



FLOYD COUNTY BOARD OF EDUCATION ROME, GEORGIA

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



FLOYD COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

INDEPENDENT AUDITOR'S REPORT

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

i

EXHIBITS

BASIC FINANCIAL STATEMENTS

	GOVERNMENT-WIDE FINANCIAL STATEMENTS	
A	STATEMENT OF NET POSITION	1
B	STATEMENT OF ACTIVITIES	2
	FUND FINANCIAL STATEMENTS	
C	BALANCE SHEET	
	GOVERNMENTAL FUNDS	4
D	RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	5
E	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	
	GOVERNMENTAL FUNDS	6
F	RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	7
G	STATEMENT OF FIDUCIARY NET POSITION	
	FIDUCIARY FUNDS	8
H	NOTES TO THE BASIC FINANCIAL STATEMENTS	9

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

1	SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHERS RETIREMENT SYSTEM OF GEORGIA	35
2	SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA	36
3	SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA	37
4	SCHEDULE OF CONTRIBUTIONS - TEACHERS RETIREMENT SYSTEM OF GEORGIA	38
5	SCHEDULE OF CONTRIBUTIONS - EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA	39

(This page left intentionally blank)

FLOYD COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
SCHEDULES	
6	40
7	41
SUPPLEMENTARY INFORMATION	
8	42
9	43
10	45
SECTION II	
COMPLIANCE AND INTERNAL CONTROL REPORTS	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	
SECTION III	
AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SECTION IV	
FINDINGS AND QUESTIONED COSTS	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
SECTION V	
MANAGEMENT'S CORRECTIVE ACTION FOR CURRENT YEAR FINDINGS	
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION	

(This page left intentionally blank)

SECTION I

FINANCIAL

(This page left intentionally blank)



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156

Atlanta, Georgia 30334-8400

GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

May 4, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Floyd County Board of Education

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

(This page left intentionally blank)

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 of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through x, and pages 35 through 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

(This page left intentionally blank)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with the first and last names being more prominent.

Greg S. Griffin
State Auditor

(This page left intentionally blank)

FLOYD COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

INTRODUCTION

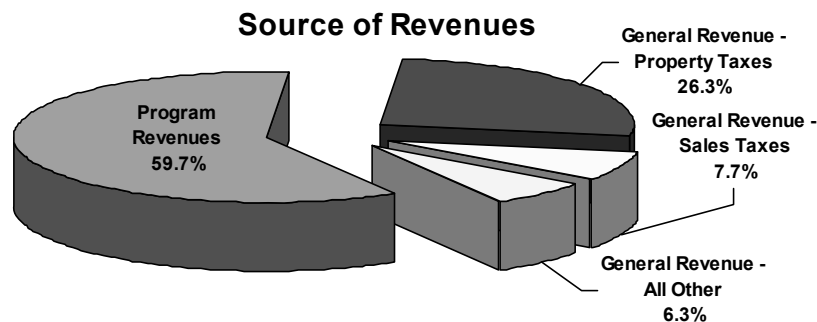
The Floyd County Board of Education's (School District) financial statements for the fiscal year ended June 30, 2017 includes a series of basic financial statements that report financial information for the School District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide financial information about all of the School District's activities and present both a short-term and long-term view of the School District's finances on a global basis. The fund financial statements provide information about all of the School District's funds. Information about these funds, such as the School District's general fund, is important in its own right, but will also give insight into the School District's overall soundness as reported in the Statement of Net Position and the Statement of Activities.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

On the government-wide financial statements:

- The School District's net position at June 30, 2017 was almost \$78.8 million. Net position reflects the difference between all assets and deferred outflows of resources of the School District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term, and deferred inflows of resources. The net position at June 30, 2017 of almost \$78.8 million represented an increase of \$6.6 million when compared to the prior year. The increase in net position resulted primarily because the School District expended significant resources on capital assets during fiscal year 2017 associated with completion of the new Coosa High school.
- The School District had \$115.4 million in expenses relating to governmental activities; \$72.9 million of the \$115.4 million in expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes), plus one special item yielded \$49.1 million, which was adequate to provide for these programs.
- As stated above, general revenues and a special item accounted for \$49.1 million or about 40.3% of all revenues totaling almost \$122.0 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues. (Percentages in table below have been rounded to one decimal place.)



FLOYD COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

On the fund financial statements:

- Among major funds, the general fund had almost \$112.4 million in revenues and \$109.4 million in expenditures. Additionally \$3.7 million was transferred from the general fund to the capital projects fund to supplement capital outlay expenditures. The general fund balance of \$15.0 million at June 30, 2017 decreased about \$0.7 million as compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Government-Wide Statements

Since the School District has no operations that have been classified as "Business Activities", the government-wide financial statements are basically a consolidation of all of the School District's operating funds into one column called governmental activities. In reviewing the government-wide financial statements, a reader might ask the question, are we in a better financial position now than last year? The 'Statement of Net Position' and the 'Statement of Activities' provides the basis for answering this question. These financial statements include all School District's assets and liabilities and uses the **accrual basis of accounting** similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and any changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change

FLOYD COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, student-teacher ratios, and other factors.

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

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt, including pension obligations, as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position as follows:
 - *Net Investment in capital assets*
 - *Restricted net position* is amounts with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
 - *Unrestricted for no specific use*

Fund Financial Statements

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

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

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the **modified accrual method of accounting** which measures cash and all other financial assets that can be readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net position, which is the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, is one indicator of the financial condition of the School District. When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as the School District's operating results. The School

FLOYD COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

In the case of the School District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by almost \$78.8 million at June 30, 2017. To better understand the School District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net position category. For example, of the \$78.8 million of net position, \$8.8 million was restricted for continuation of various State and Federal programs and debt service. Accordingly, these funds were not available to meet the School District's ongoing obligations to citizens and creditors.

In addition, the School District had \$143.6 million net investment in capital assets (e.g., land, buildings, and equipment). The School District uses these capital assets to provide educational services to students within geographic boundaries served by the School District. Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the net position is *not* available for future spending.

Because of the restrictions on net position as discussed above, the School District had an unrestricted deficit of almost \$73.7 million at June 30, 2017. This deficit includes pension related charges recorded because of the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date on Amendment to GASB No. 68*. The School District believes it is also meaningful to view the School District's net position in the following manner:

Net position associated with pension obligations	\$ (89,044,375)
Net position exclusive of pension obligations	<u>167,801,183</u>
Net Position, June 30, 2017	<u>\$ 78,756,808</u>

The above analysis reflects, despite pension obligations, the School District's net position is a positive \$78.8 million and management believes the School District's financial position is sound.

FLOYD COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
Assets		
Current and Other Assets	\$ 37,935,255	\$ 42,252,108
Capital Assets, Net	<u>164,765,571</u>	<u>160,382,044</u>
Total Assets	202,700,826	202,634,152
Deferred Outflow of Resources	<u>26,438,618</u>	<u>8,215,751</u>
Total Assets and Deferred Outflow of Resources	<u>229,139,444</u>	<u>210,849,903</u>
Liabilities		
Current and Other Liabilities	13,744,578	14,398,490
Long-Term Liabilities	21,155,065	27,693,457
Net Pension Liability	<u>108,087,582</u>	<u>81,509,221</u>
Total Liabilities	142,987,225	123,601,168
Deferred Inflows of Resources	<u>7,395,411</u>	<u>15,108,853</u>
Total Liabilities and Deferred Inflows of Resources	<u>150,382,636</u>	<u>138,710,021</u>
Net Position		
Net Investment in Capital Assets	143,633,114	131,033,566
Restricted	8,847,759	12,088,744
Unrestricted (Deficit)	<u>(73,724,065)</u>	<u>(70,982,428)</u>
Total Net Position	<u>\$ 78,756,808</u>	<u>\$ 72,139,882</u>

Total net position increased almost \$6.6 million in fiscal year 2017 from the prior year. This increase is primarily attributable to the School District making significant capital asset expenditures during fiscal year 2017 in completing the new Coosa High School facility. In connection with deficit shown above, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (73,724,064)
Less unrestricted deficit in net position resulting from recognition of net pension obligations	<u>89,044,375</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 15,320,311</u>

