



CITY OF VALDOSTA BOARD OF EDUCATION LOWNDES COUNTY, GEORGIA

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



CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY

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SECTION I
FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

June 13, 2017

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Valdosta Board of Education (School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

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preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through vii and pages 31 through 37 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, consisting of Schedules 8 through 10, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2017, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,

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

Greg S. Griffin
State Auditor

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CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Introduction

The discussion and analysis of the City of Valdosta Board of Education provides an overall review of financial activities for the fiscal year ending June 30, 2016. The intent of this discussion and analysis is to look at the financial performance of the School District as a whole. Readers should review the transmittal letter, notes to the basic financial statements, and the financial statements to enhance their understanding of the financial performance of the School District.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- ❑ The School District sold general obligation bonds in the amount of \$68,425,000.00 to build a new Valdosta High School.
- ❑ The financial status of the School District changed during fiscal year 2016. The total net position increased 27.8 percent from fiscal year 2015. This increase was due to booking of general obligation bonds.
- ❑ Despite the long-term debt for the 2012 Bonds and the 2015 Bonds, the assets and deferred outflows of the School District, on the government-wide financials exceed liabilities and deferred inflows by \$88.2 million.
- ❑ On the government-wide financials, general revenues accounted for \$37.1 million or 38.9% of all revenues totaling \$95.4 million. Program specific revenues in the form of charges for services and grants and contributions accounted for the additional revenue.
- ❑ Among major funds, the general fund had \$76.6 million in revenues and \$72.4 million in expenditures. The general fund balance increased from \$12.6 million to \$16.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements including notes to the financial statements and 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 activities of the School District presenting both short-term and long-term information about the overall financial status of the School District.

The fund financial statements focus on individual parts of the School District and report operations 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. The fund financial statements reflect the most significant funds of the School District.

In the case of the City of Valdosta School District, the general fund, capital projects fund, and debt service fund are the most significant funds.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 extends understanding of the financial statements.

Government-wide Statements

Since City of Valdosta School District has no operations classified as "Business Activities," the government-wide financial statements are a consolidation of all operating funds into one column called governmental activities. In reviewing the government-wide financial statements, a reader might ask "are we in a better financial position than last year"? The "Statement of Net Position" and the "Statement of Activities" provide the basis for answering this question. These financial statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the School District and use the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis of accounting includes all revenue and expenses of the current year regardless of when cash is received or paid.

These two statements report the net position and any change in the net position of the School District. 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. This change may be the result of many factors including those not under the School District's control such as the property tax base, facility conditions, required educational programs, and other factors.

The "Statement of Net Position" and "Statement of Activities" reflect governmental activities of the School District for fiscal year 2016.

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions during the fiscal year. However, the fund financial statements presented in this report provide detailed information about only the School District's significant or major funds.

Governmental Funds – Most activities of the School District are reported in the governmental fund, which focuses on how money flows in 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 readily be converted to cash. The governmental fund statements provide a detailed short-term view of general government operations of the School District 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 difference between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds – The School District is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The School District is responsible for ensuring 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.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Assets		
Current and Other Assets	\$ 103,365,869	\$ 30,780,378
Capital Assets, Net	146,184,415	125,033,831
Total Assets	249,550,284	155,814,209
Deferred Outflows of Resources	5,574,388	5,196,557
Total Assets and Deferred Outflows of Resources	255,124,672	161,010,766
Liabilities		
Current and Other Liabilities	11,289,680	8,933,293
Long-Term Liabilities	147,688,818	65,006,682
Total Liabilities	158,978,498	73,939,975
Deferred Inflows of Resources	7,913,410	18,014,802
Total Liabilities and Deferred Inflows of Resources	166,891,908	91,954,777
Net Position		
Net Investment in Capital Assets	114,669,064	108,590,055
Restricted	16,963,592	10,390,244
Unrestricted (Deficit)	(43,399,892)	(49,924,310)
Total Net Position	\$ 88,232,764	\$ 69,055,989

