

POLK SCHOOL DISTRICT
CEDARTOWN, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017
(Including Independent Auditor's Reports)

POLK COUNTY SCHOOL DISTRICT

- TABLE OF CONTENTS -

		Page
	SECTION I	
	FINANCIAL	
	INDEPENDENT AUDITOR'S REPORT	
	REQUIRED SUPPLEMENTARY INFORMATION	
	MANAGEMENT'S DISCUSSION AND ANALYSIS	i
	EXHIBITS	
	BASIC FINANCIAL STATEMENTS	
	GOVERNMENT-WIDE FINANCIAL STATEMENTS	
A	STATEMENT OF NET POSITION	1
B	STATEMENT OF ACTIVITIES	2
	FUND FINANCIAL STATEMENTS	
C	BALANCE SHEET GOVERNMENTAL FUNDS	4
D	RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	5
E	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS	6
F	RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	7
G	STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS	8
H	STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS	9
I	NOTES TO THE BASIC FINANCIAL STATEMENTS	11
	SCHEDULES	
	REQUIRED SUPPLEMENTARY INFORMATION	
1	SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHERS RETIREMENT SYSTEM OF GEORGIA	41
2	SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA	42
3	SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA	43
4	SCHEDULE OF CONTRIBUTIONS – TEACHERS RETIREMENT SYSTEM OF GEORGIA	44
5	SCHEDULE OF CONTRIBUTIONS – EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA	45
6	SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – SOCIAL SECURITY REPLACEMENT PLAN	46

(This page left intentionally blank)

POLK COUNTY SCHOOL DISTRICT

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

7 SCHEDULE OF CONTRIBUTIONS – SOCIAL SECURITY REPLACEMENT PLAN 47
8 SCHEDULE OF INVESTMENT RETURNS – SOCIAL SECURITY REPLACEMENT PLAN 48
9 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION 49
10 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND 50

SUPPLEMENTARY INFORMATION

11 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 51
12 SCHEDULE OF STATE REVENUE 52
13 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS 53

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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

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

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SECTION IV

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left intentionally blank)

SECTION I

FINANCIAL

(This page left intentionally blank)

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

September 24, 2018

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Polk County School District

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

(This page left intentionally blank)

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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 ix, and pages 41 through 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, as listed in the table of contents, 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.

(This page left intentionally blank)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

(This page left intentionally blank)

POLK COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

INTRODUCTION

The intent of this discussion and analysis is to look at the Polk County School District's (School District) financial performance as a whole. The reader should review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. The School District's financial statements for the fiscal year ended June 30, 2017 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 School District's activities and present both a short-term and long-term view of the School District's finances. The fund financial statements provide information about all of the School District's funds.

FINANCIAL HIGHLIGHTS

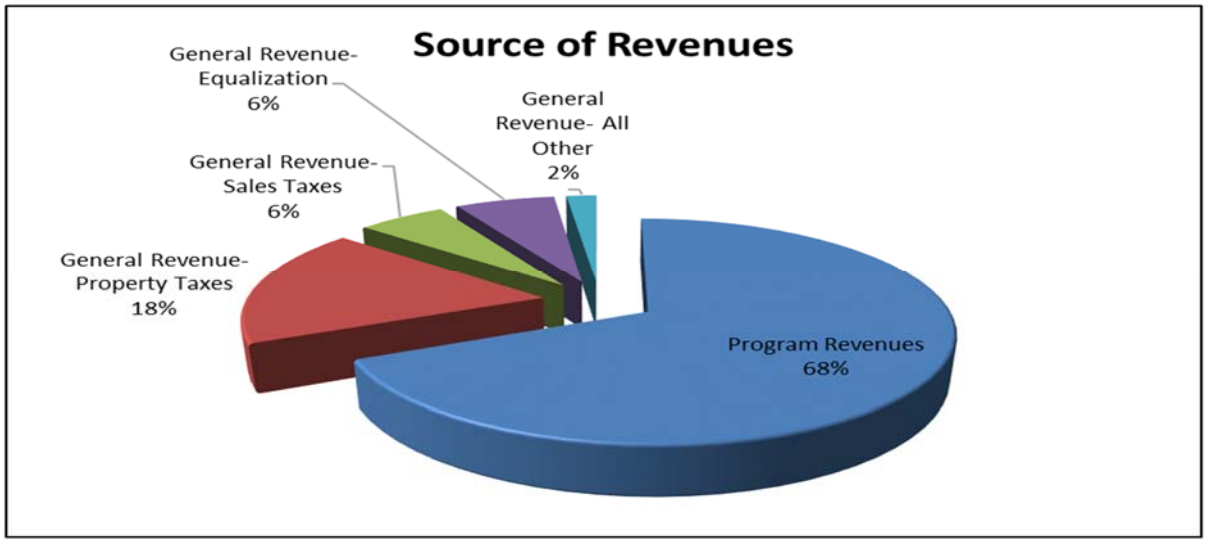
Key financial highlights for fiscal year 2017 are as follows:

On the Government-wide financial statements:

- Government-wide net position at June 30, 2017 was approximately $33.5 million. Net position reflects the difference between all assets of the School District (including capital assets, net of depreciation), deferred outflows and all liabilities, both short-term and long-term and deferred inflows. The net position at June 30, 2017 of $33.5 million represented an increase of approximately $7.1 million when compared to the prior year. This large increase is related to progress on the ongoing construction of the college and career centers.

- The School District had over $77.2 million in expenses relating to governmental activities; only $57.6 million of these expenses were offset by program specific charges for services, operating and capital grants and contributions. However, the general revenues (primarily property and sales taxes) of approximately $26.7 provided additional funding of these expenses.

- As stated above, general revenues accounted for $26.7 million or about 32% of all revenues totaling approximately $84.3 million. Program specific revenues in the form of charges for services, operating and capital grants, and contributions accounted for the balance of these revenues.



On the fund financial statements:

- Among major funds, the general fund had approximately $75.9 million in revenues and $73.2 million in expenditures. The general fund balance of approximately $11.8 million at June 30, 2017 increased by approximately $2.7 million from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion and analysis (this section), the basic financial statements, including notes to the financial statements, and 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 School District, the general fund, capital projects fund, and debt service fund are all considered to be major funds. The School District has no non-major funds as defined by GASB Statement No. 34 for purposes of this report.

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 the School District has no operations that have been classified as "Business Activities", the government-wide financial statements are basically a consolidation of the entire School 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, deferred outflows, liabilities, and deferred inflows 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 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 that with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
    - *Unrestricted net position* is net position that does not meet any of the above restrictions.

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 non-major 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 as well as an employer sponsored pension plan. 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, can be 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 non-financial factors should be considered in assessing the overall health of the School District.

In the case of the School District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately $33.5 million at June 30, 2017. 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 $33.5 million of net position, about $5.4 million was restricted for continuation of Federal and State programs, debt service and 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 approximately $83.0 million net investment 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.

The deficit balance of unrestricted net position of approximately $54.9 million reflects the net pension liability adjustments as required by GASB Statement No. 68 and GASB Statement No. 71.