FLOYD COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
Revenues		
Program Revenues:		
Charges for Services	\$ 1,237,906	\$ 2,247,998
Operating Grants and Contributions	69,996,606	66,470,363
Capital Grants and Contributions	1,659,766	858,377
Total Program Revenues	72,894,278	69,576,738
General Revenues:		
Property Taxes	32,112,375	31,894,405
Sales Taxes	9,368,077	9,150,334
Grants and Contributions not Restricted to Specific Programs	4,091,559	3,236,149
Investment Earnings	159,483	104,099
Miscellaneous	4,027,979	3,449,991
Special Item		
Loss of Disposal of Building	(634,260)	(644,403)
Total General Revenues and Special Item	49,125,213	47,190,575
Total Revenues	122,019,491	116,767,313
Program Expenses		
Instruction	72,688,892	65,876,783
Support Services		
Pupil Services	4,973,421	3,939,402
Improvement of Instructional Services	2,907,441	2,456,773
Educational Media Services	1,467,768	1,297,814
General Administration	1,957,352	1,956,251
School Administration	7,691,052	6,973,852
Business Administration	997,299	648,546
Maintenance and Operation of Plant	8,293,959	8,517,447
Student Transportation Services	5,423,595	4,890,085
Central Support	1,597,933	1,798,720
Other Support Services	270,071	584,706
Operations of Non-Instructional Services		
Enterprise Operations	15,038	-
Community Services	300,657	317,235
Food Services	6,479,863	5,684,834
Interest on Short-Term and Long-Term Debt	338,224	584,597
Total Expenses	115,402,565	105,527,045
Increase in Net Position	\$ 6,616,926	\$ 11,240,268

FLOYD COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cost of Providing Services

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

Table 3
Cost of Services

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
Instruction	\$ 72,688,892	\$ 65,876,783	\$ 18,587,648	\$ 14,517,709
Support Services				
Pupil Services	4,973,421	3,939,402	4,335,069	3,370,343
Improvement of Instructional Services	2,907,441	2,456,773	1,636,513	918,263
Educational Media Services	1,467,768	1,297,814	82,444	4,978
General Administration	1,957,352	1,956,251	215,892	1,635,636
School Administration	7,691,052	6,973,852	4,742,843	3,233,519
Business Administration	997,299	648,546	989,405	569,627
Maintenance and Operation of Plant	8,293,959	8,517,447	4,349,238	4,715,833
Student Transportation Services	5,423,595	4,890,085	4,136,945	4,227,980
Central Support Services	1,597,933	1,798,720	1,591,687	1,691,351
Other Support Services	270,071	584,706	256,993	372,944
Operations of Non-Instructional Services				
Enterprise Operations	15,038	-	15,038	-
Community Services	300,657	317,235	300,638	315,452
Food Services	6,479,863	5,684,834	929,709	(207,925)
Interest on Short-Term and Long-Term Debt	338,224	584,597	338,224	584,597
Total Expenses	\$ 115,402,565	\$ 105,527,045	\$ 42,508,286	\$ 35,950,307

Overall, School District expenses increased about \$9.9 million from the prior year, while the net costs of services increased \$6.6 million from the prior year. This situation occurred primarily because the program revenues more than keep pace with expenditures during fiscal year 2017.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$122.9 million and total expenditures of almost \$126.2 million in fiscal year 2017. Total governmental fund balances of \$24.0 million at June 30, 2017, decreased \$3.3 million from the prior year. This decrease occurred primarily because the School District completed various capital projects in fiscal year 2017 with reserves that had accumulated in prior years.

FLOYD COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

General Fund Budget Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the general fund. During the course of fiscal year 2017, the School District amended its general fund budget as needed.

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

For the general fund, the final actual revenues of \$112.4 million exceeded the final budgeted revenues by \$2.6 million. It should be noted the budget did not include an amount budgeted for school activity accounts revenue. Additionally, Federal revenues fell short of the budgeted amount by \$1.8 million. This small overall variance in budget versus actual revenues indicates the School District did a creditable job in forecasting its revenues for fiscal year 2017.

The general fund's final actual expenditures of \$109.4 million fell behind the final budget amount by about \$0.7 million. This variance occurred primarily because actual expenditures for instruction fell behind the budget by \$1.6 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2017, the School District had \$164.8 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation, as compared to the prior fiscal year.

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

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
Land	\$ 2,994,416	\$ 2,810,285
Construction in Progress	375,266	9,783,687
Land Improvements	1,229,853	738,388
Buildings and Improvements	157,132,365	143,336,548
Equipment	3,033,671	3,713,136
Total	<u>\$ 164,765,571</u>	<u>\$ 160,382,044</u>

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

FLOYD COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Long-Term Debt

At June 30, 2017, the School District had almost \$21.2 million in total debt outstanding which consisted of almost \$19.0 million in various bond debt, \$1.2 million in unamortized bond premiums and \$0.95 million in Energy Efficiency Capital Leases. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

Table 5
Change in Long-Term Debt

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
General Obligation Bonds Payable	\$ 16,990,000	\$ 22,175,000
QZAB Bonds Payable	2,000,000	2,000,000
Unamortized Bond Premiums	1,213,800	1,796,424
Energy Efficiency Capital Leases	951,264	1,722,033
Total	<u>\$ 21,155,064</u>	<u>\$ 27,693,457</u>

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

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

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

- The School District is financially stable. The School District's operating millage for fiscal year 2017 was 18.58 mills, which produced over \$1.7 million per mill. The School District will construct additional facilities to accommodate the growth at various schools as needed. The School District plans to fund additional capital outlays, in part, with the one percent local sales tax revenue and state capital outlay grants.
- The School District has experienced moderate revenue growth in fiscal year 2017 vs. the prior year. General fund revenues increased only about \$4.0 million from the prior year. State funds and federal funds increased by \$2.2 million and \$1.4 million, respectively, while miscellaneous revenues increased by \$2.0 million from the prior year. The general fund had an unassigned fund balance of \$12.1 million at June 30, 2017, which was a decrease of about \$563,000 from the prior year. The Board anticipates significant financial challenges going forward due to expected continued higher health insurance and benefit costs for employees. The School District's cost of health insurance increased about 6% from the prior year. In spite of these challenges, the School District will continue to be a good steward of tax dollars while providing a quality educational opportunity.

FLOYD COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Greg Studdard, Executive Director of Financial Services, Floyd County Board of Education, 600 Riverside Parkway, NE, Rome, Georgia. You may also email your questions to Mr. Studdard at gregstuddard@floydboe.net.

FLOYD COUNTY BOARD OF EDUCATION

(This page left intentionally blank)

FLOYD COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 16,241,312.39
Investments	5,877,393.58
Receivables, Net	
Taxes	2,356,438.96
State Government	8,014,343.21
Federal Government	2,657,541.51
Other	451,362.14
Inventories	165,722.37
Prepaid Items	240,015.48
Restricted Assets	
Cash and Investments with Fiscal Agent or Trustee	1,931,125.68
Capital Assets, Non-Depreciable	3,369,682.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>161,395,889.00</u>
Total Assets	<u>202,700,826.32</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	<u>26,438,618.00</u>
<u>LIABILITIES</u>	
Accounts Payable	396,840.66
Salaries and Benefits Payable	12,444,608.26
Interest Payable	424,750.00
Claims Incurred but not Reported (IBNR)	365,086.07
Contracts Payable	54,553.87
Retainages Payable	32,188.75
Deposits and Unearned Revenues	26,551.51
Net Pension Liability	108,087,582.00
Long-Term Liabilities	
Due Within One Year	8,784,442.07
Due in More Than One Year	<u>12,370,622.48</u>
Total Liabilities	<u>142,987,225.67</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	<u>7,395,411.00</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	143,633,113.80
Restricted for	
Continuation of Federal Programs	404,729.38
Continuation of State Programs	11,579.83
Debt Service	8,431,450.02
Unrestricted (Deficit)	<u>(73,724,065.38)</u>
Total Net Position	<u>\$ 78,756,807.65</u>

