ -	$ 128,906,363.37	14.05%
2015	$ 16,167,196.67	$ 16,167,196.67	$ -	$ 124,781,368.61	12.96%
2014 (1)	$ 14,817,258.11	$ 14,817,258.11	$ -	$ 120,694,862.00	12.28%
2013 (1)	$ 13,816,062.61	$ 13,816,062.61	$ -	$ 121,087,314.72	11.41%
2012 (1)	$ 12,538,194.51	$ 12,538,194.51	$ -	$ 121,966,872.67	10.28%
2011 (1)	$ 12,646,342.49	$ 12,646,342.49	$ -	$ 123,018,895.82	10.28%
2010 (1)	$ 12,197,484.74	$ 12,197,484.74	$ -	$ 125,230,849.49	9.74%
2009 (1)	$ 12,569,467.53	$ 12,569,467.53	$ -	$ 135,446,847.31	9.28%

(1) These amounts include contributions paid on the School District's behalf by Georgia Department of Education.

Teachers Retirement System

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

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

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

Public School Employees Retirement System

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

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	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

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

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 80,765,837.00	$ 80,765,837.00	$ 81,241,705.60	$ 475,868.60
Sales Taxes	1,350,000.00	1,350,000.00	2,243,437.26	893,437.26
State Funds	134,750,820.00	136,508,525.26	138,504,504.56	1,995,979.30
Federal Funds	26,164,592.00	26,479,463.00	24,945,863.29	(1,533,599.71)
Charges for Services	4,189,534.00	4,189,534.00	4,002,786.56	(186,747.44)
Investment Earnings	19,266.00	19,266.00	29,240.29	9,974.29
Miscellaneous	2,291,307.00	2,291,307.00	2,538,619.67	247,312.67
Total Revenues	249,531,356.00	251,603,932.26	253,506,157.23	1,902,224.97
EXPENDITURES				
Current				
Instruction	162,718,692.00	162,017,500.42	159,485,882.65	2,531,617.77
Support Services				
Pupil Services	9,138,736.00	9,294,087.00	9,423,876.13	(129,789.13)
Improvement of Instructional Services	6,940,202.00	8,333,493.00	8,903,517.93	(570,024.93)
Educational Media Services	4,197,310.00	4,198,312.00	4,043,490.35	154,821.65
General Administration	978,128.00	804,952.00	617,326.93	187,625.07
School Administration	14,560,238.00	14,571,667.00	13,776,263.06	795,403.94
Business Administration	1,450,484.00	1,467,077.00	1,753,947.44	(286,870.44)
Maintenance and Operation of Plant	15,251,383.00	15,316,367.00	14,662,486.48	653,880.52
Student Transportation Services	13,873,289.00	14,048,529.00	12,985,925.85	1,062,603.15
Central Support Services	4,787,127.00	5,011,777.00	4,786,007.58	225,769.42
Other Support Services	1,331,333.00	1,404,686.00	1,182,395.72	222,290.28
Enterprise Operations	1,036,967.00	1,036,967.00	1,078,325.26	(41,358.26)
Community Services	284,934.00	284,934.00	331,363.24	(46,429.24)
Food Services Operation	14,560,470.00	14,562,470.00	13,580,554.44	981,915.56
Capital Outlay	18,359.00	18,359.00	-	18,359.00
Total Expenditures	251,127,652.00	252,371,177.42	246,611,363.06	5,759,814.36
Excess of Revenues over (under) Expenditures	(1,596,296.00)	(767,245.16)	6,894,794.17	7,662,039.33
OTHER FINANCING SOURCES (USES)				
Sale or Compensation for Loss of Assets	20,000.00	20,000.00	55,457.22	35,457.22
Transfers In	978,270.00	978,270.00	948,369.83	(29,900.17)
Transfers Out	(245,996.00)	245,996.00	(145,995.90)	(391,991.90)
Total Other Financing Sources (Uses)	752,274.00	1,244,266.00	857,831.15	(386,434.85)
Net Change in Fund Balances	(844,022.00)	477,020.84	7,752,625.32	7,275,604.48
Fund Balances - Beginning	29,369,772.00	29,369,772.00	31,570,074.59	2,200,302.59
Fund Balances - Ending	$ 28,525,750.00	$ 29,846,792.84	$ 39,322,699.91	$ 9,475,907.07

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.

HALL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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	$ 2,841,102.10
National School Lunch Program	10.555	16165GA324N1099	10,234,019.15
Total Child Nutrition Cluster			13,075,121.25
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Child Nutrition Discretionary Grants Limited Availability	10.579	15155GA350N8103	11,988.00
Total U. S. Department of Agriculture			13,087,109.25
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	3,992,691.60
Preschool Grants	84.173	H173A150081	135,978.00
Total Special Education Cluster			4,128,669.60
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A150010	255,142.00
English Language Acquisition Grants	84.365	S365A150010	569,419.22
Improving Teacher Quality State Grants	84.367	S367A150001	681,050.88
Migrant Education - State Grant Program	84.011	S011A150011	318,914.91
Title I Grants to Local Educational Agencies	84.010	S010A150010	7,585,985.09
Total Other Programs			9,410,512.10
Total U. S. Department of Education			13,539,181.70
Health and Human Services, U. S. Department of			
Direct			
Drug Free Community Support Programs	93.276		133,979.67
Pass-Through From Georgia Department of Behavioral Health and Developmental Disabilities			
Developmental Disabilities Basic Support - Advocacy Grants	93.630	1701GAB500	84,447.49
Total U. S. Department of Health and Human Services			218,427.16
Defense, Department of			
Direct			
Department of the Air Force			
R.O.T.C.. Program	12.UNKNOWN		59,101.35
Total Expenditures of Federal Awards			$ 26,903,819.46

