

CITY OF BUFORD BOARD OF EDUCATION

A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA
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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of
the City of Buford Board of Education
Buford, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Buford Board of Education**, a component unit of the City of Buford, Georgia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Buford Board of Education'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.

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 governmental activities, each major fund, and the aggregate remaining fund information of the City of Buford Board of Education, as of June 30, 2015, 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 discussed in Notes 10 and 13, the City of Buford Board of Education implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, as of July 1, 2014. These standards significantly changed the accounting for the City of Buford Board of Education's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual on page 30, the Schedule of Proportionate Share of Net Pension Liability – Teachers Retirement System of Georgia, the Schedule of Contributions – Teachers Retirement System of Georgia, and the Schedule of Proportionate Share of Net Pension Liability – Public School Employees Retirement System of Georgia on pages 31 through 33, 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.

Required Supplementary Information (continued)

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Buford Board of Education's basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of special purpose local option sales tax proceeds and the schedule of expenditures of federal awards (collectively "the supplementary information") are the responsibility of management and were derived from and relate 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2016 on our consideration of the City of Buford Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Buford Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 1, 2016

CITY OF BUFORD BOARD OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 11,687,468
Receivables:	
Taxes	994,811
Intergovernmental	4,835,288
Other	42,061
Inventory	7,421
Prepaid items	192,657
Capital assets (nondepreciable)	11,936,495
Capital assets (depreciable, net of accumulated depreciation)	48,277,718
Total assets	<u>77,973,919</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	<u>3,659,288</u>
 LIABILITIES	
Accounts payable	2,767,157
Retainage payable	600,000
Salaries and benefits payable	4,631,338
Unearned revenues - advance tuition	25,995
Intergovernmental payable, due within one year	3,040,000
Intergovernmental payable, due in more than one year	5,238,942
Net pension liability	26,228,911
Total liabilities	<u>42,532,343</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension related items	<u>9,143,955</u>
 NET POSITION	
Net investment in capital assets	51,334,463
Restricted for:	
Federal programs	192,521
Capital projects	1,426,116
Unrestricted (deficit)	(22,996,191)
Total net position	<u>\$ 29,956,909</u>

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

CITY OF BUFORD BOARD OF EDUCATION

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 29,659,108	\$ 2,375,135	\$ 21,909,482	\$ -	\$ (5,374,491)
Support services:					
Pupil services	1,741,230	-	112,077	-	(1,629,153)
Improvement of instructional services	368,516	-	278,724	-	(89,792)
Educational media services	597,277	-	546,591	-	(50,686)
General administration	2,206,783	-	681,724	-	(1,525,059)
School administration	2,707,223	-	933,445	-	(1,773,778)
Business administration	395,233	-	-	-	(395,233)
Maintenance and operation of plant	3,050,734	-	1,260,240	-	(1,790,494)
Student transportation services	1,234,447	-	136,242	77,220	(1,020,985)
Other support services	34,086	-	11,153	-	(22,933)
Enterprise operation	1,034,765	-	-	-	(1,034,765)
Food services operation	1,854,822	531,298	1,187,082	-	(136,442)
Community service operation	314,202	-	-	-	(314,202)
Total governmental activities	<u>\$ 45,198,426</u>	<u>\$ 2,906,433</u>	<u>\$ 27,056,760</u>	<u>\$ 77,220</u>	<u>(15,158,013)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					10,781,309
Sales taxes					3,800,146
Unrestricted investment earnings					8
Other					3,578,410
Total general revenues					<u>18,159,873</u>
Change in net position					3,001,860
Net position, beginning of year, restated					26,955,049
Net position, end of year					<u>\$ 29,956,909</u>