FLOYD COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 72,688,892.30	\$ 727,344.17
Support Services		
Pupil Services	4,973,420.62	-
Improvement of Instructional Services	2,907,440.58	-
Educational Media Services	1,467,768.10	-
General Administration	1,957,351.89	-
School Administration	7,691,051.87	-
Business Administration	997,299.46	-
Maintenance and Operation of Plant	8,293,958.98	-
Student Transportation Services	5,423,594.95	6,062.00
Central Support Services	1,597,932.99	-
Other Support Services	270,071.51	-
Operations of Non-Instructional Services		
Enterprise Operations	15,037.98	-
Community Services	300,657.37	-
Food Services	6,479,863.17	504,500.47
Interest on Short-Term and Long-Term Debt	338,223.64	-
	<u>\$ 115,402,565.41</u>	<u>\$ 1,237,906.64</u>
Total Governmental Activities		
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Special Item		
Loss on Disposal of Building		
Total General Revenues and Special Item		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)	
OPERATING	CAPITAL	REVENUES	
GRANTS AND	GRANTS AND	AND CHANGES IN	
CONTRIBUTIONS	CONTRIBUTIONS	NET POSITION	
\$ 51,722,253.28	\$ 1,651,647.18	\$ (18,587,647.67)	
638,351.19	-	(4,335,069.43)	
1,270,927.28	-	(1,636,513.30)	
1,384,724.88	599.70	(82,443.52)	
1,739,938.61	1,521.44	(215,891.84)	
2,948,208.93	-	(4,742,842.94)	
7,893.91	-	(989,405.55)	
3,944,721.23	-	(4,349,237.75)	
1,280,587.82	-	(4,136,945.13)	
6,245.72	-	(1,591,687.27)	
13,078.16	-	(256,993.35)	
-	-	(15,037.98)	
19.16	-	(300,638.21)	
5,039,655.89	5,998.06	(929,708.75)	
-	-	(338,223.64)	
\$ 69,996,606.06	\$ 1,659,766.38	(42,508,286.33)	

32,068,145.24
44,229.47

6,609,883.48
2,291,404.76
466,788.61
4,091,559.00
159,482.55
4,027,978.83

(634,260.00)

49,125,211.94

6,616,925.61

72,139,882.04

\$ 78,756,807.65

FLOYD COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 13,683,474.19	\$ 2,198,089.82	\$ 359,748.38	\$ 16,241,312.39
Investments	60,789.26	-	5,816,604.32	5,877,393.58
Receivables, Net				
Taxes	1,607,717.32	-	748,721.64	2,356,438.96
State Government	8,014,343.21	-	-	8,014,343.21
Federal Government	2,657,541.51	-	-	2,657,541.51
Other	217,662.14	233,700.00	-	451,362.14
Due from Other Funds	2,100,000.00	-	-	2,100,000.00
Inventories	165,722.37	-	-	165,722.37
Prepaid Items	113,790.48	126,225.00	-	240,015.48
Restricted				
Investments with a Fiscal Agent or Trustee	-	-	1,931,125.68	1,931,125.68
Total Assets	\$ 28,621,040.48	\$ 2,558,014.82	\$ 8,856,200.02	\$ 40,035,255.32
<u>LIABILITIES</u>				
Accounts Payable	\$ 151,793.46	\$ 245,047.20	\$ -	\$ 396,840.66
Salaries and Benefits Payable	12,444,608.26	-	-	12,444,608.26
Due to Other Funds	-	2,100,000.00	-	2,100,000.00
Contracts Payable	-	54,553.87	-	54,553.87
Retainages Payable	-	32,188.75	-	32,188.75
Deposits and Unearned Revenue	26,551.51	-	-	26,551.51
Total Liabilities	12,622,953.23	2,431,789.82	-	15,054,743.05
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	975,433.56	-	-	975,433.56
<u>FUND BALANCES</u>				
Nonspendable	279,512.85	126,225.00	-	405,737.85
Restricted	250,586.84	-	8,856,200.02	9,106,786.86
Committed	1,980,666.08	-	-	1,980,666.08
Assigned	333,310.01	-	-	333,310.01
Unassigned	12,178,577.91	-	-	12,178,577.91
Total Fund Balances	15,022,653.69	126,225.00	8,856,200.02	24,005,078.71
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 28,621,040.48	\$ 2,558,014.82	\$ 8,856,200.02	\$ 40,035,255.32

FLOYD COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 24,005,078.71

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	\$	2,994,416.00	
Construction in progress		375,266.00	
Buildings and improvements		201,635,272.00	
Accumulated depreciation - buildings and improvements		(44,502,907.00)	
Equipment		19,201,052.00	
Accumulated depreciation - equipment		(16,167,381.00)	
Land improvements		4,727,113.00	
Accumulated depreciation - land improvements		(3,497,260.00)	
Total capital assets		164,765,571.00	164,765,571.00

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension liability		(108,087,582.00)	
-----------------------	--	------------------	--

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		19,043,207.00	
--	--	---------------	--

Taxes that are not available to pay for current period expenditures are deferred in the funds.		975,433.56	
--	--	------------	--

Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$	(18,990,000.00)	
Accrued interest payable		(424,750.00)	
Capital leases payable		(951,264.17)	
Unamortized bond premiums		(1,213,800.38)	
Claims and judgments payable		(365,086.07)	(21,944,900.62)

Net position of governmental activities (Exhibit "A")		78,756,807.65	\$ 78,756,807.65
---	--	---------------	------------------

FLOYD COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 32,346,789.81	\$ -	\$ -	\$ 32,346,789.81
Sales Taxes	466,788.61	2,291,404.76	6,609,883.48	9,368,076.85
State Funds	62,978,274.30	126,206.13	-	63,104,480.43
Federal Funds	11,178,448.43	-	-	11,178,448.43
Charges for Services	1,237,906.64	-	-	1,237,906.64
Investment Earnings	81,297.60	4,886.00	73,298.95	159,482.55
Miscellaneous	4,119,611.33	1,374,461.08	-	5,494,072.41
Total Revenues	112,409,116.72	3,796,957.97	6,683,182.43	122,889,257.12
<u>EXPENDITURES</u>				
Current				
Instruction	68,411,067.59	81,985.81	-	68,493,053.40
Support Services				
Pupil Services	4,965,074.62	-	-	4,965,074.62
Improvement of Instructional Services	2,878,770.58	-	-	2,878,770.58
Educational Media Services	1,428,142.93	-	-	1,428,142.93
General Administration	1,883,341.99	34,073.85	-	1,917,415.84
School Administration	7,666,147.39	-	-	7,666,147.39
Business Administration	994,294.31	28.15	-	994,322.46
Maintenance and Operation of Plant	8,167,359.44	81,769.31	-	8,249,128.75
Student Transportation Services	4,880,516.95	-	-	4,880,516.95
Central Support Services	1,170,018.79	425,487.20	-	1,595,505.99
Other Support Services	253,078.51	-	-	253,078.51
Enterprise Operations	15,037.98	-	-	15,037.98
Community Services	299,128.37	-	-	299,128.37
Food Services Operation	6,345,129.01	-	-	6,345,129.01
Capital Outlay	-	9,210,196.02	-	9,210,196.02
Debt Services				
Principal	-	770,768.74	5,185,000.00	5,955,768.74
Interest	-	71,347.82	953,200.00	1,024,547.82
Total Expenditures	109,357,108.46	10,675,656.90	6,138,200.00	126,170,965.36
Revenues over (under) Expenditures	3,052,008.26	(6,878,698.93)	544,982.43	(3,281,708.24)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	3,728,876.85	-	3,728,876.85
Transfers Out	(3,728,876.85)	-	-	(3,728,876.85)
Total Other Financing Sources (Uses)	(3,728,876.85)	3,728,876.85	-	-
Net Change in Fund Balances	(676,868.59)	(3,149,822.08)	544,982.43	(3,281,708.24)
Fund Balances - Beginning	15,699,522.28	3,276,047.08	8,311,217.59	27,286,786.95
Fund Balances - Ending	\$ 15,022,653.69	\$ 126,225.00	\$ 8,856,200.02	\$ 24,005,078.71

FLOYD COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2017

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ (3,281,708.24)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 9,364,460.00	
Depreciation expense - buildings and improvements	(3,198,182.00)	
Depreciation expense - equipment	(1,039,661.00)	
Depreciation expense - land improvements	(96,913.00)	
Excess of capital outlay over depreciation expense	5,029,704.00	

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. (646,177.00)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred Inflows of Resources - Unavailable Property Taxes		
June 30, 2017	\$ 975,433.56	
June 30, 2016	(1,209,848.66)	
	(234,415.10)	

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.