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 2017	Fiscal Year 2016
Assets		
Current and Other Assets	$ 21,167,710	$ 24,263,984
Capital Assets, Net	94,623,642	86,223,526
Total Assets	115,791,352	110,487,510
Deferred Outflows of Resources		
Related to Defined Benefit Pension Plans	18,037,523	5,987,253
Liabilities		
Current and Other Liabilities	9,858,661	10,319,854
Long-Term Liabilities	88,140,825	73,116,547
Total Liabilities	97,999,486	83,436,401
Deferred Inflows of Resources		
Related to Defined Benefit Pension Plans	2,324,989	6,650,644
Net Position		
Net Investment in Capital Assets	82,970,370	71,487,458
Restricted	5,413,763	4,758,543
Unrestricted (Deficit)	(54,879,732)	(49,858,283)
Total Net Position	$ 33,504,401	$ 26,387,718

Total net position increased by approximately $7.1 million in fiscal year 2017 from the prior year. This change in net position is detailed in Table 2 below. Table 2 also shows the change in net position as compared to the prior fiscal year.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
Revenues		
Program Revenues:		
Charges for Services	$ 1,933,202	$ 1,872,236
Operating Grants and Contributions	50,797,359	48,381,030
Capital Grants and Contributions	4,854,900	1,799,549
Total Program Revenues	57,585,461	52,052,815
General Revenues:		
Taxes		
Property Taxes	14,942,568	15,428,879
Sales Taxes	4,740,596	4,685,075
Grants and Contributions not Restricted to Specific Programs	5,395,178	4,452,878
Investment Earnings	76,954	78,566
Miscellaneous	1,547,477	1,199,025
Total General Revenues	26,702,773	25,844,423
Total Revenues	84,288,234	77,897,238
Program Expenses:		
Instruction	51,564,126	46,449,546
Support Services		
Pupil Services	1,884,730	1,467,676
Improvement of Instructional Services	1,788,094	1,851,981
Educational Media Services	949,010	889,667
General Administration	1,077,244	506,860
School Administration	4,134,698	3,413,693
Business Administration	766,476	697,663
Maintenance and Operation of Plant	5,325,527	7,203,438
Student Transportation Services	2,869,206	2,616,533
Central Support Services	192,011	233,956
Other Support Services	193,873	361,952
Operations of Non-Instructional Services		
Enterprise Operations	1,804,538	1,889,931
Food Services	4,356,241	4,622,681
Interest on Short-Term and Long-Term Debt	265,776	476,458
Total Expenses	77,171,550	72,682,035
Increase in Net Position	$ 7,116,684	$ 5,215,203

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
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
Instruction	$ 51,564,126	$ 46,449,546	$ 10,446,203	$ 10,724,016
Support Services:				
Pupil Services	1,884,730	1,467,676	1,092,955	933,359
Improvement of Instructional Services	1,788,094	1,851,981	604,154	323,760
Educational Media Services	949,010	889,667	(31,099)	(91,072)
General Administration	1,077,244	506,860	(143,947)	(703,095)
School Administration	4,134,698	3,413,693	2,118,844	1,426,114
Business Administration	766,476	697,663	757,735	691,521
Maintenance and Operation of Plant	5,325,527	7,203,438	2,908,111	4,868,895
Student Transportation Services	2,869,206	2,616,533	1,880,768	1,545,891
Central Support Services	192,011	233,956	189,792	230,197
Other Support Services	193,873	361,952	146,015	78,130
Operations of Non-Instructional Services:				
Enterprise Operations	1,804,538	1,889,931	1,230	149,065
Food Services	4,356,241	4,622,681	(650,448)	(24,020)
Interest on Short-Term and Long-Term Debt	265,776	476,458	265,776	476,458
Total Expenses	$ 77,171,550	$ 72,682,035	$ 19,586,089	$ 20,629,219

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 and other financing sources over $85.6 million and total expenditures and other financing uses of $88.4 million in fiscal year 2017. Total governmental fund balances of approximately $10.1 million at June 30, 2017, decreased approximately $2.8 million from the prior year.

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 2017, 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 $75.9 million were greater than the final budgeted amount of $66.1 million by approximately $9.8. This can be primarily attributed to receiving more property taxes, federal funds, charges for services, and miscellaneous income than originally expected.

The general fund's final actual expenditures of $73.2 million were less than the final budget amount of $79.0 million by approximately $5.8 million. The School District believes it effectively managed its budget during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2017, the School District had over $94.6 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
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
Land	$ 2,275,175	$ 2,275,175
Construction In Progress	13,402,571	11,473,178
Building and Improvements	76,848,636	70,089,918
Equipment	772,852	1,003,575
Land Improvements	1,324,408	1,381,680
Total	$ 94,623,642	$ 86,223,526

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

Debt Administration

At June 30, 2017, the School District had $12.1 million in bonds outstanding with $2.45 million due within one year and $418 thousand in capital leases outstanding and due in one year.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
General Obligation Bonds	$ 12,090,000	$ 14,500,000
Capital Leases	418,022	833,747
Total	$ 12,508,022	$ 15,333,747

Net Pension Liabilities

At June 30, 2017 the School District reported liabilities for its proportionate share of the net pension liability. Reporting this liability was required by GASB No. 68 and GASB No. 71.

FACTORS BEARING ON THE 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 16.183. It was rolled back in fiscal year 2017 to 16.151.
- The School District is in excellent financial condition. The general fund had a fund balance as of June 30, 2017 of $11.8 million, which is up $2.7 million from the prior year. In fiscal year 2017, $5,582,992 was loaned from the general fund to the capital projects fund to complete the construction of the Polk County College and Career Academy. The inter-fund loan will be paid back in future years with excess Special Purpose Local Option Sales Tax proceeds.
- The School District is financially challenged by the State's continuing reduction of state revenue appropriations to local school districts. However, the School District is scheduled to receive a $1,593,810 increase of state revenue for fiscal year 2018.
- The School District will continue to renovate the existing facilities to accommodate future growth as needed. The School District plans to fund additional capital outlays with the one percent local sales tax revenue, general obligation bonds and state capital outlay grant. An fine arts building will be constructed at Cedartown High School. An agricultural building will be constructed on the Rockmart High Campus. Technology upgrades will also be made. Also, additions and modifications will be done as needed.

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 Mrs. Tammy McDonald, Chief Financial Officer, Polk County School District, 612 South College Street, Cedartown, Georgia 30125. You may also email your questions to Mrs. McDonald at tammy@polk.k12.ga.us.

(This page left intentionally blank)

POLK COUNTY SCHOOL DISTRICT

(This page left intentionally blank)

POLK COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 9,553,452.98
Investments	10,693.27
Receivables, Net	
Taxes	2,144,938.54
State Government	6,360,688.47
Federal Government	1,048,687.87
Other	286,667.36
Inventories	116,007.08
Restricted Assets	
Investments with Fiscal Agent or Trustee	1,646,575.32
Capital Assets, Non-Depreciable	15,677,745.89
Capital Assets, Depreciable (Net of Accumulated Depreciation)	78,945,896.13
Total Assets	115,791,352.91
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	18,037,523.36
LIABILITIES	
Accounts Payable	615,758.33
Salaries and Benefits Payable	8,081,370.15
Interest Payable	113,775.00
Contracts Payable	20,349.03
Retainages Payable	1,027,408.70
Net Pension Liability	74,557,748.00
Long-Term Liabilities	
Due Within One Year	3,098,107.11
Due in More Than One Year	10,484,969.59
Total Liabilities	97,999,485.91
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	2,324,989.00
NET POSITION	
Net Investment in Capital Assets	82,970,369.70
Restricted for	
Continuation of Federal Programs	1,612,644.45
Debt Service	3,800,506.94
Continuation of State Programs	612.08
Unrestricted (Deficit)	(54,879,731.81)
Total Net Position	$ 33,504,401.36

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

POLK COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 51,564,125.63	$ 59,134.36
Support Services		
Pupil Services	1,884,729.65	-
Improvement of Instructional Services	1,788,093.72	-
Educational Media Services	949,010.45	-
General Administration	1,077,243.73	-
School Administration	4,134,698.47	-
Business Administration	766,476.13	-
Maintenance and Operation of Plant	5,325,526.69	-
Student Transportation Services	2,869,206.45	-
Central Support Services	192,011.14	-
Other Support Services	193,872.76	-
Operations of Non-Instructional Services		
Enterprise Operations	1,804,538.14	1,803,307.69
Food Services	4,356,241.07	70,759.76
Interest on Short-Term and Long-Term Debt	265,776.27	-
Total Governmental Activities	$ 77,171,550.30	$ 1,933,201.81
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Other Taxes		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
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		
Net Position - End of Year		

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
$ 36,303,212.43	$ 4,755,575.98	$ (10,446,202.86)
791,775.06	-	(1,092,954.59)
1,183,939.38	-	(604,154.34)
980,110.01	-	31,099.56
1,221,190.36	-	143,946.63
2,015,854.49	-	(2,118,843.98)
8,741.24	-	(757,734.89)
2,417,415.56	-	(2,908,111.13)
988,438.99	-	(1,880,767.46)
2,218.95	-	(189,792.19)
8,881.44	38,976.07	(146,015.25)
-	-	(1,230.45)
4,875,581.34	60,348.25	650,448.28
-	-	(265,776.27)
$ 50,797,359.25	$ 4,854,900.30	(19,586,088.94)
		14,895,359.62
		47,208.39
		4,541,510.53
		199,085.15
		5,395,178.00
		76,954.34
		1,547,476.66
		26,702,772.69
		7,116,683.75
		26,387,717.61
		$ 33,504,401.36