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

CITY OF BUFORD BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2015

ASSETS	General	District-wide Capital Projects	Total Governmental Funds
Cash and cash equivalents	\$ 9,612,880	\$ 2,074,588	\$ 11,687,468
Receivables:			
Taxes	994,811	-	994,811
Intergovernmental	3,380,439	1,454,849	4,835,288
Other	42,061	-	42,061
Prepaid items	192,657	-	192,657
Inventory	7,421	-	7,421
Total assets	<u>\$ 14,230,269</u>	<u>\$ 3,529,437</u>	<u>\$ 17,759,706</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,263,836	\$ 1,503,321	\$ 2,767,157
Retainage payable	-	600,000	600,000
Salaries and benefits payable	4,631,338	-	4,631,338
Unearned revenues - charges for services	25,995	-	25,995
Total liabilities	<u>5,921,169</u>	<u>2,103,321</u>	<u>8,024,490</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	814,104	-	814,104
Unavailable revenue - federal grants	787,624	-	787,624
Total deferred inflows of resources	<u>1,601,728</u>	<u>-</u>	<u>1,601,728</u>
FUND BALANCES			
Nonspendable:			
Inventory	7,421	-	7,421
Prepaid items	192,657	-	192,657
Restricted for:			
Capital projects	-	1,426,116	1,426,116
Committed for:			
Local school accounts	821,532	-	821,532
Assigned for:			
Appropriation for next year's budget	2,937,628	-	2,937,628
Unassigned	2,748,134	-	2,748,134
Total fund balances	<u>6,707,372</u>	<u>1,426,116</u>	<u>8,133,488</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,230,269</u>	<u>\$ 3,529,437</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.			
Cost			75,153,127
Less accumulated depreciation			(14,938,914)
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.			1,601,728
Long-term liabilities and amounts related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.			
Deferred outflows of resources - pension items			3,659,288
Intergovernmental payable			(8,278,942)
Net pension liability			(26,228,911)
Deferred inflows of resources - pension items			(9,143,955)
Net position of governmental activities			<u>\$ 29,956,909</u>

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

CITY OF BUFORD BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>District-wide Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 11,340,953	\$ -	\$ 11,340,953
Sales taxes	-	3,800,146	3,800,146
Local contribution	7,035,470	-	7,035,470
State funds	17,379,736	-	17,379,736
Federal funds	2,993,548	-	2,993,548
Charges for services	2,906,433	-	2,906,433
Investment earnings	8	81,134	81,142
Miscellaneous	3,570,162	8,248	3,578,410
Total revenues	<u>45,226,310</u>	<u>3,889,528</u>	<u>49,115,838</u>
EXPENDITURES			
Current:			
Instruction	30,065,816	-	30,065,816
Support services:			
Pupil services	1,738,915	-	1,738,915
Improvement of instructional services	368,516	-	368,516
Educational media services	597,277	-	597,277
General administration	2,188,833	-	2,188,833
School administration	2,711,908	-	2,711,908
Business administration	395,233	-	395,233
Maintenance and operation of plant	3,027,398	-	3,027,398
Student transportation services	1,188,925	-	1,188,925
Other support services	9,766	-	9,766
Enterprise operations	1,043,304	-	1,043,304
Food services operation	1,854,822	-	1,854,822
Community services operation	314,202	-	314,202
Capital outlay	-	9,982,737	9,982,737
Debt service:			
Principal retirement	-	3,039,096	3,039,096
Total expenditures	<u>45,504,915</u>	<u>13,021,833</u>	<u>58,526,748</u>
Net change in fund balances	(278,605)	(9,132,305)	(9,410,910)
FUND BALANCE, beginning of fiscal year	<u>6,985,977</u>	<u>10,558,421</u>	<u>17,544,398</u>
FUND BALANCE, end of fiscal year	<u>\$ 6,707,372</u>	<u>\$ 1,426,116</u>	<u>\$ 8,133,488</u>

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

CITY OF BUFORD BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Net change in fund balances - total governmental funds	\$	(9,410,910)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 10,659,446		
Depreciation expense	(1,412,457)		9,246,989

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ (559,644)		
Intergovernmental revenues	(327,382)		(887,026)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the effect of these differences in the treatment of long-term debt and related items.

Principal payments - intergovernmental note payable	\$ 3,039,096		3,039,096
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Governmental funds report current period pension contributions as expenditures. However, in the statement of net position, these contributions reduce the net pension liability and relate to the balances reported as deferred outflows of resources and deferred inflows of resources for pension related items. This amount is the effect of these differences in the treatment of pension related items.

Change in deferred outflows of resources - pension related items	\$ 1,058,330		
Change in net pension liability	9,099,336		
Change in deferred inflows of resources - pension related items	(9,143,955)		1,013,711

Change in net position of governmental activities	\$	3,001,860
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The accompanying notes are an integral part of these financial statements.

CITY OF BUFORD BOARD OF EDUCATION

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

JUNE 30, 2015

	ASSETS	<u>Agency Fund</u>
Cash		\$ 24,379
	LIABILITIES	
Funds held for others		\$ 24,379

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

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1: DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST III and SPLOST IV) to be used for the acquisition, construction or renovation of major capital facilities.

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School District reports the following fiduciary fund type:

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

Measurement Focus and Basis of Accounting

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty (60) days after year-end. Property taxes, sales taxes, intergovernmental revenue, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases and notes are reported as other financing sources.

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

Revenue from grants and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, or matching requirements, in which the School System must provide local resources to be used for a specified purpose.