Bond principal retirements	\$ 5,185,000.00	
Capital lease payments	770,768.74	
Amortization of bond premium	582,624.18	
	6,538,392.92	

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension expense		(642,052.00)
-----------------	--	--------------

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest on issuance of bonds		
June 30, 2017	\$ (424,750.00)	
June 30, 2016	528,450.00	
	103,700.00	
Claims incurred by not reported		
June 30, 2017	\$ (365,086.07)	
June 30, 2016	114,567.10	
	(250,518.97)	

Change in net position of governmental activities (Exhibit "B") \$ 6,616,925.61

FLOYD COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>143,540.54</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>143,540.54</u>

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

Additionally, the School District has been granted Charter System Status by the State of Georgia as provided in Georgia Annotated Code section 20-2-84. This status gives the School District freedom from many State rules and regulations in exchange for the School District's agreement to increase academic achievement by its students.

Blended Component Unit

The Floyd County Schools College and Career Academy, Inc. (Charter School) is responsible for the public education of all students attending its school. The Charter School was created through a contract between the School District and the Charter School whereby all State funding associated with the students attending the Charter School and certain specified local funds are used to cover the cost of its operations. The financial statements of the Charter School have been reported within the School District's general fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

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

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

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

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

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

FUND FINANCIAL STATEMENTS

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

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting

purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the School District's financial statements.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

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

RECEIVABLES

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

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

INVENTORIES

Food Inventories

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

PREPAID ITEMS

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

RESTRICTED ASSETS

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of net position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds.

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

CAPITAL ASSETS

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

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	\$ 5,000.00	20 to 80 years
Buildings and Improvements	\$ 10,000.00	10 to 80 years
Equipment	\$ 5,000.00	3 to 20 years
Intangible Assets	\$ 200,000.00	10 to 20 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS

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

In the governmental fund financial statements, the School District recognizes the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs are reported as debt service expenditures.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FUND BALANCES

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

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

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

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

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

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

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

USE OF ESTIMATES

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

PROPERTY TAXES

The Floyd County Board of Commissioners adopted the property tax levy for the 2016 tax digest year (calendar year) on July 26, 2016 (levy date) based on property values as of January 1, 2016. Taxes were due on November 15, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. The Floyd County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2017, for maintenance and operations amounted to \$30,307,676.13.

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

School Operations	<u>18.58</u> mills
-------------------	--------------------

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$1,994,884.21 during fiscal year ended June 30, 2017.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$8,901,288.24 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except for programs and activities as noted on Schedule 7 of this report, is prepared and adopted by fund and function. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

NOTE 4: DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2017, the School District had deposits with a carrying amount of \$7,366,827.82, and a bank balance of \$11,521,598.68. The bank balances insured by Federal depository insurance were \$316,011.34.

At June 30, 2017, \$11,205,587.34 of the School District's bank balances were exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ -
Uninsured with collateral held by the pledging financial institution	-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name	<u>11,205,587.34</u>
Total	\$ <u><u>11,205,587.34</u></u>

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

Statement of Net Position	
Cash and cash equivalents	\$ 16,241,312.39
Statement of Fiduciary Net Position	
Cash and cash equivalents	<u>143,540.54</u>
Total cash and cash equivalents	16,384,852.93
Add:	
Deposits with original maturity of three months or more reported as investments	60,789.26
Less:	
Investment pools reported as cash and cash equivalents	
Georgia Fund 1	<u>9,078,814.37</u>
Total carrying value of deposits - June 30, 2017	\$ <u><u>7,366,827.82</u></u>

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of \$9,078,814.37 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2017, was 56 days.

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

CATEGORIZATION OF INVESTMENTS

At June 30, 2017, the School District had the following investments:

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Debt Securities		
U. S. Agencies		
Implicitly Guaranteed	\$ 1,931,125.68	\$ <u>1,931,125.68</u>
Other Investments		
Bond Mutual Funds	<u>5,816,604.32</u>	
Total Investments	<u>\$ 7,747,730.00</u>	

Fair Value of Investments

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

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

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

Level 3: Unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2017:

Bond Mutual Funds of \$5,816,604.32 are valued using quoted market prices. (Level 1 inputs).

U.S. Agencies Debt Securities of \$1,931,125.68 are valued using market observable information for identical or similar instruments in the market (Level 2 inputs).

Interest Rate Risk

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

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

Custodial Credit Risk

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

At June 30, 2017, \$7,747,730.00 of the School District's applicable investments were held by the investment's counterparty, not in the School District's name.

Credit Quality Risk

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

The investments subject to credit quality risk are reflected below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>
		<u>Unrated</u>
Debt Securities		
U. S. Agencies		
Implicitly Guaranteed	<u>1,931,125.68</u>	<u>1,931,125.68</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Federal National Mortgage Association Discount Notes. This investment is 24.9% of the School District's total investments.

NOTE 5: RESTRICTED ASSETS

The restricted assets represent the cash balance and investment balance, totaling \$1,931,125.68 for the QZAB Bond Sinking Fund.

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2016	Increases	Decreases	Transfers	Balances June 30, 2017
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,810,285.00	\$ 184,131.00	\$ -	\$ -	\$ 2,994,416.00
Construction in Progress	9,783,687.00	8,194,875.00	-	(17,603,296.00)	375,266.00
Total Capital Assets Not Being Depreciated	<u>12,593,972.00</u>	<u>8,379,006.00</u>	<u>-</u>	<u>(17,603,296.00)</u>	<u>3,369,682.00</u>
Capital Assets Being Depreciated					
Buildings and Improvements	185,083,611.00	24,963.00	1,076,598.00	17,603,296.00	201,635,272.00
Equipment	19,090,880.00	372,113.00	261,941.00	-	19,201,052.00
Land Improvements	4,138,735.00	588,378.00	-	-	4,727,113.00
Less Accumulated Depreciation for:					
Buildings and Improvements	41,747,063.00	3,198,182.00	442,338.00	-	44,502,907.00
Equipment	15,377,744.00	1,039,661.00	250,024.00	-	16,167,381.00
Land Improvements	3,400,347.00	96,913.00	-	-	3,497,260.00
Total Capital Assets, Being Depreciated, Net	<u>147,788,072.00</u>	<u>(3,349,302.00)</u>	<u>646,177.00</u>	<u>17,603,296.00</u>	<u>161,395,889.00</u>
Governmental Activity Capital Assets - Net	<u>\$ 160,382,044.00</u>	<u>\$ 5,029,704.00</u>	<u>\$ 646,177.00</u>	<u>\$ -</u>	<u>\$ 164,765,571.00</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 3,578,116.00
Support Services	
Educational Media Services	\$ 29,718.00
General Administration	27,418.00
Student Transportation Services	554,299.00
Food Services	145,205.00
	<u>\$ 4,334,756.00</u>

NOTE 7: INTERFUND ASSETS, LIABILITIES, AND TRANSFERS

INTERFUND ASSETS AND LIABILITIES

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

	Due From Other Funds	Due To Other Funds
General Fund	\$ 2,100,000.00	\$ -
Capital Projects Fund	-	2,100,000.00
	<u>\$ 2,100,000.00</u>	<u>\$ 2,100,000.00</u>

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

At June 30, 2017, the General Fund loaned the Capital Projects Fund \$2,100,000.00 for cash flow purposes to be refunded in the subsequent year.

INTERFUND TRANSFERS

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

<u>Transfers to</u>	<u>Transfers From</u> <u>General Fund</u>
Capital Projects Fund	\$ <u>3,728,876.85</u>

Transfers were made from the general fund to the capital projects fund for the purpose of providing supplemental funding for various capital outlay projects.