POLK COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 6,664,367.85	$ 1,021,097.44	$ 1,867,987.69	$ 9,553,452.98
Investments	10,693.27	-	-	10,693.27
Receivables, Net				
Taxes	1,745,219.61	-	399,718.93	2,144,938.54
State Government	6,360,688.47	-	-	6,360,688.47
Federal Government	1,048,687.87	-	-	1,048,687.87
Other	277,755.36	8,912.00	-	286,667.36
Due from Other Funds	5,582,991.96	-	-	5,582,991.96
Inventories	116,007.08	-	-	116,007.08
Restricted				
Investments with a Fiscal Agent or Trustee	-	-	1,646,575.32	1,646,575.32
Total Assets	$ 21,806,411.47	$ 1,030,009.44	$ 3,914,281.94	$ 26,750,702.85
LIABILITIES				
Accounts Payable	$ 612,752.08	$ 3,006.25	$ -	$ 615,758.33
Salaries and Benefits Payable	8,081,370.15	-	-	8,081,370.15
Due to Other Funds	-	5,582,991.96	-	5,582,991.96
Contracts Payable	-	20,349.03	-	20,349.03
Retainages Payable	-	1,027,408.70	-	1,027,408.70
Total Liabilities	8,694,122.23	6,633,755.94	-	15,327,878.17
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	1,335,275.37	-	-	1,335,275.37
FUND BALANCES				
Nonspendable	116,007.08	-	-	116,007.08
Restricted	1,497,249.45	-	3,914,281.94	5,411,531.39
Assigned	568,124.05	-	-	568,124.05
Unassigned	9,595,633.29	(5,603,746.50)	-	3,991,886.79
Total Fund Balances	11,777,013.87	(5,603,746.50)	3,914,281.94	10,087,549.31
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 21,806,411.47	$ 1,030,009.44	$ 3,914,281.94	$ 26,750,702.85

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

POLK COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")		$ 10,087,549.31
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	$ 2,275,174.50	
Construction in progress	13,402,571.39	
Buildings and improvements	101,303,245.95	
Equipment	4,794,118.70	
Land improvements	2,594,719.05	
Accumulated depreciation	(29,746,187.57)	94,623,642.02
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(74,557,748.00)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		15,712,534.36
Taxes that are not available to pay for current period expenditures are deferred in the funds.		1,335,275.37
Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	$ (12,090,000.00)	
Accrued interest payable	(113,775.00)	
Capital leases payable	(418,022.42)	
Compensated absences payable	(154,715.52)	
Unamortized bond premiums	(920,338.76)	(13,696,851.70)
Net position of governmental activities (Exhibit "A")		$ 33,504,401.36

POLK COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 14,765,513.67	$ -	$ -	$ 14,765,513.67
Sales Taxes	199,085.15	-	4,541,510.53	4,740,595.68
State Funds	48,288,322.26	3,510,761.11	-	51,799,083.37
Federal Funds	9,174,287.69	-	-	9,174,287.69
Charges for Services	1,933,201.81	-	-	1,933,201.81
Investment Earnings	5,686.01	2,021.86	69,246.47	76,954.34
Miscellaneous	1,547,476.66	-	-	1,547,476.66
Total Revenues	75,913,573.25	3,512,782.97	4,610,757.00	84,037,113.22
EXPENDITURES				
Current				
Instruction	48,270,953.67	20,985.66	-	48,291,939.33
Support Services				
Pupil Services	1,849,633.92	-	-	1,849,633.92
Improvement of Instructional Services	1,754,551.14	-	-	1,754,551.14
Educational Media Services	921,154.20	-	-	921,154.20
General Administration	984,369.32	-	7,350.00	991,719.32
School Administration	4,024,375.12	-	-	4,024,375.12
Business Administration	742,583.71	-	-	742,583.71
Maintenance and Operation of Plant	5,318,216.58	14,124.97	-	5,332,341.55
Student Transportation Services	2,575,926.80	-	-	2,575,926.80
Central Support Services	188,503.72	-	-	188,503.72
Other Support Services	163,581.56	-	-	163,581.56
Enterprise Operations	1,804,538.14	-	-	1,804,538.14
Food Services Operation	4,301,036.88	-	-	4,301,036.88
Capital Outlay	-	10,584,971.26	-	10,584,971.26
Debt Services				
Principal	297,942.54	117,781.75	2,410,000.00	2,825,724.29
Dues and Fees	-	806.25	-	806.25
Interest	2,481.35	2,129.61	503,300.00	507,910.96
Total Expenditures	73,199,848.65	10,740,799.50	2,920,650.00	86,861,298.15
Revenues over (under) Expenditures	2,713,724.60	(7,228,016.53)	1,690,107.00	(2,824,184.93)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	1,566,914.36	-	1,566,914.36
Transfers Out	-	-	(1,566,914.36)	(1,566,914.36)
Total Other Financing Sources (Uses)	-	1,566,914.36	(1,566,914.36)	-
Net Change in Fund Balances	2,713,724.60	(5,661,102.17)	123,192.64	(2,824,184.93)
Fund Balances - Beginning	9,063,289.27	57,355.67	3,791,089.30	12,911,734.24
Fund Balances - Ending	$ 11,777,013.87	$ (5,603,746.50)	$ 3,914,281.94	$ 10,087,549.31

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

POLK COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2017

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")		$ (2,824,184.93)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	$ 10,573,368.03	
Depreciation expense	(2,173,251.77)	8,400,116.26
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		177,054.34
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.		
Amortization of bond premium	$ 230,084.69	
Bond principal retirements	2,410,000.00	
Capital lease payments	415,724.29	3,055,808.98
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Pension expense		(1,686,999.50)
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.		
Accrued interest on issuance of bonds	$ 12,050.00	
Compensated absences	(17,161.40)	(5,111.40)
Change in net position of governmental activities (Exhibit "B")		$ 7,116,683.75

POLK COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS	PENSION TRUST FUND DECEMBER 31, 2016
ASSETS			
Cash and Cash Equivalents	$ 9,710.72	$ 119,350.46	$ 359,161.00
Investments	-	-	3,415,577.00
Total Assets	$ 9,710.72	$ 119,350.46	$ 3,774,738.00
LIABILITIES			
Due to Broker		$ -	$ 1,113.00
Funds Held for Others		$ 119,350.46	-
NET POSITION			
Employee's Pension Benefits	$ -		$ 3,773,625.00
Held in Trust for Private Purposes	$ 9,710.72		

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

POLK COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS	PENSION TRUST FUND DECEMBER 31, 2016
ADDITIONS		
Contributions		
Employer Contributions	$ -	$ 349,969.00
Investment Earnings		
Net Increase in Fair Value of Investments	-	231,939.52
Interest	-	5,688.00
Total Investment Earnings	-	237,627.52
Other Additions	2,000.00	-
Total Additions	2,000.00	587,596.52
DEDUCTIONS		
Administrative Expenses	-	21,220.00
Benefits Paid to Participants	705.89	321,825.00
Total Deductions	705.89	343,045.00
Change in Net Position	1,294.11	244,551.52
Net Position - Beginning	8,416.61	3,529,073.48
Net Position - Ending	$ 9,710.72	$ 3,773,625.00

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

(This page left intentionally blank)

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Polk County School District (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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), College and Career Academy Funds 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 types:

- Private purpose trust funds are used to report trust arrangements under which income is to be used for the purpose of clothing and medical needs for disadvantaged students at the Superintendent’s discretion and a scholarship for a student graduating from Rockmart High School.
- 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.
- Pension trust fund accounts for the activities of Polk County School District Social Security Replacement Plan, a single employer defined benefit pension plan for the group of employees covered by the Public School Employees Retirement System (PSERS).

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 and grants. 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 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 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 resources 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 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures.* This statement requires governments that enter into tax abatement agreements to disclose the following information; (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. See note 15 for further disclosure of tax abatements in accordance with this standard.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The adoption of this statement does not have a significant impact on the School District’s financial statements.

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

FISCAL YEAR END

All funds are reported using fiscal years which end on June 30, except the defined benefit pension plan (fiduciary fund), which has a fiscal year ending December 31.