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* , or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* , wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HALL COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2016

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 767,331.57	$ -	$ 767,331.57
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	6,639,829.00	-	6,639,829.00
Kindergarten Program - Early Intervention Program	2,513,852.00	-	2,513,852.00
Primary Grades (1-3) Program	18,886,532.00	-	18,886,532.00
Primary Grades - Early Intervention (1-3) Program	3,496,786.00	-	3,496,786.00
Upper Elementary Grades (4-5) Program	9,207,540.00	-	9,207,540.00
Upper Elementary Grades - Early Intervention (4-5) Program	1,864,452.00	-	1,864,452.00
Middle School (6-8) Program	17,650,959.00	-	17,650,959.00
High School General Education (9-12) Program	15,404,153.00	-	15,404,153.00
Vocational Laboratory (9-12) Program	4,364,935.00	-	4,364,935.00
Students with Disabilities	17,322,583.00	-	17,322,583.00
Gifted Student - Category VI	5,761,756.00	-	5,761,756.00
Remedial Education Program	731,376.00	-	731,376.00
Alternative Education Program	1,245,156.00	-	1,245,156.00
English Speakers of Other Languages (ESOL)	7,024,196.00	-	7,024,196.00
Special Education Itinerant	32,464.00	-	32,464.00
Special Education Supplemental Speech	117,380.00	-	117,380.00
Media Center Program	3,001,515.00	-	3,001,515.00
20 Days Additional Instruction	898,674.00	-	898,674.00
Staff and Professional Development	528,265.00	-	528,265.00
Principal Staff and Professional Development	8,494.00	-	8,494.00
Indirect Cost			
Central Administration	2,579,842.00	-	2,579,842.00
School Administration	5,650,119.00	-	5,650,119.00
Facility Maintenance and Operations	7,114,125.00	-	7,114,125.00
Amended Formula Adjustment	(6,950,413.00)	-	(6,950,413.00)
Categorical Grants			
Pupil Transportation			
Regular	1,809,576.00	-	1,809,576.00
Nursing Services	525,212.00	-	525,212.00
Vocational Supervisors	27,167.00	-	27,167.00
Education Equalization Funding Grant	7,812,256.00	-	7,812,256.00
Other State Programs			
Career Pathways for At-Risk Children	49,917.09	-	49,917.09
Food Services	357,684.00	-	357,684.00
Math and Science Supplements	234,654.33	-	234,654.33
Preschool Handicapped Program	417,952.00	-	417,952.00
Pupil Transportation - State Bonds	308,880.00	-	308,880.00
Teachers Retirement	279,360.57	-	279,360.57
Tuition for the Multi-Handicapped	76,359.00	-	76,359.00
Vocational Education	237,176.00	-	237,176.00
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	266,430.00	266,430.00
Office of the State Treasurer			
Public School Employees Retirement	506,409.00	-	506,409.00
	$ 138,504,504.56	$ 266,430.00	$ 138,770,934.56

See notes to the basic financial statements.

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HALL COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2016

SCHEDULE "8"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST IV							
Payment of a portion of the payments, including principal and interest, due on the Hall County School District's Series 2007B Bonds, with a maximum payment amount of $9,604,500;	$ 9,604,500.00	$ 6,442,776.63	$ -	$ 6,442,776.63	$ 6,442,776.63	$ -	Completed
Acquiring, constructing and equipping new schools, fine arts facilities, physical education facilities, student activity facilities and other school system facilities, acquiring and conducting site preparation of real estate for school district purposes, constructing and equipping additional classrooms and instructional and support space, remodeling, renovating and equipping classrooms, instructional and support space, and other school district facilities at existing school system facilities, and acquiring furnishings, equipment and fixtures for new and existing facilities system-wide, including technology equipment, textbooks, library books and school buses, with the estimated cost of such projects to be financed from funds raised by the Sales Tax being $152,983,000;	151,983,000.00	151,983,000.00	18,145,219.39	56,606,718.02	-	-	6/30/2019
Payment of any general obligation debt of the Hall County School District issued in conjunction with the imposition of the Sales Tax.	1,000,000.00	1,275,353.21	196,619.72	1,078,733.49	-	-	6/30/2019
	$ 162,587,500.00	$ 159,701,129.84	$ 18,341,839.11	$ 64,128,228.14	$ 6,442,776.63	$ -	

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

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

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

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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

March 1, 2017

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Hall 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 Hall 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 March 1, 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

March 1, 2017

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Hall 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 Hall 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 its major federal program for the year ended June 30, 2016. The School District's major federal program is 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 the School District's major federal program 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 the 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 its major federal program 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 its 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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HALL 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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HALL 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 Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Education Agencies

Dollar threshold used to distinguish between Type A and Type B programs: $807,114.58

Auditee qualified as low-risk auditee? Yes

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.