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and Cash Equivalents

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

Receivables

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed, and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements include any amounts which would necessitate the need for an allowance for uncollectible receivables. Additionally, the School District reports an intergovernmental receivable of \$1,129,925 for the investments held by the City of Buford on-behalf of the School District. The investments are held in certificates of deposit as of June 30, 2015.

Property Taxes

The City of Buford Board of Education fixed the 2014 tax digest, for fiscal year 2015, on September 8, 2014. Taxes were due on November 20, 2014. Taxes collected within the current fiscal year or within 60 days after year-end are reported as revenue in the governmental funds for fiscal year 2015. The City of Buford City Clerk bills and collects the property taxes for the School District and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2015, for maintenance and operations amounted to \$11,340,953.

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The City of Buford Board of Education is in compliance with this law. Tax millage rates levied for the 2014 tax year for the City of Buford Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Maintenance & Operations	12.95 mills
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**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$3,800,146 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years. The current sales tax rate is effective through fiscal year 2018.

Inventories

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

Interfund Receivables and Payables

During the course of its operations, the School District makes transfers between funds to finance operations, provide services, acquire assets and service debt. To the extent that certain transfers between funds had not been received as of year end, balances of interfund amounts receivable or payable have been recorded.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Interfund loan receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to June 30, 2015, are recorded as prepaid items. The School District accounts for the prepaid items on the consumption basis.

Capital Assets

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

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

Compensated Absences

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

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF BUFORD BOARD OF EDUCATION
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

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

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Only the Board of Education may modify or rescind the commitment through the adoption of a resolution.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the (1) Board of Education, (2) the budget or finance committee, (3) the Superintendent, or (4) a designee made by the Superintendent to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The School District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the General Fund at the end of the fiscal year of not less than 8.3% and not to exceed 15% of expenditures of the total subsequent fiscal year’s budget. If the unassigned fund balance at the fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance. As of June 30, 2015, the School District’s General Fund was reporting a committed, assigned, and unassigned fund balance of \$6,507,294 or 15.4% of the School District’s General Fund budgeted expenditures for the year ended June 30, 2016.

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

- Committed
- Assigned
- Unassigned

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The School District has two types of items that qualify for reporting in this category – both of which relate to the reporting of its net pension liability. A deferred outflow of resources is reported for the School District's actual contributions to the Teachers Retirement System of Georgia (TRS) during the fiscal year ended June 30, 2015 which occurred subsequent to the measurement date for the net pension liability and will be recognized in fiscal year 2016. In addition, a deferred outflow of resources is reported for the difference between the School District's actual contributions to TRS and the School District's proportionate share of contributions which will be amortized over the remaining service period.

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

Pensions

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

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2015:

General Fund:	
Support services:	
Improvement of instructional services	\$ 120,750
Educational media services	161,221
General administration	243,945
School administration	1,124,562
Maintenance and operation of plant	182,552
Student transportation services	162,918
Other support services	6,443
Enterprise operations	716,861

Note 4: DEPOSITS AND INVESTMENTS

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

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2015, the School District had deposits at a local financial institution in the amount of approximately \$10.4 million that were uninsured and under-collateralized. The collateral pledged to secure these deposits was insufficient by approximately \$273,000 as defined by State statutes.

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 4: DEPOSITS AND INVESTMENTS (CONTINUED)

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

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their federally assigned value of \$27,699.

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**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6: CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases and transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,050,210	\$ -	\$ -	\$ 1,050,210
Construction in process	915,698	9,982,737	(12,150)	10,886,285
Total non-depreciable assets	<u>1,965,908</u>	<u>9,982,737</u>	<u>(12,150)</u>	<u>11,936,495</u>
Capital assets, being depreciated:				
Buildings and improvements	57,470,052	69,998	-	57,540,050
Equipment	3,551,121	504,272	(96,441)	3,958,952
Land improvements	1,603,041	102,439	12,150	1,717,630
Total depreciable assets	<u>62,624,214</u>	<u>676,709</u>	<u>(84,291)</u>	<u>63,216,632</u>
Less accumulated depreciation for:				
Buildings and improvements	10,405,468	990,525	-	11,395,993
Equipment	2,543,690	325,606	(96,441)	2,772,855
Land improvements	673,740	96,326	-	770,066
Total accumulated depreciation	<u>13,622,898</u>	<u>1,412,457</u>	<u>(96,441)</u>	<u>14,938,914</u>
Total capital assets, being depreciated, net	<u>49,001,316</u>	<u>(735,748)</u>	<u>12,150</u>	<u>48,277,718</u>
Governmental activities capital assets, net	<u>\$ 50,967,224</u>	<u>\$ 9,246,989</u>	<u>\$ -</u>	<u>\$ 60,214,213</u>
Depreciation expense was charged to the functions as follows:				
Instruction	\$	1,057,564		
Support services:				
Pupil services		2,315		
General administration		17,950		
School administration		2,313		
Maintenance and operation		155,855		
Student transportation		137,265		
School food services		39,195		
Total		<u>\$ 1,412,457</u>		