NOTE 8: LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
General Obligation (G.O) Bonds	\$ 22,175,000.00	\$ -	\$ 5,185,000.00	\$ 16,990,000.00	\$ 5,390,000.00
Qualified Zone Academy Bonds	2,000,000.00	-	-	2,000,000.00	2,000,000.00
Unamortized Bond Premiums	1,796,424.56	-	582,624.18	1,213,800.38	582,624.18
Energy Efficiency Capital Lease	1,722,032.91	-	770,768.74	951,264.17	811,817.89
	<u>\$ 27,693,457.47</u>	<u>\$ -</u>	<u>\$ 6,538,392.92</u>	<u>\$ 21,155,064.55</u>	<u>\$ 8,784,442.07</u>

GENERAL OBLIGATION DEBT OUTSTANDING

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

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2014	3.00 - 5.00%	5/28/2014	7/1/2019	\$ <u>27,205,000.00</u>	\$ <u>16,990,000.00</u>

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

Fiscal Year Ended June 30:	General Obligation Debt		Unamortized Bond Premium
	Principal	Interest	
2018	\$ 5,390,000.00	\$ 714,750.00	\$ 582,624.18
2019	5,660,000.00	438,500.00	582,624.18
2020	5,940,000.00	148,500.00	48,552.02
Total Principal and Interest	<u>\$ 16,990,000.00</u>	<u>\$ 1,301,750.00</u>	<u>\$ 1,213,800.38</u>

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

QUALIFIED ZONE ACADEMY BONDS (QZAB)

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts in connection with the establishment of special academic programs, in partnership with the business community. The School District, in agreement with Bank of America, has entered into such an arrangement.

This agreement establishes a method of repayment for qualified interest-free debt instrument. The agreement requires the School District to deposit funds annually into a sinking fund account on or before August 1, 2005 to August 1, 2009, in the amount of \$264,922.11, for five annual installments. The amount on deposit at June 30, 2017 was \$1,931,125.68.

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Government-QZAB -Series 2004	0.00%	6/29/2004	6/29/2018	\$ <u>2,000,000.00</u>	\$ <u>2,000,000.00</u>

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

<u>Fiscal Year Ended June 30:</u>	<u>Principal</u>
2018	\$ <u>2,000,000.00</u>

ENERGY EFFICIENCY CAPITAL LEASE

An energy efficiency lease agreement dated February 28, 2002 was executed by and between the School District, the lessee, and Crews and Associates, the lessor. The agreement authorized the borrowing of \$9,335,586.32 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the School District's capital projects fund.

The following assets were acquired through capital leases and are reflected in the capital asset note at fiscal year-end:

	<u>Governmental Funds</u>
Buildings and Improvements	\$ 1,708,467.00
Less: Accumulated Depreciation	<u>1,315,247.00</u>
	\$ <u>393,220.00</u>

Debt currently outstanding is as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Energy Management System	5.20%	2/28/2002	8/15/2018	\$ <u>9,335,586.32</u>	\$ <u>951,264.17</u>

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

The following is a schedule of total energy efficiency capital lease payments:

<u>Fiscal Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 811,817.89	\$ 30,298.67
2019	<u>139,446.28</u>	<u>906.48</u>
Total Principal and Interest	\$ <u>951,264.17</u>	\$ <u>31,205.15</u>

NOTE 9: RISK MANAGEMENT

INSURANCE

Commercial Insurance

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

WORKERS' COMPENSATION

The School District has established a limited risk management program for workers' compensation claims. In connection with this program, a self-insurance reserve has been established within the general fund by the School District. The School District accounts for claims within the general fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$400,000.00 loss per occurrence, up to the statutory limit.

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2016	\$ <u>260,164.92</u>	\$ <u>54,421.29</u>	\$ <u>200,019.11</u>	\$ <u>114,567.10</u>
2017	\$ <u>114,567.10</u>	\$ <u>605,226.13</u>	\$ <u>354,707.16</u>	\$ <u>365,086.07</u>

UNEMPLOYMENT COMPENSATION

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

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2016	\$ -	\$ 620.00	\$ 620.00	\$ -
2017	\$ -	\$ 4,742.00	\$ 4,742.00	\$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	\$ <u>100,000.00</u>

NOTE 10: FUND BALANCE CLASSIFICATION DETAILS

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

Nonspendable			
Prepaid Items	\$ 240,015.48		
Inventories	<u>165,722.37</u>	\$	405,737.85
Restricted			
Continuation of Federal Programs	\$ 239,007.01		
Continuation of State Programs	11,579.83		
Debt Service	<u>8,856,200.02</u>		9,106,786.86
Committed			
School Activity Accounts			1,980,666.08
Assigned			
After school program	\$ 21,016.11		
Record retention	187,293.90		
Unemployment Compensation	<u>125,000.00</u>		333,310.01
Unassigned			<u>12,178,577.91</u>
Fund Balance, June 30, 2017		\$	<u>24,005,078.71</u>

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

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

NOTE 11: SIGNIFICANT COMMITMENTS

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2017:

Project	Unearned Executed Contracts (1)	Expenditures through June 30, 2017 (2)
Pepperell High School Track	\$ 308,971.96	\$ 200,156.42

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

(2) Payments include contracts and retainages payable at year end.

OPERATING LEASES

The School District leases various copiers under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$19,624.44 for governmental activities for the year ended June 30, 2017. The following future minimum lease payments were required under operating leases at June 30, 2017:

Year Ending	Governmental Funds
2018	\$ 19,624.44
2019	19,624.44
Total	\$ 39,248.88

NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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

LITIGATION

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

NOTE 13: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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

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

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2017:

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

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

For non-certificated school personnel:

July 1, 2016 – December 31, 2016	\$746.20 per member per month
----------------------------------	-------------------------------

January 1, 2017 – June 30, 2017	\$846.20 per member per month
---------------------------------	-------------------------------

No additional contribution was required by the Board for fiscal year 2017 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	\$ 10,897,859.96
2016	100%	\$ 10,277,461.41
2015	100%	\$ 9,956,541.86

NOTE 14: RETIREMENT PLANS

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

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2017. The School District's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual School District payroll, of which 14.23% of payroll was required from the School District and 0.04% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$8,330,736.00 and \$22,318.18 from the School District and the State, respectively.

EMPLOYEES' RETIREMENT SYSTEM

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

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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

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

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to \$4,200.00, plus 6% of annual compensation in excess of \$4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2017 was 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were \$42,196.00 for the current fiscal year.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

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

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

Contributions: The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$149,235.00.

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

At June 30, 2017, the School District reported a liability of \$108,087,582.00 for its proportionate share of the net pension liability for TRS \$107,745,998.00 and ERS \$341,584.00.

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

School District's proportionate share of the net pension liability	\$ 107,745,998.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>274,188.00</u>
Total	<u>\$ 108,020,186.00</u>

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

At June 30, 2016, the School District's TRS proportion was 0.522250%, which was a decrease of 0.011073% from its proportion measured as of June 30, 2015. At June 30, 2016, the School District's ERS proportion was 0.007221%, which was a decrease of 0.000581% from its proportion measured as of June 30, 2015.

At June 30, 2017, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$929,986.00.