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.

Due to other funds and due from other funds consist of activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year.

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.

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 Bond sinking funds.

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 the

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	$50,000.00	20 to 60 years
Buildings and Improvements	$50,000.00	25 to 60 years
Equipment	$50,000.00	5 to 50 years
Intangible Assets	$50,000.00	10 to 20 years

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 10 days is awarded annually to all full time personnel employed on a twelve month basis with less than 15 years of experience and 15 days annually to all full time personnel employed on a twelve month basis with between 15 and 40 years of experience. Twelve month employees with 40 or more years of service to the School District are eligible for 5 additional vacation days annually. No other employees are eligible to earn vacation leave.

For twelve-month employees with 15 or more years of experience, all unused vacation days may be carried forward into the next employment year up to and including June 30. This is a maximum of 15 days earned from previous year. Upon expiration of this limit, a maximum of 5 unused vacation days may be carried forward. Therefore, this employee could have a maximum of 20 days of acquired vacation at the start of a new fiscal year.

For twelve-month employees with less than 15 years of experience, all unused vacation days may be carried forward into the next employment year up to and including June 30. This is a maximum of 10 days earned from previous year. Upon expiration of this limit, a maximum of 5 unused vacation days may be carried forward. Therefore, this employee could have a maximum of 15 days of acquired vacation at the start of a new fiscal year.

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. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal-year end.

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 Polk County Board of Commissioners adopted the property tax levy for the 2016 tax digest year (calendar year) on August 8, 2016 (levy date) based on property values as of January 1, 2016. Taxes were due on December 1, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. The Polk County Board of Commissioners 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, 2017, for maintenance and operations amounted to $13,590,575.26.

The tax millage rate levied for the 2016 tax year (calendar year) for the School District was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	16.151 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $1,127,730.02 during fiscal year ended June 30, 2017.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $4,541,510.53 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, capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function 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.

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

NOTE 4: DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS

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, 2017, $109,161.13 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, 2017, School District had deposits with a carrying amount of $8,112,833.14, and a bank balance of $11,256,201.43. The bank balances insured by Federal depository insurance were $955,641.47 and the bank balances collateralized with securities held by the pledging financial institution in the School District’s name were $31,606.14.

At June 30, 2017, $10,268,953.82 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$	109,161.13
Uninsured with collateral held by the pledging financial institution		-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name		10,159,792.69
Total	$	10,268,953.82

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

Statement of Net Position		
Cash and cash equivalents	$	9,553,452.98
Statement of Fiduciary Net Position		
Cash and cash equivalents		488,222.18
Total cash and cash equivalents		10,041,675.16
Add:		
Deposits with original maturity of three months or more reported as investments		10,693.27
Less:		
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		1,939,535.29
Total carrying value of deposits - June 30, 2017	$	8,112,833.14

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of $1,939,535.29 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. 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, 2017, was 56 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, 2017, the School District had the following investments:

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Debt Securities		
U. S. Agencies		
Implicitly Guaranteed	$ 1,646,575.32	$ 1,646,575.32
Other Investments		
Bond Mutual Funds	1,453,189.00	
Equity Mutual Funds	1,962,388.00	
Total Investments	$ 5,062,152.32	

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 measurements in active markets;

Level 2: Observable inputs other than quoted market prices; and,

Level 3: Unobservable inputs.

At June 30, the School District had the following investments by fair value level:

Investments by fair value level:	Fair Value	Level 1	Level 2
U. S. Agencies			
Implicitly Guaranteed	$ 1,646,575.32	$ -	$ 1,646,575.32
Mutual Bond Funds	1,453,189.00	1,453,189.00	-
Equity Mutual Funds - Domestic	1,796,618.00	1,796,618.00	-
Equity Mutual Funds - International	165,770.00	165,770.00	-
Total investments by fair value level	$ 5,062,152.32	$ 3,415,577.00	$ 1,646,575.32

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, 2017, $3,415,577.00 of the School District's applicable investments were 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:

		Quality Ratings	
Rated Debt Investments	Fair Value	AAA	Unrated
Debt Securities			
U. S. Agencies			
Implicitly Guaranteed	$ 1,646,575.32	$ 1,646,575.32	$ -
Mutual Bond Fund	1,453,189.00	-	1,453,189.00
Totals by Quality Ratings	$ 3,099,764.32	$ 1,646,575.32	$ 1,453,189.00

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 Mutual Equity Funds, Mutual Bond Funds and Federal National Mortgage Association (FNMA) Discount Note. These investments are 39%, 29%, and 32%, respectively, of the School District's total investments.

NOTE 5: 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 Bond (QZAB) Sinking Funds.

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, 2016	Increases	Decreases	Balances June 30, 2017
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 2,275,174.50	$ -	$ -	$ 2,275,174.50
Construction in Progress	11,473,178.22	10,573,368.03	8,643,974.86	13,402,571.39
Total Capital Assets Not Being Depreciated	13,748,352.72	10,573,368.03	8,643,974.86	15,677,745.89
Capital Assets Being Depreciated				
Buildings and Improvements	92,659,271.09	8,643,974.86	-	101,303,245.95
Equipment	4,794,118.70	-	-	4,794,118.70
Land Improvements	2,594,719.05	-	-	2,594,719.05
Less Accumulated Depreciation for:				
Buildings and Improvements	22,569,352.78	1,885,257.30	-	24,454,610.08
Equipment	3,790,544.10	230,722.65	-	4,021,266.75
Land Improvements	1,213,038.92	57,271.82	-	1,270,310.74
Total Capital Assets, Being Depreciated, Net	72,475,173.04	6,470,723.09	-	78,945,896.13
Governmental Activity Capital Assets - Net	$ 86,223,525.76	$ 17,044,091.12	$ 8,643,974.86	$ 94,623,642.02

Current year depreciation expense by function is as follows:

Instruction		$ 1,918,331.69
Support Services		
Student Transportation Services	$ 210,884.75	
Other Support Services	17,280.00	228,164.75
Food Services		26,755.33
		$ 2,173,251.77

NOTE 7: INTERFUND ASSETS, LIABILITIES, AND TRANSFERS

INTERFUND ASSETS AND LIABILITIES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2017, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	$ 5,582,991.96	$ -
Capital Projects Fund	-	5,582,991.96
	$ 5,582,991.96	$ 5,582,991.96

Interfund assets and liabilities are a result of the general fund loaning funds to the capital projects fund to provide cash to complete construction projects.

INTERFUND TRANSFERS

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

Transfers to	Transfers From Debt Service Fund
Capital Projects Fund	$ 1,566,914.36

Transfers are used to move sales tax revenues collected by the debt service fund to the capital projects fund for the payment of costs associated with construction projects approved by the Special Purpose Local Option Sales Tax (SPLOST) referendum.

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, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
General Obligation Bonds	$ 12,500,000.00	$ -	$ 2,410,000.00	$ 10,090,000.00	$ 2,450,000.00
Qualified Zone Academy Bonds	2,000,000.00	-	-	2,000,000.00	-
Total Bond Debt	14,500,000.00	-	2,410,000.00	12,090,000.00	2,450,000.00
Capital Leases	833,746.71	-	415,724.29	418,022.42	418,022.42
Compensated Absences(1)	137,554.12	51,011.12	33,849.72	154,715.52	-
Unamortized Bond Premiums	1,150,423.45	-	230,084.69	920,338.76	230,084.69
	$ 16,621,724.28	$ 51,011.12	$ 3,089,658.70	$ 13,583,076.70	$ 3,098,107.11

(1) The portion of compensated absences due within one year has been determined to be immaterial to the basic financial statements.

GENERAL OBLIGATION DEBT OUTSTANDING

The School District's bonded debt consists of various issues of general obligation bonds that are generally noncallable 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.

General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2014	2.00% - 5.00%	7/22/2014	4/1/2021	$ 12,500,000.00	$ 10,090,000.00

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

Fiscal Year Ended June 30:	General Obligation Debt Principal	General Obligation Debt Interest	Unamortized Bond Premium
2018	$ 2,450,000.00	$ 455,100.00	$ 230,084.69
2019	2,490,000.00	357,100.00	230,084.69
2020	2,545,000.00	257,500.00	230,084.69
2021	2,605,000.00	130,250.00	230,084.69
Total Principal and Interest	$ 10,090,000.00	$ 1,199,950.00	$ 920,338.76

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 in connection with the establishment of special academic programs, in partnership with the business community. The School District, in agreement with Regions Bank, has entered into such an arrangement.