Note 7: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions and job related illness or injuries to employees. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 7: RISK MANAGEMENT (CONTINUED)

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

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2015	\$ -	\$ 5,607	\$ 5,607	\$ -
2014	-	9,498	9,498	-

Note 8: LONG-TERM DEBT AND OBLIGATIONS

The changes in long-term debt during the fiscal year ended June 30, 2015, were as follows:

	<u>Restated Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Intergovernmental contract	\$ 11,318,038	\$ -	\$ (3,039,096)	\$ 8,278,942	\$ 3,040,000
Net pension liability	35,328,247	2,645,577	(11,744,913)	26,228,911	-
	<u>\$ 46,646,285</u>	<u>\$ 2,645,577</u>	<u>\$ (14,784,009)</u>	<u>\$ 34,507,853</u>	<u>\$ 3,040,000</u>

The net pension liability is liquidated by the General Fund.

Intergovernmental contracts

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

Note 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and expenditures in the amount of \$50,611 for retirement contributions paid on the School District's behalf by the following State Agencies:

Georgia Department of Education Paid to the Teachers Retirement System of Georgia For Employer's Cost of Teachers Retirement System (TRS) In the amount of	\$5,697
Office of the State Treasurer of the State of Georgia Paid to Public School Employee Retirement System For Public School Employees Retirement (PSERS) In the amount of	\$44,914

**CITY OF BUFORD BOARD OF EDUCATION
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 10: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

General Information about the Teachers Retirement System

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

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

Contributions. Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2015. The School District's contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual School District payroll. School District contributions to TRS were \$2,968,552 for the year ended June 30, 2015.

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

Effective July 1, 2014, the School District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* as well as GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, which significantly changed the School District's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

At June 30, 2015, the School District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2014. At June 30, 2014, the School District's proportion was 0.207611% which was an increase of 0.004865% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$1,954,841. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources described in the table on the following page.

**CITY OF BUFORD BOARD OF EDUCATION
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 10: RETIREMENT PLANS (CONTINUED)

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS) (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 9,143,955
Changes in proportion and differences between School District contributions and proportionate share of contributions	690,736	-
Board contributions subsequent to the measurement date	2,968,552	-
Total	\$ 3,659,288	\$ 9,143,955

School District contributions subsequent to the measurement date of \$2,968,552 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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 ending June 30:	
2016	\$ (2,129,003)
2017	(2,129,003)
2018	(2,129,003)
2019	(2,129,003)
2020	62,793
Total	\$ (8,453,219)

Actuarial Assumptions. The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013 using the following actuarial assumptions, applied to all periods included in the measurement.

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

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

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

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 10: RETIREMENT PLANS (CONTINUED)

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS) (Continued)

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

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

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

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

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:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's proportionate share of the net pension liability	\$ 48,336,365	\$ 26,228,911	\$ 8,023,883

**CITY OF BUFORD BOARD OF EDUCATION
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 10: RETIREMENT PLANS (CONTINUED)

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS) (Continued)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publicly available at www.trsga.com/publications.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA (PSERS)

General Information about the Public School Employees Retirement System

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

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

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

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

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

Pension Liabilities and Pension Expense

At June 30, 2015, the School District did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the School District is as follows:

State of Georgia's proportionate share of the Net Pension Liability associated with the School District	\$ <u>188,706</u>
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**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 10: RETIREMENT PLANS (CONTINUED)

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

The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2014.

For the year ended June 30, 2015, the District recognized pension expense of \$16,388 and revenue of \$16,388 for support provided by the State of Georgia.

Actuarial Assumptions. The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013 using the following actuarial assumptions, applied to all periods included in the measurement.

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

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

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

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

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

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

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 10: RETIREMENT PLANS (CONTINUED)

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

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

Note 11: COMMITMENTS AND CONTINGENCIES

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

Grant Contingencies. The School District participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any amounts received may be required and the collectibility of any related receivable at year-end may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

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

For the fiscal year ended June 30, 2015, no such amounts were required to be paid by the Georgia Department of Education for debt service related to the bonds.

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 11: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contractual Commitments. The School District has executed contracts with third parties for various construction projects. As of June 30, 2015, the balance of those contracts representing commitments made by the School District for work not yet completed is \$11,664,916.