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

For the year ended June 30, 2017, the School District recognized pension expense of \$9,062,202.00 for TRS, (\$28,803.00) for ERS and \$152,460.00 for PSERS and revenue of \$18,002.00 for TRS and \$152,460.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,605,125.00	\$ 532,805.00	\$ -	\$ 789.00
Changes of assumptions	2,792,627.00	-	2,893.00	-
Net difference between projected and actual earnings on pension plan investments	13,630,312.00	-	34,729.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	6,841,622.00	-	20,195.00
School District contributions subsequent to the measurement date	8,330,736.00	-	42,196.00	-
Total	\$ 26,358,800.00	\$ 7,374,427.00	\$ 79,818.00	\$ 20,984.00

The School District contributions subsequent to the measurement date of \$8,330,736.00 for TRS and \$42,196.00 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2018	\$ (395,998.00)	(13,240.00)
2019	\$ (396,003.00)	(453.00)
2020	\$ 6,412,181.00	18,724.00
2021	\$ 4,894,922.00	11,607.00
2022	\$ 138,535.00	-

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

Teachers Retirement System:

Inflation	2.75%
Salary increases	3.25% – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries'

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

Employees' Retirement System:

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

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

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

Public School Employees Retirement System:

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

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

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

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

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

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

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

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

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

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

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 167,707,975.00	\$ 107,745,998.00	\$ 58,377,194.00
Employees Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 462,909.00	\$ 341,584.00	\$ 238,190.00

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

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

DEFINED CONTRIBUTION PLAN

The School District provides two defined contribution plans for the group of employees covered the Public School Employees' Retirement System (PSERS). The Board adopted these plans because the Board believed that PSERS did not provide an adequate retirement income for this group of employees.

The first plan is an employer matching 403(b) annuity plan. The Board selected VALIC as the 3rd party plan administrator. All contributions to the plan are paid to VALIC and then VALIC distributes funds to other companies as required. For each employee covered under the plan, the Board contributes to the plan an amount matching up to 4% of the employee's base pay.

The employee becomes vested in the plan with 5 years of experience. Employees who had already achieved 5 years of experience at the time the plan was implemented were vested upon enrollment. Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and 5 years of continuous employment to the School District. If an employee terminates employment prior to achieving 5 years of continuous employment, funds paid on behalf of the non-vested employee are credited back to the School District.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2017	100%	\$ 25,594.37
2016	100%	\$ 30,908.75
2015	100%	\$ 34,693.04

Under the second plan, the School District operates an employer only paid contribution to TIAA-CREF annuity plan. The School District pays \$25.00 per month for 12 months for employees covered under PSERS. This plan was in place prior to the above mentioned matching plan that was added an additional retirement savings incentive that began in 2003.

The employee becomes vested in the plan with 5 years of experience. Employees who had already achieved 5 years of experience at the time the plan was implemented were vested upon enrollment. Funds accumulated in the employer paid accounts are only available to the employee after termination and at no early than 59 and one-half years of age. If an employee terminates employment prior to achieving 5 years of continuous employment, funds paid on behalf of the non-vested employee are credited back to the School District.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2017	100%	\$ 51,059.92
2016	100%	\$ 53,950.00
2015	100%	\$ 35,084.78

NOTE 15: TAX ABATEMENTS

Floyd County enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to Floyd County.

FLOYD COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

EXHIBIT "H"

For the fiscal year ended June 30, 2017, Floyd County abated property taxes due to the School District that were levied on July 26, 2016 and due on November 15, 2016 totaling \$1,850,967.88. Included in that amount abated, the following are individual tax abatement agreements that each exceeded 10.00% percent of the total amount abated:

- A 90% property tax abatement to a manufacturing plant relocating and increasing employment. The abatement amounted to \$ 490,428.85.
- A 100% property tax abatement to a large building supply retail company employing residents. The abatement amounted to \$1,360,539.03.

Additional school property tax abatements were granted to other companies residing within the School District; however those companies opted to make payments to the School District in lieu of taxes in the total amount of \$81,099.08, which resulted in zero lost revenues to the School District.

In the subsequent fiscal year, the abatements associated with lost property tax revenue to the School District are estimated to decrease from \$1,850,967.88 in fiscal year 2017 to \$1,493,443.01 in fiscal year 2018.

NOTE 16: MISAPPROPRIATED FUNDS

During fiscal year 2015, the School District became aware of a situation where school personnel were allegedly involved in a fraudulent scheme where inflated and altered invoices were submitted by various vendors and paid by the School District. It is believed kickbacks were obtained from the vendors involved and funds were received by school personnel. The School District has determined that about \$6.8 million was misappropriated prior to June 30, 2016 and covers multiple prior years. This matter continues to be under investigation by law enforcement officials from both the State and Local governments.

NOTE 17: SUBSEQUENT EVENTS

In the subsequent fiscal year, voters authorized the School District to issue general obligation bonds in the amount of \$40,000,000.00 for educational purposes to provide funds to make capital improvements to various schools within the School District. In conjunction with this referendum, voters also approved the collection of a 1% sales and use tax for educational purposes to provide additional funds for the approved improvements as well as provide funds to make principal and interest payments on the School District's bonded indebtedness. The collection of the additional 1% sales and use tax shall not exceed 20 consecutive quarters. These bonds were not issued as of date of these financial statements.

NOTE 18: SPECIAL ITEMS

During fiscal year 2017, the School District demolished the old Floyd County Education Center (Alternative School) buildings. The book value of the Floyd County Education Center was \$634,260.00 and this amount is shown as a loss on disposal of buildings on the Statement of Activities, Exhibit B of this report.

(This page left intentionally blank)

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

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.522250%	\$ 107,745,998.00	\$ 274,188.00	\$ 108,020,186.00	\$ 57,428,504.39	187.62%	76.06%
2016	0.533323%	\$ 81,193,131.00	\$ 248,913.00	\$ 81,442,044.00	\$ 56,508,046.56	143.68%	81.44%
2015	0.544027%	\$ 68,730,636.00	\$ 193,801.00	\$ 68,924,437.00	\$ 54,644,428.34	125.78%	84.03%

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

SCHEDULE "2"

<u>Year Ended</u>	<u>School District's proportion of the net pension liability</u>	<u>School District's proportionate share of the net pension liability</u>	<u>School District's covered payroll</u>	<u>School District's proportionate share of the net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total net pension liability</u>
2017	0.007221%	\$ 341,584.00	\$ 167,896.44	203.45%	72.34%
2016	0.007802%	\$ 316,090.00	\$ 176,158.47	179.44%	76.20%
2015	0.008426%	\$ 316,027.00	\$ 192,222.10	164.41%	77.99%

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

SCHEDULE "3"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.00%	\$ -	\$ 929,986.00	\$ 929,986.00	\$ 2,257,873.97	N/A	81.00%
2016	0.00%	\$ -	\$ 648,453.00	\$ 648,453.00	\$ 2,425,773.11	N/A	87.00%
2015	0.00%	\$ -	\$ 611,047.00	\$ 611,047.00	\$ 2,586,202.57	N/A	88.29%

FLOYD COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

SCHEDULE "4"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2017	\$ 8,330,736.00	\$ 8,330,736.00	\$ -	\$ 58,535,915.19	14.23%
2016	\$ 8,174,247.00	\$ 8,174,247.00	\$ -	\$ 57,428,504.39	14.23%
2015	\$ 7,398,077.45	\$ 7,398,077.45	\$ -	\$ 56,508,046.56	13.09%

FLOYD COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

SCHEDULE "5"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2017	\$ 42,196.00	\$ 42,196.00	\$ -	\$ 170,088.00	24.81%
2016	\$ 41,504.00	\$ 41,504.00	\$ -	\$ 167,896.44	24.72%
2015	\$ 38,684.40	\$ 38,684.40	\$ -	\$ 176,158.47	21.96%