This agreement establishes a method of repayment for qualified interest-free debt instrument. The agreement requires the School District to deposit funds annually into a sinking fund account on or before June 30, 2017. The amount on deposit at June 30, 2017 was $1,646,575.32.

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

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - QZAB - Series 2006	0.00%	12/5/2006	12/15/2022	$ 2,000,000.00	$ 2,000,000.00

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

Fiscal Year Ended June 30:	Principal
2023	$ 2,000,000.00

CAPITAL LEASES

The School District has acquired computer equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a transfer of ownership by the end of the lease term.

Capital leases currently outstanding are as follows:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Computer Hardware	2.5550%	8/17/2014	8/17/2017	$ 473,266.05	$ 118,841.78
Computer Hardware	2.3578%	3/25/2015	7/1/2018	1,192,934.70	299,180.64
				$ 1,666,200.75	$ 418,022.42

The following is a schedule of total capital lease payments:

Fiscal Year Ended June 30:	Principal	Interest
2018	$ 418,022.42	$ 2,312.83

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 exceed commercial insurance coverage in any of the past three fiscal years.

UNEMPLOYMENT COMPENSATION

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2016	$ -	$ 7,074.00	$ 7,074.00	$ -
2017	$ -	$ 12,210.00	$ 12,210.00	$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	$ 50,000.00

NOTE 10: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2017:

Nonspendable		
Inventories		$ 116,007.08
Restricted		
Continuation of Federal Programs	$ 1,496,637.37	
Debt Service	3,914,281.94	
Continuation of State Programs	612.08	5,411,531.39
Assigned		
School Activity Accounts		568,124.05
Unassigned		3,991,886.79
Fund Balance, June 30, 2017		$ 10,087,549.31

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.

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, 2017, together with funding available:

Project	Unearned Executed Contracts (1)	Payments through June 30, 2017 (2)	Funding Available From State (1)
Polk County College and Career Academy - Cedartown High School	$ 24,300.94	$ 12,590,677.03	$ 2,200,172.60

(1) The amounts described are not reflected in the basic financial statements.
(2) Payments include contracts and retainages payable at year-end.

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: 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, 2017:

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

July 1, 2016 – June 30, 2017	$945.00 per member per month

For non-certificated school personnel:

July 1, 2016 – December 31, 2016	$746.20 per member per month
January 1, 2017 – June 30, 2017	$846.20 per member per month

No additional contribution was required by the Board for fiscal year 2017 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
2017	100%	$ 7,516,171.97
2016	100%	$ 7,164,882.51
2015	100%	$ 6,689,769.90

NOTE 14: 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 2017. The School District's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual School District payroll, of which 14.11% of payroll was required from the School District and 0.16% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $5,456,446.48 and $64,241.50 from the School District and the State, respectively.

EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to $4,200.00, plus 6% of annual compensation in excess of $4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2017 was 24.81% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were $31,838.88 for the current fiscal year.

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 $103,373.00.

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

At June 30, 2017, the School District reported a liability of $70,886,089.00 for its proportionate share of the net pension liability for TRS ($70,658,887.00) and ERS ($227,202.00).

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

School District's proportionate share of the net pension liability	$	70,658,887.00
State of Georgia's proportionate share of the net pension liability associated with the School District		944,080.00
Total	$	71,602,967.00

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

At June 30, 2016, the School District's TRS proportion was 0.342487%, which was a decrease of 0.003287% from its proportion measured as of June 30, 2015. At June 30, 2016, the School District's ERS proportion was 0.004803%, which was an increase of 0.001376% from its proportion measured as of June 30, 2015.

At June 30, 2017, 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 $762,372.00.

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

For the year ended June 30, 2017, the School District recognized pension expense of $7,146,946.00 for TRS, $48,397.00 for ERS and $124,981.00 for PSERS and revenue of $116,700.00 for TRS and $124,981.00 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, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,052,627.00	$ 349,409.00	$ -	$ 525.00
Changes of assumptions	1,831,381.00	-	1,924.00	-
Net difference between projected and actual earnings on pension plan investments	8,938,640.00	-	23,100.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,453,303.00	34,352.00	-
School District contributions subsequent to the measurement date	5,456,446.48	-	31,838.88	-
Total	$ 17,279,094.48	$ 1,802,712.00	$ 91,214.88	$ 525.00

The School District contributions subsequent to the measurement date of $5,456,446.48 for TRS and $31,838.88 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2018	$ 839,452.00	$ 28,918.00
2019	$ 839,448.00	$ 9,759.00
2020	$ 4,845,881.00	$ 12,454.00
2021	$ 3,378,865.00	$ 7,720.00
2022	$ 116,290.00	$ -

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

Teachers Retirement System:

Inflation	2.75%
Salary increases	3.75% – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

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

Employees' Retirement System:

Inflation	2.75%
Salary increases	3.25% – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP- 2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

Public School Employees Retirement System:

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

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

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

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

Asset class	TRS Target allocation	ERS/PSERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	-	5.00%	10.50%
Total	100.00%	100.00%	

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

Discount rate: The discount rate used to measure the total TRS, ERS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS, ERS and PSERS pension 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	$ 109,981,429.00	$ 70,658,887.00	$ 38,283,255.00

Employees' Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 307,901.00	$ 227,202.00	$ 158,431.00

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

POLK COUNTY SCHOOL DISTRICT SOCIAL SECURITY REPLACEMENT PLAN

Plan Description: As of January 2004, the School District established a single employer defined benefit pension plan for the group of employees covered under the Public Service Employees Retirement System (PSERS). Recognizing that PSERS was a limited defined benefit plan that does not meet the requirements of a qualified social security replacement plan, the new plan was established for these employees to meet the requirements of a social security replacement plan.

The School District Social Security Replacement Plan (Plan) provides a pension benefit for each participant at retirement, equal to 1.5% of the participant's Average Monthly Compensation multiplied by his Years of Credited Service up to 40 Years of Credited Service. Years of service subsequent to July 1, 1991, are counted for purposes of determining a participant's benefit. The funding method and determination of benefits payable are provided in or authorized by various sections of Title 47 of the Official Code of Georgia Annotated ("OCGA"). The Plan does not issue a separate financial report.

The employee is always 100% vested in his accrued benefit in the Plan.

The Plan is funded by employer contributions held in trust by Reliance Trust Company. The Actuary for the Plan is Swerdlin & Company. The Actuary determines the Plan liabilities and required contributions on an annual basis.

As of January 1, 2017, there were 371 Plan participants, consisting of the following:

	January 1, 2017
Active plan members	134
Vested terminated participants	141
Retirees, beneficiaries and disabled participants	96
	371

Funding Policy: Employees shall neither be required nor permitted to make contributions to the Plan. The Polk County School District (Employer) shall make contributions required to fund the cost of the benefits provided to its eligible employees by this Plan. The Employer makes such contributions as necessary to fund the Plan in accordance with all applicable minimum funding standards under Georgia law.

The Employer's Annual Required Minimum Contribution is the actuarially determined amount necessary to fund the plan benefits. The current year required minimum contribution was $328,611.00. The current year contribution was $349,969.00. The current contribution rate was 14.72% of annual covered payroll.

Investments: The Plan maintains an investment policy which fosters prudent and sound judgment in the management of plan assets to ensure safety of capital consistent with the fiduciary responsibility to the citizens of Georgia and which conforms to the Plan's investment policy. All investments are consistent with Polk School District's policy and applicable Federal and State laws.

Investments are reported at fair value. Securities are traded on a national or international exchange and are valued at the last reported sales price. The Plan's investment policy requires diversification of assets in an effort to avoid the risk of large losses and maximize the investment return to the Plan consistent with market and economic risk.

As of December 31, 2016, the Plan's assets are:

Asset Class		Percent of Plan Assets
Cash and Equivalent	$	359,161.00
Domestic Equities		1,796,618.00
International Equities		165,770.00
Fixed Income		1,453,189.00
	$	3,774,738.00

For the plan year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of plan investment expense, was 7.04%.