Note 12: POSTEMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POSTEMPLOYMENT HEALTH BENEFIT FUND

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

Funding Policy. The contribution requirements of the Plan members and participating employers are established and may be amended by the Board of Community Health. Contributions of Plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, Plan members pay approximately twenty-five percent (25%) of the cost of health insurance coverage. Participating employers are statutorily required to contribute in accordance with the employer contribution rate established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each fiscal year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The employer contribution rates for the combined active and retiree plans for the fiscal year ended June 30, 2015, were as follows:

Certified Employees

July 2014 – June 2015 \$945.00 per member per month

Non-Certificated Employees

July 2014 – June 2015 \$596.20 per member per month

No additional contribution was required by the Board of Community Health for fiscal year 2015 nor contributed to the Benefit Fund to prefund retirement benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other postemployment benefits and are subject to appropriation. The School District’s contributions to the health insurance plans for the fiscal years ended June 30, 2015, 2014, and 2013 were \$4,428,598, \$4,199,073, and \$3,538,865, respectively, which equaled the required contribution.

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 13: CHANGE IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, the School District is required to change its accounting treatment of pension liabilities and the related pension expense. The new standard requires that the School District's proportionate share of the Net Pension Liability be recorded on the Statement of Net Position.

Therefore, in conjunction with the implementation of these new standards, the following restatement to the beginning net position of governmental activities was required to properly recognize the beginning balances of the net pension liability and deferred outflows of resources for contributions made subsequent to the previous measurement date:

	Governmental Activities
Beginning net position, as previously reported	\$ 59,682,338
Restatement for implementation of GASB Statements No. 68 and 71:	
Net pension liability as of June 30, 2014	(35,328,247)
Deferred outflows of resources - contributions	2,600,958
Beginning net position, as restated	\$ 26,955,049

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BUFORD BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ -	\$ -	\$ 11,340,953	\$ 11,340,953
Local contribution	18,400,000	18,400,000	7,035,470	(11,364,530)
State funds	16,703,952	16,706,820	17,379,736	672,916
Federal funds	2,885,547	2,885,547	2,993,548	108,001
Charges for services	2,549,543	2,549,543	2,906,433	356,890
Investment earnings	6	6	8	2
Miscellaneous	2,801,681	2,801,681	3,570,162	768,481
Total revenues	<u>43,340,729</u>	<u>43,343,597</u>	<u>45,226,310</u>	<u>1,882,713</u>
EXPENDITURES				
Current:				
Instruction	31,744,164	31,803,157	30,065,816	1,737,341
Support services:				
Pupil services	1,781,311	1,788,843	1,738,915	49,928
Improvement of instructional services	302,790	247,766	368,516	(120,750)
Educational media services	437,456	436,056	597,277	(161,221)
General administration	1,944,888	1,944,888	2,188,833	(243,945)
School administration	1,581,930	1,587,346	2,711,908	(1,124,562)
Business administration	427,739	427,739	395,233	32,506
Maintenance and operation of plant	2,890,718	2,844,846	3,027,398	(182,552)
Student transportation services	1,024,007	1,026,007	1,188,925	(162,918)
Other support services	3,333	3,333	9,766	(6,433)
Enterprise operations	326,443	326,443	1,043,304	(716,861)
Community service	351,238	351,238	314,202	37,036
Food service operation	1,871,871	1,871,871	1,854,822	17,049
Total expenditures	<u>44,687,888</u>	<u>44,659,533</u>	<u>45,504,915</u>	<u>(845,382)</u>
Net change in fund balances	(1,347,159)	(1,315,936)	(278,605)	1,037,331
FUND BALANCE, beginning of fiscal year	<u>6,985,977</u>	<u>6,985,977</u>	<u>6,985,977</u>	<u>-</u>
FUND BALANCE, end of fiscal year	<u>\$ 5,638,818</u>	<u>\$ 5,670,041</u>	<u>\$ 6,707,372</u>	<u>\$ 1,037,331</u>

CITY OF BUFORD BOARD OF EDUCATION

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

School District's proportion of the net pension liability	<u>2015</u> 0.207611%
School District's proportionate share of the net pension liability	<u>\$ 26,228,911</u>
Total	<u>\$ 26,228,911</u>
School District's covered-employee payroll	\$ 21,180,488
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	123.84%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

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

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

	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 2,968,552	\$ 2,600,958
Contributions in relation to the contractually required contributions	<u>2,968,552</u>	<u>2,600,958</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	22,574,540	21,180,488
Contributions as a percentage of covered-employee payroll	13.15%	12.28%