Teachers Retirement System

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

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

Employees' Retirement System

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

Public School Employees Retirement System

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

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

FLOYD COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017

SCHEDULE "7"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 32,205,612.00	\$ 32,205,612.00	\$ 32,346,789.81	\$ 141,177.81
Sales Taxes	355,000.00	355,000.00	466,788.61	111,788.61
State Funds	62,259,634.00	62,357,834.00	62,978,274.30	620,440.30
Federal Funds	11,961,507.78	12,987,933.02	11,178,448.43	(1,809,484.59)
Charges for Services	1,110,467.00	1,110,467.00	1,237,906.64	127,439.64
Investment Earnings	15,250.00	15,250.00	81,297.60	66,047.60
Miscellaneous	795,000.00	800,000.00	4,119,611.33	3,319,611.33
Total Revenues	108,702,470.78	109,832,096.02	112,409,116.72	2,577,020.70
<u>EXPENDITURES</u>				
Current				
Instruction	70,611,463.30	69,965,181.15	68,411,067.59	1,554,113.56
Support Services				
Pupil Services	3,234,472.00	3,420,562.84	4,965,074.62	(1,544,511.78)
Improvement of Instructional Services	2,405,434.93	2,922,201.19	2,878,770.58	43,430.61
Educational Media Services	1,458,902.94	1,460,348.48	1,428,142.93	32,205.55
General Administration	1,879,070.00	2,030,568.12	1,883,341.99	147,226.13
School Administration	7,185,712.12	7,205,075.50	7,666,147.39	(461,071.89)
Business Administration	769,443.98	1,196,359.03	994,294.31	202,064.72
Maintenance and Operation of Plant	8,404,869.72	8,368,446.11	8,167,359.44	201,086.67
Student Transportation Services	5,077,679.00	5,148,295.64	4,880,516.95	267,778.69
Central Support Services	1,032,493.00	1,186,720.36	1,170,018.79	16,701.57
Other Support Services	102,260.00	104,005.00	253,078.51	(149,073.51)
Enterprise Operations		-	15,037.98	(15,037.98)
Community Services	16,668.00	16,668.00	299,128.37	(282,460.37)
Food Services Operation	7,028,956.00	7,028,956.00	6,345,129.01	683,826.99
Total Expenditures	109,207,424.99	110,053,387.42	109,357,108.46	696,278.96
Excess of Revenues over (under) Expenditures	(504,954.21)	(221,291.40)	3,052,008.26	3,273,299.66
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Financing Sources	375,000.00	350,000.00	-	(350,000.00)
Other Financing Uses	(2,100,000.00)	(2,100,000.00)	(3,728,876.85)	(1,628,876.85)
Total Other Financing Sources (Uses)	(1,725,000.00)	(1,750,000.00)	(3,728,876.85)	(1,978,876.85)
Net Change in Fund Balances	(2,229,954.21)	(1,971,291.40)	(676,868.59)	1,294,422.81
Fund Balances - Beginning	13,401,607.77	12,388,649.41	15,699,522.28	3,310,872.87
Adjustments	(12,843.69)	-	-	-
Fund Balances - Ending	\$ 11,158,809.87	\$ 10,417,358.01	\$ 15,022,653.69	\$ 4,605,295.68

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the funds listed below.
The actual revenues and expenditures of these funds, which are reported as a part of the General Fund, are as follows:

	Revenues	Expenditures
School Activity Accounts	3,592,004.19	2,964,062.05
Georgia Council for the Arts	-	825.00
After School Program	299,325.59	299,128.72
Records Retentions Fund	135,950.72	124,769.51
Workers Compensation Fund	22.51	345,210.14
	4,027,303.01	3,733,995.42

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

FLOYD COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

SCHEDULE "8"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	17175GA324N1099	\$ 1,101,927.34
National School Lunch Program	10.555	17175GA324N1100	4,864,420.38
			<hr/>
Total Child Nutrition Cluster			5,966,347.72
Forest Service Schools and Roads Cluster			
Pass-Through From Office of the State Treasurer			
Schools and Roads - Grants to States	10.665	486Forest	420.15
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Child Nutrition Discretionary Grants Limited Availability	10.579	16165GA350N8103	4,498.00
			<hr/>
Total U. S. Department of Agriculture			5,971,265.87
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	213,746.00
Grants to States	84.027	H027A160073	1,814,425.51
Preschool Grants	84.173	H173A150081	8,400.00
Preschool Grants	84.173	H173A160081	68,471.88
			<hr/>
Total Special Education Cluster			2,105,043.39
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A150010	83,463.47
Education for Homeless Children and Youth	84.196	S196A150011	6,587.00
Education for Homeless Children and Youth	84.196	S196A160011	17,886.60
English Language Acquisition Grants	84.365	S365A150010	4,644.00
English Language Acquisition Grants	84.365	S365A160010	36,923.04
Improving Teacher Quality State Grants	84.367	S367A150001	49,408.00
Improving Teacher Quality State Grants	84.367	S367A160001	292,602.77
Mathematics and Science Partnerships	84.366	S366B150011	72,480.00
Mathematics and Science Partnerships	84.366	S366B160011	53,788.52
Striving Readers	84.371	S371C110049	1,502,091.72
Title I Grants to Local Educational Agencies	84.010	S010A150010	94,739.00
Title I Grants to Local Educational Agencies	84.010	S010A160010	2,003,237.19
			<hr/>
Total Other Programs			4,217,851.31
			<hr/>
Total U. S. Department of Education			6,322,894.70
			<hr/>
			<hr/>
Total Expenditures of Federal Awards			\$ 12,294,160.57

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Floyd County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

FLOYD COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2017

SCHEDULE "9"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 1,692,887.79	\$ -	\$ 1,692,887.79
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	1,809,879.00	-	1,809,879.00
Kindergarten Program - Early Intervention Program	1,739,466.00	-	1,739,466.00
Primary Grades (1-3) Program	3,828,128.00	-	3,828,128.00
Primary Grades - Early Intervention (1-3) Program	5,104,811.00	-	5,104,811.00
Upper Elementary Grades (4-5) Program	2,477,958.00	-	2,477,958.00
Upper Elementary Grades - Early Intervention (4-5) Program	2,835,763.00	-	2,835,763.00
Middle School (6-8) Program	5,676,852.00	-	5,676,852.00
High School General Education (9-12) Program	4,951,465.00	-	4,951,465.00
Vocational Laboratory (9-12) Program	1,653,118.00	-	1,653,118.00
Students with Disabilities	10,303,090.00	-	10,303,090.00
Gifted Student - Category VI	4,973,625.00	-	4,973,625.00
Remedial Education Program	171,681.00	-	171,681.00
Alternative Education Program	412,683.00	-	412,683.00
English Speakers of Other Languages (ESOL)	359,103.00	-	359,103.00
Media Center Program	1,094,091.00	-	1,094,091.00
20 Days Additional Instruction	308,427.00	-	308,427.00
Staff and Professional Development	211,961.00	-	211,961.00
Indirect Cost			
Central Administration	1,373,690.00	-	1,373,690.00
School Administration	2,517,226.00	-	2,517,226.00
Facility Maintenance and Operations	2,457,510.00	-	2,457,510.00
Mid-term Adjustment Hold-Harmless	397,835.00	-	397,835.00
Amended Formula Adjustment	(810,091.00)	-	(810,091.00)
Charter System Adjustment	880,423.00	-	880,423.00
Categorical Grants			
Pupil Transportation			
Regular	1,296,431.00	-	1,296,431.00
Nursing Services	185,386.00	-	185,386.00
Vocational Supervisors	26,612.00	-	26,612.00
Education Equalization Funding Grant	4,091,559.00	-	4,091,559.00
Other State Programs			
Agriculture Construction Related Equipment - State Bonds	67,466.67	-	67,466.67
Food Services	166,700.47	-	166,700.47
Math and Science Supplements	71,650.37	-	71,650.37
Preschool Disability Services	328,106.00	-	328,106.00
Teacher of the Year	507.25	-	507.25
Teachers Retirement	22,318.18	-	22,318.18
Vocational Education	117,163.00	-	117,163.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects	-	126,206.13	126,206.13
Governor's Office of Student Achievement			
Shark Tank Grant	7,557.57	-	7,557.57
Natural Resources, Georgia Department of			
Arrowhead Grant	26,000.00	-	26,000.00
Office of the State Treasurer			
Public School Employees Retirement	149,235.00	-	149,235.00
	<u>\$ 62,978,274.30</u>	<u>\$ 126,206.13</u>	<u>\$ 63,104,480.43</u>

(This page left intentionally blank)

SCHEDULE "10"

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Floyd County approved the imposition of a 1% sales tax to fund the above projects. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ 1,846,965.00
Current Year	<u>953,200.00</u>
Total	<u>\$ 2,800,165.00</u>

(This page left intentionally blank)

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

(This page left intentionally blank)



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

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

May 4, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Floyd County Board of Education

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

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 Floyd County Board of Education (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated May 4, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item FS 2017-001 to be a material weakness.