The following table summarizes the adopted asset allocation policy at December 31, 2016:

Asset Class	Adopted Asset Allocation
Domestic Equities	40% to 50%
International Equities	1% to 5%
Fixed Income	35% to 45%
Cash	1% to 5%
Total	100%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan:

The components of the net pension liability at December 31, 2016 were as follows:

Total pension liability	$	7,445,284.00
Plan fiduciary net position		(3,773,625.00)
Net pension liability	$	3,671,659.00

The Plan's fiduciary net position as a percentage of its total pension liability is 50.68%.

The net pension liability for the Plan was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of January 1, 2016. An expected total pension liability as of December 31, 2016 was determined using standard roll-forward techniques.

For the year ended June 30, 2017, the School District recognized pension expense of $446,611.00 for the Plan.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investment	$ 200,884.00	$ -
Differences between expected and actual experience	117,703.00	329,610.00
Changes in actuarial assumptions	348,627.00	192,142.00
Total	$ 667,214.00	$ 521,752.00

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

Year Ended June 30:	
2017	$ 66,844.00
2018	$ 66,842.00
2019	$ 50,409.00
2020	$ (3,239.00)
2021	$ (5,007.00)
Thereafter	$ (30,387.00)

Actuarial Methods and Assumptions:

The total pension liability was determined as of January 1, 2017 using the following actuarial assumptions and methods:

Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.00%, net of pension plan investment expense
Single equivalent discount rate	5.57%, net of pension plan investment expense

Mortality rates were based on the RP-2014 Blue Collar with MP-2016.

The long-term expected rate of return on the Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return, net investment expenses and inflation, are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by expected inflation. Best estimate of arithmetic real rates of return for each major asset class, included in the Plan's target asset allocation as of December 31, 2016.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equities	49%	6.00%
International Equities	5%	6.00%
Fixed Income	41%	3.00%
Cash	5%	0.00%

*Rates shown are net of the 2.50% assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was the single equivalent discount rate shown above. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to actuarially determined contribution rates. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected future benefits payments of current Plan members through 2046 and the long-term expected rate of return of 7.00% was applied to this period. The 20-year tax-free municipal bond yield of 3.78% was applied after 2047.

Sensitivity of the Polk County School District's Net Pension Liability to changes in the discount rate: The following presents the School District's net pension liability calculated using the discount rate of 5.57%, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.57%) or 1-percentage-point higher (6.57%) than the current rate:

	1% Decrease (4.57%)	Current discount rate (5.57%)	1% Increase (6.57%)
School District's proportionate share of the net pension liability	$ 4,644,402.00	$ 3,671,659.00	$ 2,855,570.00

NOTE 15: TAX ABATEMENTS

The Development Authority of Polk County, the Cedartown Development Authority and the Rockmart Development Authority can enter into agreements with private individuals or entities for economic or industrial projects to encourage the creation of jobs and capital investment through an "Economic Incentive Program". This program is used to incentivize these businesses to build, relocate, expand, or renovate within incorporated and unincorporated Polk County. Each agreement provides a property tax benefit to the company through a schedule of discounted valuation that reduces, for ad valorem tax purposes, the fair market value of real and/or personal property that is held by the Authorities and leased to the company. Georgia case law and the Authorities' enabling legislation provide the Authorities with the power to enter into such agreements with private companies.

The Authorities may accept title to real and personal property assets from a company in return for job creation and capital investment, and provide a tax benefit to the company through a lease agreement with the Authority. In considering eligibility for providing this benefit to a company, the Authorities review the following criteria:

1. Eligible businesses can include new and existing industrial businesses.
2. But for an incentive agreement, the company would not create the jobs and investment in the community.
3. Eligible projects must involve significant investment in real and personal property.
4. The average wage of the business' employees should be above the average wage of goods producing employees in Polk County.
5. The business should offer medical benefits to all employees.
6. The impact to job retention will be considered for each expansion project.
7. As a condition of assistance, a business will be required to work with the Authority to convey title to the Authority.

In return for a property tax benefit, a company is required to commit to creating jobs and capital investment within a defined period as part of a performance and accountability agreement with the Authority that includes provisions for the company to pay back a prorated portion of the benefit if they fail to meet the performance criteria by a specified date. The Authorities monitor compliance with performance and accountability agreements to ensure the companies meet their commitments.

For the Polk County School District's year ending December 31, 2016, the cumulative property tax not collected due to incentive agreements was $220,687.04; however, $226,077.57 was paid to the Polk County School District through the Economic Incentive Program for the same period. These agreements will result in an estimated $97.0 million in new capital investment for Polk County and more than 290 new/retained jobs. According to the National Association of Manufacturers, the new capital investment will generate an additional $173.8 million in our economy, and the 290 jobs will generate another 1,160 jobs in other sectors.

The companies currently under an abatement program during the 2016 tax year are listed below, along with a summary of each project. The values included in these notes only reflect the values included in an economic incentive program and are not intended to be the total amount of investment in Polk County.

Miura Manufacturing America Co. LTD
2200 Steven B. Smith Blvd.
Rockmart, Georgia 30153

In 2008, the Development Authority of Polk County entered into a lease agreement with Miura Manufacturing which allowed for the company to lease, improve and equip an approximate 100,000 square foot industrial boiler manufacturing facility in the Rockmart 101 Industrial Park. Miura committed to invest approximately $11,225,000.00 in the property, machinery and equipment and to also create approximately 50 new jobs within 36 months after full operating capacity. The agreement would provide a leasehold valuation schedule which phased in the property taxes over a period of time from 2009 to 2017.

The 2016 maximum fair market value of the project, including real property, inventory, machinery and equipment totals $14,790,948.00. In 2016, the total abated taxes for Miura was $15,190.65, with $5,894.99 being abated by the Polk County School District.

Gildan Yarns, LLC
2121 Heilig Road
Salisbuty, NC 28146

Doing business in Polk County at
270 North Park Blvd.
Cedartown, Ga.30125

In 2013, the Cedartown Development Authority entered into a Memorandum of Understanding with Gildan Yarns, LLC for the expansion, renovation, improvement and equipping of an existing yarn manufacturing facility in the Cedartown North Industrial Park for lease and operation by the company. The company committed to invest $30.0 million in renovation and equipment, as well as create 8 new jobs and retain 94 existing jobs. In order to incentivize this project, the Cedartown Development Authority entered into an agreement to phase in the property taxes on the project over a period of time from 2015 to 2024.

For the 2016 tax year, Gildan Yarn is being assessed a fair market value, including real property, inventory, machinery and equipment of $12,574,588.00. In 2016, the total abated taxes for Gildan Yarns was $174,180.38, with $73,057.18 being abated by the Polk County School District.

Jefferson Southern Corporation
1000 Marquette Road
Rockmart, Georgia 30153

Jefferson Southern Corporation is a Tier One automotive supplier who produces and sells parts that are ready to be installed in automobiles. JSC located in Rockmart, Georgia in the Rockmart 101 Industrial Park in 2001. At that time, the Rockmart Development Authority entered into a Tax Incentive Operating Agreement that would allow for the acquisition, construction and equipping of the original manufacturing facility in multiple phases and would provide a phase in of property taxes for each phase of the location/expansion. Through this original and subsequent agreements, Jefferson Southern Corporation has committed to invest $55,800,000.00 in capital investment in Polk County, along with the creation of 140 jobs. This investment has occurred (and is occurring) in four phases, with Phase I being the original purchase and construction of the manufacturing facility and an abatement period from 2002 to 2015, Phase II being the expansion of the facility and installation of a new press and welding line and an abatement period from 2004 to 2017, Phase III being new equipment and facility improvements with an abatement period from 2008 to 2021, and Phase IV consisting of the construction of an additional 82,000 square feet and the acquisition of new machinery and equipment including a crane, conveyor and a new press with an abatement period from 2015 to 2028.

In the tax period for 2016, Jefferson Southern had an appraised value of $47,464,564.00 including real property, inventory, machinery and equipment. During this same time period, the total of abated taxes for Jefferson Southern is $311,994.56, with $141,734.87 being abated by the Polk School District.

NOTE 16: SUBSEQUENT EVENTS

In the subsequent fiscal year, voters authorized the School District to issue general obligation bonds in the amount of $18,050,000.00 which were sold March 1, 2018. The proceeds from these bonds will be used for capital outlay projects to construct, remodel, improve, and equip existing facilities.