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

CITY OF BUFORD BOARD OF EDUCATION

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

School District's proportion of the net pension liability	<u>2015</u> 0.000000%
School District's proportionate share of the net pension liability	\$ -
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>188,706</u>
Total	<u>\$ 188,706</u>
School District's covered-employee payroll	\$ 487,730
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	88.29%

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

CITY OF BUFORD BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Teachers Retirement System of Georgia:

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

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2015 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Public Schools Employees Retirement System of Georgia:

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

SUPPLEMENTARY INFORMATION

CITY OF BUFORD BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE
LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Project</u>	<u>Original Estimated Cost(1)</u>	<u>Current Estimated Cost</u>	<u>Expended In Current Year (2)</u>	<u>Expended In Prior Years</u>	<u>Project Status</u>
SPLOST III - HALL COUNTY					
(i) Acquiring, constructing, and equipping additional classrooms, instructional and support space and remodeling, renovating, and equipping existing classrooms, instructional and support space; acquiring, constructing, and equipping new middle schools; acquiring and installing technology improvements system-wide; and renovating existing school buildings and facilities.	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 2,615,869</u>	Ongoing
SPLOST III - GWINNETT COUNTY					
(i) Acquiring new sites for the construction of new schools, support facilities and athletic facilities and the expansion of existing schools and support facilities; (ii) developing sites for constructing and equipping new schools, support facilities and athletic facilities; (iii) making additions to, acquiring or renovating, equipping and modernizing existing schools, support facilities and athletic facilities; (iv) making existing or new lease/purchase payments or payments with respect to the acquisition of new and existing schools and support facilities along with buses and other transportation vehicles, textbooks, library books and other media; and (v) modernizing technology and making system-wide technology improvements in the Buford School District.	<u>\$ 18,700,000</u>	<u>\$ 18,911,562</u>	<u>\$ -</u>	<u>\$ 18,911,562</u>	Complete
Total SPLOST III Expenditures			<u>\$ -</u>		

Continued

CITY OF BUFORD BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE
LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Project</u>	<u>Original and Current Estimated Cost(1)</u>	<u>Original and Current Estimated Cost</u>	<u>Expended In Current Year (2)</u>	<u>Expended In Prior Years</u>	<u>Project Status</u>
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SPLOST IV - HALL COUNTY

(i) Acquiring, constructing and equipping new schools, fine arts facilities, physical education facilities, student activity facilities and other school system facilities, acquiring and conducting site preparation of real estate for school district purposes, constructing and equipping additional classrooms, instructional and support space, and other school district facilities at existing school system facilities, and acquiring furnishings, equipment and fixtures for new and existing facilities system-wide, including technology equipment, textbooks, library books and school buses; and (ii) paying expenses incident thereto.

<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>	<u>\$ -</u>	<u>\$ 87,759</u>	Ongoing
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SPLOST IV - GWINNETT COUNTY

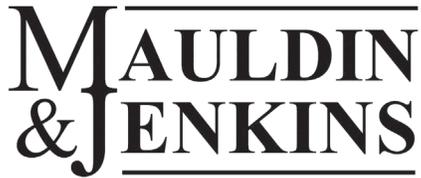
(i) Acquiring new sites for the construction of new schools, support facilities and athletic facilities and the expansion of existing schools and support facilities; (ii) developing sites for constructing and equipping new schools, support facilities and athletic facilities; (iii) making additions to, acquiring or renovating, equipping and modernizing existing schools, support facilities and athletic facilities; (iv) making existing or new lease/purchase payments or payments with respect to the acquisition of new and existing schools and support facilities along with buses and other transportation vehicles, textbooks, library books and other media; and (v) modernizing technology and making system-wide technology improvements in the Buford School District.

<u>\$ 17,100,000</u>	<u>\$ 17,100,000</u>	<u>\$ 9,982,737</u>	<u>\$ 3,791,122</u>	(3) Ongoing
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Total SPLOST IV Expenditures	<u>\$ 9,982,737</u>
Total SPLOST Expenditures	9,982,737
Repayment of SPLOST Bonds	<u>3,039,096</u>
Total District Wide Capital Project Fund Expenditures	<u>\$ 13,021,833</u>

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Special Purpose Local Option Sales Tax.
- (2) The voters of Hall County and Gwinnett County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (3) The beginning balance of the SPLOST IV - Gwinnett County SPLOST was restated to exclude the repayment of the bond proceeds, as the proceeds are reported as SPLOST expenditures as expended. All \$17,100,000 of SPLOST proceeds were advanced to the School District in prior years.