(This page left intentionally blank)

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 FS 2017-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

(This page left intentionally blank)



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

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

May 4, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Floyd County Board of Education

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

(This page left intentionally blank)

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

(This page left intentionally blank)

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

(This page left intentionally blank)

FLOYD COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(This page left intentionally blank)

SECTION IV

FINDINGS AND QUESTIONED COSTS

(This page left intentionally blank)

FLOYD COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:	
Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
▪ Material weakness identified?	Yes
▪ Significant deficiency identified?	Yes
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs:	
All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.371	Striving Readers
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000.00
Auditee qualified as low-risk auditee?	No

FLOYD COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-001	<u>Internal Controls at the Central Office</u>
Control Category:	Accounting Controls (Overall) Cash and Cash Equivalents General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	None

Description:

The accounting procedures of the School District were insufficient to provide for adequate internal controls over operations at the central office.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures. The School District's management is responsible for providing policies and procedures that allow for the granting of proper access to the School District's financial systems. Access should be reasonable for the user's job duties and no user should be able to perform conflicting duties within the logical environment in the absence of compensating controls outside of the financial system. In addition, financial personnel should not have administrator roles within the financial system. The School District's management is also responsible for designing and maintaining internal controls that provide reasonable assurance that program changes, systems acquisition and development are appropriately managed to ensure that the application software adequately supports financial reporting objectives and no loss of financial data would affect the related accounting system and financial records.

Condition:

Accounting Controls (Overall)

- The School District does not have adequate logical access controls in place to ensure only appropriate users have access to significant financial applications. Several finance personnel were granted administrator roles which allows access to add, modify and delete user access in the financial system. In addition, several users had access rights that exceeded their need to complete their assigned job functions. The access granted did not adequately separate the functions of initiating, authorizing and recording transactions, reconciliations and maintaining the custody of assets. Additionally, one user had access well beyond their duties, including administrator access, payroll, and human resources.
- The School District did not have adequate system processing controls in place to ensure that all financial data was transferred during the accounting system conversion from SSUI to MUNIS. Additionally, the School District did not have adequate system processing monitoring in place to ensure that any loss of financial data was detected in a timely manner.

Cash and Cash Equivalents

- The bank reconciliation function was not separate from the record keeping and journal entry functions.
- There was no supervisory review or approval of the bank reconciliations.
- Bank account reconciliations were not performed timely. The June 2017 general operating bank account was not reconciled until July 2018. The June 2017 payroll bank account was not properly reconciled until February 2019.

FLOYD COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- The June 2017 payroll bank account was not properly reconciled. The reconciliation presented for audit indicated a \$10,412,583.60 variance identified as "Recon does not tie." When returned to the School District by the auditor for an explanation, the account was then reconciled to within \$6,318.36 on February 23, 2019. General ledger overstatements of \$299,854.57 related to March 2017 posting errors were then identified by the revised reconciliation performed by the School District.

General Ledger

Procedures were not in place to ensure all journal entries were documented and properly approved. A review of sixty-one journal entries revealed twenty-five did not have supporting documentation. Twenty-two of these journal entries were prepared and reviewed by the same individual. The auditors were able to verify the appropriateness and accuracy of these journal entries though additional audit procedures.

Cause:

In discussing these deficiencies with the School District, they indicated that these deficiencies were the result of management's failure to ensure that appropriate internal controls were established, implemented and functioning. During the implementation of new accounting software, access to the entire system was granted to the lead system implementor and not removed after the implementation phase. The journal entry process was not being monitored properly due to a complicated accounting software transition that was happening during the same timeframe.

Effect or Potential Effect:

Without satisfactory accounting controls and procedures in place, the School District could place itself in a position where potential misappropriation of assets could occur. In addition, the lack of controls can impact its reporting of financial position and results of operations.

Recommendation:

The School District should review accounting procedures in place and design and implement procedures relative to the above control categories to strengthen the internal controls over the accounting functions. The bank reconciliation function should be performed by someone independent of other cash functions, record keeping and journal entry functions. Timely bank reconciliations should be properly performed. Any reconciling adjustments should be investigated and promptly adjusted. All journal entries should be supported by adequate documentation and approved by appropriate personnel. The School District should establish monitoring processes to provide reasonable assurance that the controls are functioning, and financial transactions are properly processed, recorded and no loss of financial data occurs. Application access controls in the accounting information system should complement the system of internal control by limiting an employee's access to only the accounting functions necessary for the performance of that employee's duties. In the case when management determines separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring that financial transactions are properly processed and reported.

Views of Responsible Officials:

We concur with this finding.

FLOYD COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-002	<u>Controls over Financial Reporting</u>
Control Category:	Financial Reporting
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

Description:

The School District did not have adequate internal controls in place over the financial statement reporting process. The original financial statements presented for audit, contained significant errors and omissions.

Criteria:

Management is responsible for having a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The School District's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments (Statement)*, requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the statement requires information about the government's major and non-major funds in the aggregate, to be provided in the fund financial statements.

Chapter II-2 *Annual Financial Reporting of the Financial Management for Georgia Local Units of Administration* provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

Condition:

The following deficiencies were noted with the School District's internal controls and financial statements, note disclosures and supplementary information presented for audit:

Financial Reporting

- Buildings and construction in progress were overstated by \$1,222,852.00 and \$172,440.00, respectively. Related expense was understated by \$1,395,292.00. An adjustment was proposed by the auditor and accepted by the School District to correct these errors.
- School activity account revenue and expenses were each understated by \$1,772,700.12. Adjustments were proposed by the auditor and accepted by the School District to correct these significant misstatements to the general fund and government-wide financial statements.
- A prepayment of \$126,225.00 to a contractor was recorded as capital outlay expenditures. An adjustment was proposed by the auditor and accepted by the School District to correct this error to the capital projects fund.
- Accounts payable was overstated by \$164,885.36 related to capital outlay expenditures and a sales tax refund. An adjustment was proposed by the auditor and accepted by the School District to correct this error to the capital projects fund.
- Other adjustments and reclassifications were proposed by the auditor and accepted by the School District to properly present the financial statements.

FLOYD COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:

In discussing these deficiencies with the School District, they indicated that the failure to properly record the items addressed were oversights by entity personnel and a complicated software transition.

Effect or Potential Effect:

Significant misstatements were included in the financial statements presented for audit. The lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations.

Recommendation:

The School District should strengthen procedures over the financial reporting process to ensure that the financial statements presented for audit are complete and accurate. These controls should include a monitoring process to evaluate the accuracy of the financial statements. These procedures should be performed by properly trained individuals possessing a thorough understanding of the applicable GAAP statements, GASB pronouncements and the School District's operations.

Views of Responsible Officials:

We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(This page left intentionally blank)

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

(This page left intentionally blank)



FLOYD COUNTY SCHOOLS
Destination
GRADUATION
for every child!

A Georgia Charter System

BOARD OF EDUCATION
DR. TONY DANIEL, BOARD CHAIR
JAY SHELL, BOARD VICE CHAIR
CHIP HOOD
MELINDA JEFFERS
DR. MELINDA STRICKLAND

SUPERINTENDENT: DR. JEFFREY R. WILSON, Ed.D

Management's Response to FS 2017-01

Inadequate Controls at the Central Office:

Floyd County Schools has moved system control administration duties to our Technology Department. Our software vendor will provide on-site training and evaluate our system roles to ensure access is directly related to job descriptions.

Floyd County Schools has hired an additional staff member to help address the separation of duties issues. We will provide additional training to staff to ensure that all journal entries are properly documented.

Floyd County Schools is committed to providing timely bank reconciliations. Our goal is to have all past accounts reconciled by June 30, 2019. Moving forward, all accounts will be reconciled on a monthly basis.

Estimated Completion Date: Fiscal Year 2019

Management's Response to FS 2017-02

Controls over Financial Reporting:

Floyd County Schools will review procedures to ensure that all school activity account transactions are captured in our accounting system and that all accounts are properly reported. Our software vendor will provide on-site training to strengthen our financial reporting system controls.

Estimated Completion Date: Fiscal Year 2019

Contact Person:
Greg Studdard
Chief Financial Officer
706-234-1031
gregstuddard@floydboe.net