(This page left intentionally blank)

POLK COUNTY SCHOOL DISTRICT
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 payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.342487%	$ 70,658,887.00	$ 944,080.00	$ 71,602,967.00	$ 38,069,372.98	185.61%	76.06%
2016	0.345774%	$ 52,640,658.00	$ 600,892.00	$ 53,241,550.00	$ 36,915,144.69	142.60%	81.44%
2015	0.346443%	$ 43,768,503.00	$ 560,177.00	$ 44,328,680.00	$ 35,545,926.47	123.13%	84.03%

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

POLK COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
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	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total net pension liability
2017	0.004803%	$ 227,202.00	$ 111,677.30	203.45%	72.34%
2016	0.003427%	$ 138,841.00	$ 78,360.00	177.18%	76.20%
2015	0.003393%	$ 127,258.00	$ 76,400.48	166.57%	77.99%

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

POLK COUNTY SCHOOL DISTRICT
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 liaibility associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.00%	$ -	$ 762,372.00	$ 762,372.00	$ 1,810,170.59	N/A	81.00%
2016	0.00%	$ -	$ 485,473.00	$ 485,473.00	$ 1,791,780.27	N/A	87.00%
2015	0.00%	$ -	$ 443,309.00	$ 443,309.00	$ 1,790,955.74	N/A	88.29%

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

POLK COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2017	$ 5,456,446.48	$ 5,456,446.48	$ -	$ 38,673,234.64	14.11%
2016	$ 5,360,865.43	$ 5,360,865.43	$ -	$ 38,069,372.98	14.08%
2015	$ 4,797,913.58	$ 4,797,913.58	$ -	$ 36,915,144.69	13.00%

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

POLK COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2017	$ 31,838.88	$ 31,838.88	$ -	$ 128,331.00	24.81%
2016	$ 27,606.43	$ 27,606.43	$ -	$ 111,677.30	24.72%
2015	$ 17,207.88	$ 17,207.88	$ -	$ 78,360.00	21.96%
2014	$ 14,104.00	$ 14,104.00	$ -	$ 76,400.48	18.46%
2013	$ 11,306.36	$ 11,306.36	$ -	$ 75,872.88	14.90%
2012	$ 2,581.12	$ 2,581.12	$ -	$ 22,193.64	11.63%
2011	$ 6,124.09	$ 6,124.09	$ -	$ 58,828.91	10.41%
2010	$ 18,234.41	$ 18,234.41	$ -	$ 175,162.44	10.41%
2009	$ 26,889.19	$ 26,889.19	$ -	$ 258,301.54	10.41%

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

POLK COUNTY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SOCIAL SECURITY REPLACEMENT PLAN
YEAR ENDING DECEMBER 31

SCHEDULE "6"

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ 211,474.00	$ 252,078.00	$ 203,802.00	$ 164,756.00
Interest	393,557.00	357,947.00	378,679.00	363,955.00
Differences between Expected and Actual Experience	70,820.00	62,585.00	(446,217.00)	251,101.00
Change of Assumptions	(153,139.00)	(61,902.00)	471,960.00	832,322.00
Benefit Payments	(321,825.00)	(294,805.00)	(244,169.00)	(221,185.00)
Net Change in Total Pension Liability	200,887.00	315,903.00	364,055.00	1,390,949.00
Total Pension Liability - beginning	7,244,397.00	6,928,494.00	6,564,439.00	5,173,490.00
Total Pension Liability - ending (a)	$ 7,445,284.00	$ 7,244,397.00	$ 6,928,494.00	$ 6,564,439.00
Plan Fiduciary Net Position				
Contributions - employer	$ 349,969.00	$ 315,891.00	$ 310,889.00	$ 304,253.00
Net Investment Income	238,741.00	(20,197.00)	147,675.00	473,233.00
Benefit Payments	(321,825.00)	(294,805.00)	(244,169.00)	(221,185.00)
Administrative Expenses	(21,220.00)	(29,660.00)	(25,205.00)	(23,094.00)
Due to Broker	(1,113.00)	(1,229.00)	(4,493.00)	(242.00)
Net change in Plan Fiduciary Net Position	244,552.00	(30,000.00)	184,697.00	532,965.00
Plan Fiduciary Net Position - beginning	3,529,073.00	3,559,073.00	3,374,376.00	2,841,411.00
Plan Fiduciary Net Position - ending (b)	3,773,625.00	3,529,073.00	3,559,073.00	3,374,376.00
Net Pension Liability - ending (a - b)	$ 3,671,659.00	$ 3,715,324.00	$ 3,369,421.00	$ 3,190,063.00
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	50.68%	48.71%	51.37%	51.40%
Covered-Employee Payroll	$ 2,377,259.00	$ 2,600,407.00	$ 2,562,945.00	$ 2,726,676.00
Net Pension Liability as percentage of Covered-Employee Payroll	154.45%	142.87%	131.47%	117.00%

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

POLK COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
SOCIAL SECURITY REPLACEMENT PLAN
FOR THE YEAR ENDED DECEMBER 31

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
2017	$ 328,611.00	$ 349,969.00	$ (21,358.00)	$ 2,377,259.00	14.72%
2016	$ 315,891.00	$ 315,891.00	$ -	$ 2,600,407.00	12.15%
2015	$ 310,889.00	$ 310,889.00	$ -	$ 2,562,945.00	12.13%
2014	$ 304,253.00	$ 304,253.00	$ -	$ 2,726,676.00	11.16%

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

POLK COUNTY SCHOOL DISTRICT
SCHEDULE OF INVESTMENT RETURNS
SOCIAL SECURITY REPLACEMENT PLAN
YEAR ENDING DECEMBER 31

SCHEDULE "8"

Year Ended	Annual Money - Weighted Rate of Return, Net of Investment Expense
2017	7.04%
2016	(0.59)%
2015	4.55%
2014	17.25%

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

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.

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

Employees' Retirement System

Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

Public School Employees Retirement System

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

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

Social Security Replacement Plan

Changes of assumptions: There were no changes in benefits that affected the measurement of the total pension liability since the prior measurement date. However, in 2016 the amounts reported as changes in assumptions resulted from an increase in the discount rate from 5.11% to 5.40% since the prior measurement date.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of January 1, 2015, 18 months 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	January 1, 2015
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	22 years
Asset valuation method	Method recognized a portion of the difference between the market value of assets and expected actuarial value of assets, based on the assumed interest rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value.
Inflation rate	2.50%
Salary increases	3.50%, per annum
Investment rate of return	7.00%, net of pension plan investment

POLK COUNTY SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017

SCHEDULE "10"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 13,035,000.00	$ 13,035,000.00	$ 14,765,513.67	$ 1,730,513.67
Sales Taxes	-	-	199,085.15	199,085.15
State Funds	44,352,328.00	47,204,477.46	48,288,322.26	1,083,844.80
Federal Funds	-	5,588,217.00	9,174,287.69	3,586,070.69
Charges for Services	-	-	1,933,201.81	1,933,201.81
Investment Earnings	-	-	5,686.01	5,686.01
Miscellaneous	250,000.00	250,000.00	1,547,476.66	1,297,476.66
Total Revenues	57,637,328.00	66,077,694.46	75,913,573.25	9,835,878.79
EXPENDITURES				
Current				
Instruction	44,318,834.12	49,887,551.49	48,270,953.67	1,616,597.82
Support Services				
Pupil Services	1,019,954.13	1,984,740.58	1,849,633.92	135,106.66
Improvement of Instructional Services	777,042.82	2,056,585.82	1,754,551.14	302,034.68
Educational Media Services	1,023,507.89	1,023,507.89	921,154.20	102,353.69
General Administration	555,177.36	622,846.36	984,369.32	(361,522.96)
School Administration	3,812,213.51	4,024,375.12	4,024,375.12	-
Business Administration	940,717.87	940,717.87	742,583.71	198,134.16
Maintenance and Operation of Plant	5,087,282.17	5,324,991.98	5,318,216.58	6,775.40
Student Transportation Services	2,451,067.13	2,589,829.73	2,575,926.80	13,902.93
Central Support Services	221,061.06	221,061.06	188,503.72	32,557.34
Other Support Services	115,730.00	164,952.63	163,581.56	1,371.07
Enterprise Operations	-	-	1,804,538.14	(1,804,538.14)
Food Services Operation	4,603,090.00	4,675,841.99	4,301,036.88	374,805.11
Capital Outlay	500,000.00	5,500,000.00	-	5,500,000.00
Debt Service	-	-	300,423.89	(300,423.89)
Total Expenditures	65,425,678.06	79,017,002.52	73,199,848.65	5,817,153.87
Excess of Revenues over (under) Expenditures	(7,788,350.06)	(12,939,308.06)	2,713,724.60	15,653,032.66
OTHER FINANCING SOURCES (USES)				
Other Sources	350,000.00	355,657.00	-	(355,657.00)
Other Uses	(350,000.00)	(355,657.00)	-	355,657.00
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(7,788,350.06)	(12,939,308.06)	2,713,724.60	15,653,032.66
Fund Balances - Beginning	8,818,301.12	8,951,886.78	9,063,289.27	111,402.49
Fund Balances - Ending	$ 1,029,951.06	$ (3,987,421.28)	$ 11,777,013.87	$ 15,764,435.15

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

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are $1,867,428.05 and $1,796,214.47, respectively.