COMPLIANCE SECTION



**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**

**To the Superintendent and Members of
the City of Buford Board of Education
Buford, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Buford Board of Education, a component unit of the City of Buford, Georgia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Buford Board of Education's basic financial statements, and have issued our report thereon dated March 1, 2016. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Buford Board of Education'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 City of Buford Board of Education's internal control. Accordingly, we do not express an opinion of the effectiveness of the City of Buford Board of Education's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2015-001 and 2015-004 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2015-002, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Buford Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2015-003.

The City of Buford Board of Education's Responses to Findings

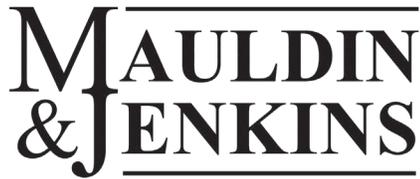
The City of Buford Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Buford Board of Education's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 1, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

**To the Superintendent and Members of
the City of Buford Board of Education
Buford, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the City of Buford Board of Education's, a component unit of the City of Buford, Georgia, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Buford Board of Education's major federal programs for the year ended June 30, 2015. The City of Buford Board of Education'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Buford Board of Education'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 City of Buford Board of Education'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 City of Buford Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Buford Board of Education 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, 2015.

Report on Internal Control Over Compliance

Management of the City of Buford Board of Education 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 City of Buford Board of Education'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 OMB Circular A-133, 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 City of Buford Board of Education'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 1, 2016

CITY OF BUFORD BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Funding Agency Program/Grant	CFDA Number	Pass- Through Entity ID Number	Expenditures In Period
U. S. Department of Agriculture			
Pass-Through From Georgia Department of Education			
Child Nutrition Cluster			
National School Breakfast Program - Cash Assistance	10.553	N/A	\$ 221,589
National School Lunch Program:			
Non-Cash Assistance - Commodities (1)	10.555	N/A	27,699
Cash Assistance (2)	10.555	N/A	888,836
Total Child Nutrition Cluster			<u>1,138,124</u>
Total U. S. Department of Agriculture			<u>1,138,124</u>
U. S. Department of Education			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Title VI-B Flow Through	84.027	N/A	<u>569,443</u>
Title I, Part A Cluster			
Improving the Academic Achievement of the Disadvantaged	84.010	N/A	700,292
Reward Schools	84.010	N/A	14,000
Total Title I, Part A Cluster			<u>714,292</u>
Race to the Top Incentive Grants - ARRA			
Math ELA Training Grant	84.395	N/A	440
SLO Development	84.395	N/A	8,208
Total Race to the Top Incentive Grants			<u>8,648</u>
Vocational Education - Basic Grants to States	84.048	N/A	20,366
Title III-A, Limited English Proficient	84.365	N/A	72,083
Title II-A, Improving Teacher Quality	84.367	N/A	109,950
Total U. S. Department of Education			<u>1,494,782</u>
Total Expenditures of Federal Awards			<u>\$ 2,632,906</u>

N/A = Not Available

CITY OF BUFORD BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Notes to the Schedule of Expenditures of Federal Awards

- (1) The amounts shown for the Food Distribution Program represent the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year.
- (2) Expenditures for the fund earned on Child and Adult Care Food Program and the School Snack Program were not maintained separately and are included in the National School Lunch Program.

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

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Buford Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SECTION I
SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiencies identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

Federal Awards

Internal control over major programs: Material weaknesses identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Significant deficiencies identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster
10.553; 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
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**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

2015-001 SPLOST Fund Accounting

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

Condition: Misstatements were detected in the reporting of the School District's balances within the various SPLOST funds.

Context/Cause: During our process to import the School District's trial balances into our audit software and testing to ensure beginning fund balance for the fiscal year ended June 30, 2015 agreed to the ending fund balance reported in the prior year financial report, we noted that the original trial balance provided for the District-Wide Capital Projects Fund (which includes the SPLOST III and SPLOST IV Funds) was not balanced internally. Furthermore, we were provided multiple versions of this trial balance before a final version was set and audit procedures could commence. Once this final version of the trial balance was provided, an additional audit adjustment in the amount of \$1,098,000 was still required to correct current year balances and reclassify activity between the different SPLOST programs.

Effects: The Official Code of Georgia (OCGA) 48-8-121(a) requires the activity of each SPLOST not be commingled with the activity of other SPLOST proceeds. During the fiscal year ended June 30, 2015, the City of Buford Board of Education was collecting revenues from two SPLOST from two different jurisdictions, Hall and Gwinnett County. As the School District does not currently use the general ledger software to account for this activity, but uses Microsoft Excel to track the activity, there were numerous misclassifications made which required audit adjustments to correct the recognition of the revenues and expenditures of the School District's SPLOST activity.

Recommendations: We recommend the School District carefully review all revenues and expenditures to ensure the activity is properly reported in the appropriate SPLOST Fund. Additionally, we recommend the School District utilize the general ledger system to track the activity, rather than a spreadsheet from Microsoft Excel, which lends itself to less control and overview of the accounting entries.

Auditee's Response: We concur with the finding and will take the necessary steps in the future to ensure all of the School District's SPLOST activity is properly reported in the appropriate fund.

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

2015-002 Segregation of Duties

Criteria: Internal controls should be in place which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business and the financial information is accurately reported.

Condition: The School District does not have adequate controls to properly segregate all responsibilities related to the following:

- Manual journal entries are not reviewed and approved by a knowledgeable person, independent of the preparation and posting of the entry;
- The local schools do not have adequate segregation of duties at the bookkeeper function. The bookkeeper is responsible for the receipt preparation, the check preparation, reconciliation of the bank statements, and maintenance of the general ledger;
- The bookkeeper at the local school has the ability to move money from the school bank account to a reloadable prepaid debit card which is then used by employees of the school to make purchases. The bookkeeper is also responsible for the handling of those prepaid cards, as well as the accountability of the cards.

Context/Cause: During our review of internal controls, we noted the School District lacked a proper segregation of duties related to the posting of manual journal entries, and the local school accounting function. There are not sufficient compensating controls to mitigate the lack of segregation in these areas and therefore the risk for errors is increased.

Effects: Failure to properly segregate duties may allow for errors or irregularities to occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: We recommend the School District properly segregate duties relative to the recording of manual journal entries process, and the local school bookkeeping process or implement adequate compensating controls.

Auditee's Response: We concur with the finding. The School District will take the necessary steps to address the segregation of duties deficiency noted above with compensating controls.

CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015-003 Collateralization of Deposits

Criteria: Policies should be in place requiring all financial institutions holding cash deposits to be properly insured and, or collateralized at all times throughout the fiscal year. State statutes require deposits of public funds to be insured or collateralized at a rate of at least 110 percent of the deposit amount.

Condition: As of June 30, 2015, deposits of the School District held at a financial institution totaling approximately \$10.4 million were not fully collateralized or insured in accordance with the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c). The pledged collateral for these accounts was less than the required amount by approximately \$273,000.

Context/Cause: The School District's deposits were not properly monitored by management of the School District and therefore, were not adequately collateralized at the financial institution as of June 30, 2015.

Effects: The failure of a financial institution to fully collateralize or insure the School District's deposits could result in financial loss to the School District should the financial institution fail.

Recommendation: We recommend the School District ensure that all deposits are properly categorized as public funds by the financial institution and that the deposits are adequately insured and, or collateralized throughout the fiscal year.

Auditee's Response: We concur with the finding. We have discussed the matter with the financial institution and have implemented a process whereby monthly collateral statements will be remitted to the School District to ensure the adequacy of collateral pledged to secure the School District's deposits.

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

2015-004 Revenues and Related Balance Sheet Accounts

Criteria: Internal controls should be in place to ensure that amounts reported as revenue and the related balance sheet accounts are appropriate and properly valued in accordance with generally accepted accounting principles (GAAP).

Condition: Misstatements were detected in the reporting of the School District's revenues and related balance sheet accounts.

Context/Cause: During our testing, audit adjustments were required to properly report the School District's revenues and related balance sheet accounts. The nature of these adjustments is as follows:

- In the General Fund, adjustments of approximately \$246,000 were required to properly report current year deferred inflows of resources (unavailable revenues) and revenues related to the School District's grants. These adjustments were required because amounts were not collected within 60 days of year-end and thus did not meet the revenue recognition criteria to be reported as revenues in the School District's General Fund for the fiscal year ended June 30, 2015.
- In the General Fund, an adjustment of approximately \$111,000 was required to properly report accounts receivable related to the local school activities at the School District. These amounts had not been adjusted to reflect the uncollectible accounts related to these receivable balances. The adjustment reduced the revenues and receivables.

Effects: Audit adjustments totaling \$357,000 were required to properly report the School District's revenues and related balance sheet accounts in accordance with GAAP.

Recommendations: We recommend the School District carefully review all transactions to ensure that transactions are recorded in accordance with GAAP.

Auditee's Response: We concur with the finding and are currently implementing controls to ensure the general ledger properly reflects all transactions in accordance with GAAP.

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None noted

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

None of the prior year's audit findings pertained to Federal Awards.