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

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	17175GA324N1099	$ 1,296,389.97
National School Lunch Program	10.555	17175GA324N1100	2,856,070.93
Total U. S. Department of Agriculture			4,152,460.90
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	486,257.00
Grants to States	84.027	H027A160073	1,137,132.93
Preschool Grants	84.173	H173A150081	56,643.00
Preschool Grants	84.173	H173A160081	2,590.24
Total Special Education Cluster			1,682,623.17
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A160010	91,986.98
Education for Homeless Children and Youth	84.196	S196A150011	1,566.00
Education for Homeless Children and Youth	84.196	S196A160011	38,546.60
English Language Acquisition Grants	84.365	S365A150010	17,748.00
English Language Acquisition Grants	84.365	S365A160010	22,776.65
Improving Teacher Quality State Grants	84.367	S367A150001	30,723.00
Improving Teacher Quality State Grants	84.367	S367A160001	142,406.67
Rural Education	84.358	S358B150010	34,002.00
Rural Education	84.358	S358B160010	121,174.02
Title I Grants to Local Educational Agencies	84.010	S010A150010	275,312.00
Title I Grants to Local Educational Agencies	84.010	S010A160010	2,067,726.76
Total Other Programs			2,843,968.68
Total U. S. Department of Education			4,526,591.85
Total Expenditures of Federal Awards			$ 8,679,052.75

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 Polk County School District (the "District") under programs of the federal government for the year ended June 30, 2017. 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 position 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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	$ 1,179,701.55	$ -	$ 1,179,701.55
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	2,391,440.00	-	2,391,440.00
Kindergarten Program - Early Intervention Program	331,670.00	-	331,670.00
Primary Grades (1-3) Program	6,246,280.00	-	6,246,280.00
Primary Grades - Early Intervention (1-3) Program	527,069.00	-	527,069.00
Upper Elementary Grades (4-5) Program	3,027,593.00	-	3,027,593.00
Upper Elementary Grades - Early Intervention (4-5) Program	425,851.00	-	425,851.00
Middle School (6-8) Program	4,422,076.00	-	4,422,076.00
High School General Education (9-12) Program	4,051,285.00	-	4,051,285.00
Vocational Laboratory (9-12) Program	1,546,690.00	-	1,546,690.00
Students with Disabilities	6,652,817.00	-	6,652,817.00
Gifted Student - Category VI	1,210,931.00	-	1,210,931.00
Remedial Education Program	476,234.00	-	476,234.00
Alternative Education Program	332,881.00	-	332,881.00
English Speakers of Other Languages (ESOL)	981,617.00	-	981,617.00
Media Center Program	872,685.00	-	872,685.00
20 Days Additional Instruction	262,440.00	-	262,440.00
Staff and Professional Development	154,444.00	-	154,444.00
Indirect Cost			
Central Administration	992,240.00	-	992,240.00
School Administration	1,753,810.00	-	1,753,810.00
Facility Maintenance and Operations	2,012,166.00	-	2,012,166.00
Mid-term Adjustment Hold-Harmless	174,889.00	-	174,889.00
Amended Formula Adjustment	(580,851.00)	-	(580,851.00)
Categorical Grants			
Pupil Transportation			
Regular	807,485.00	-	807,485.00
Nursing Services	150,248.00	-	150,248.00
Vocational Supervisor	26,612.00	-	26,612.00
Education Equalization Funding Grant	5,395,178.00	-	5,395,178.00
Other State Programs			
Agriculture Construction Related Equipment - State Bonds	285,165.45	-	285,165.45
Food Services	115,098.00	-	115,098.00
Math and Science Supplements	81,951.79	-	81,951.79
Preschool Disability Services	193,748.00	-	193,748.00
Residential Treatment Centers Grant	439,920.00	-	439,920.00
Teacher of the Year	507.25	-	507.25
Teachers Retirement	64,241.50	-	64,241.50
Vocational Education	72,863.00	-	72,863.00
Vocational Construction Related Equipment - State Bonds	1,058,973.74	-	1,058,973.74
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	1,549,333.50	1,549,333.50
Office of the State Treasurer			
Public School Employees Retirement	103,373.00	-	103,373.00
Technical College System of Georgia			
College and Career Academy	-	1,961,427.61	1,961,427.61
CONTRACT			
Human Resources, Georgia Department of			
Family Connection	46,998.98	-	46,998.98
	$ 48,288,322.26	$ 3,510,761.11	$ 51,799,083.37

POLK COUNTY SCHOOL DISTRICT
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2017

SCHEDULE "13"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST IV							
Acquiring, constructing, equipping, and completing the Rockmart area Van Wert Elementary School	-	-	-	-	-	-	
Acquiring, constructing, equipping and completing the Cedartown area Youngs Grove Elementary School	-	-	-	-	-	-	
Acquiring, constructing, renovating, repairing, improving, and equipping school buildings, other buildings, facilities, property and equipment, both real and personal, useful or desirable in connection therewith.	$ 35,000,000.00	$ 27,174,476.60	$ 66,364.72	$ 27,108,111.88	$ 27,174,476.60	$ -	Complete
SPLOST V							
Renovations, repairs, equipping, and improvements made at existing schools to include Cedartown High School Football Stadium, baseball fence and media wall, dug outs at both High Schools; Northside playground and and fence, system furniture roof studies roof studies.	300,000.00	731,047.07	15,174.97	631,980.72	-	-	6/30/2018
Acquiring and installing systemwide instructional and administrative technology	1,500,000.00	1,798,392.21	87,267.38	1,711,124.83	1,798,392.21	-	Complete
Renovations at Eastside Elementary	3,300,000.00	3,497,017.07	5,605.89	3,491,411.18	3,497,017.07	-	Complete
Polk County College and Career Academy - Cedartown and Rockmart	8,850,000.00	13,809,979.80	10,565,580.29	3,244,399.51	13,809,979.80	-	Complete
	13,950,000.00	19,836,436.15	10,673,628.53	9,078,916.24	19,105,389.08	-	
Total	$ 48,950,000.00	$ 47,010,912.75	$ 10,739,993.25	$ 36,187,028.12	$ 46,279,865.68	$ -	

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

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

Prior Years	$ 4,623,358.73
Current Year	503,300.00
Total	$ 5,126,658.73

(This page left intentionally blank)

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

(This page left intentionally blank)

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

September 24, 2018

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Polk County School District

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Polk County School District (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 24, 2018.

Internal Control Over Financial Reporting

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

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

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

(This page left intentionally blank)

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, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standard*s 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

(This page left intentionally blank)

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

September 24, 2018

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Polk County School District

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

(This page left intentionally blank)

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

(This page left intentionally blank)

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

(This page left intentionally blank)

POLK COUNTY SCHOOL DISTRICT
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(This page left intentionally blank)

SECTION IV

FINDINGS AND QUESTIONED COSTS

(This page left intentionally blank)

POLK COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:
Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information — Unmodified

Internal control over financial reporting:
- Material weakness identified? — No
- Significant deficiency identified? — None Reported

Noncompliance material to financial statements noted: — No

Federal Awards

Internal Control over major programs:
- Material weakness identified? — No
- Significant deficiency identified? — None Reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000.00

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.