Total net position increased \$19.2 million in fiscal year 2016.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Table 2 shows the changes in net position for fiscal year 2016 compared to the changes in net position for fiscal year 2015.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Revenues		
Program Revenues:		
Charges for Services	\$ 385,594	\$ 438,640
Operating Grants and Contributions	48,438,599	45,938,886
Capital Grants and Contributions	9,450,041	-
Total Program Revenues	58,274,234	46,377,526
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	26,391,630	24,451,443
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	8,793,155	9,035,203
Other Sales Tax	305,416	270,604
Investment Earnings	216,591	48,187
Miscellaneous	1,346,512	1,307,856
Total General Revenues	37,053,304	35,113,293
Total Revenues	95,327,538	81,490,819
Program Expenses:		
Instruction	47,010,897	46,807,833
Support Services		
Pupil Services	3,641,776	3,261,071
Improvement of Instructional Services	3,753,039	3,344,566
Educational Media Services	944,599	908,228
General Administration	1,275,677	696,348
School Administration	4,465,786	4,599,295
Business Administration	955,541	658,515
Maintenance and Operation of Plant	5,310,190	6,572,752
Student Transportation Services	1,651,883	2,821,347
Central Support Services	256,373	275,660
Other Support Services	135,798	131,407
Operations of Non-Instructional Services		
Enterprise Operations	569,738	455,003
Food Services	4,415,171	5,134,209
Interest on Short-Term and Long-Term Debt	1,764,295	693,875
Total Expenses	76,150,763	76,360,109
Increase in Net Position	\$ 19,176,775	\$ 5,130,710

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Governmental Activities

Instruction comprised 62.0 percent of governmental program expenses in fiscal year 2016. City of Valdosta Board of Education incurred interest expense of \$1,764,295 during fiscal year 2016.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services comparing fiscal year 2016 with fiscal year 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2015
Instruction	\$ 47,010,897	\$ 46,807,833	\$ 4,721,864	\$ 15,538,380
Support Services:				
Pupil Services	3,641,776	3,261,071	2,898,937	2,596,755
Improvement of Instructional Services	3,753,039	3,344,566	1,476,475	892,603
Educational Media Services	944,599	908,228	(45,896)	(92,461)
General Administration	1,275,677	696,348	(62,272)	(429,534)
School Administration	4,465,786	4,599,295	2,747,505	2,907,068
Business Administration	955,541	658,515	930,057	639,251
Maintenance and Operation of Plant	5,310,190	6,572,752	2,637,440	4,127,373
Student Transportation Services	1,651,883	2,821,347	1,309,968	2,517,568
Central Support Services	256,373	275,660	250,550	270,004
Other Support Services	135,798	131,407	41,378	35,977
Operations of Non-Instructional Services:				
Enterprise Operations	569,738	455,003	560,288	455,003
Food Services	4,415,171	5,134,209	(1,354,059)	(169,279)
Interest on Short-Term and Long-Term Debt	1,764,295	693,875	1,764,295	693,875
Total Expenses	\$ <u>76,150,763</u>	\$ <u>76,360,109</u>	\$ <u>17,876,530</u>	\$ <u>29,982,583</u>

Although program revenues make up a majority of the revenues, the School District is dependent upon tax revenues for governmental activities. 10.0 percent of instructional activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 23.5 percent.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of \$181.3 million and total expenditures and other financing uses of \$110.2 million.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

General Fund Budgeting Highlights

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

For the general fund, the final actual revenues of \$76.6 million exceeded the original budgeted amount of \$74.3 million by \$2.3 million. This difference was primarily due to a slight increase in QBE Midterm adjustments and miscellaneous revenues (Medicaid and Facility Rentals).

Final budgeted expenditures of \$77.1 million exceeded the original budgeted amount of \$76.3 million by \$0.8 million. The final budgeted expenditures of \$77.1 million exceeded the actual expenditures of \$72.4 million by \$4.7 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year end June 30, 2016 the School District had \$146.2 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2015 balances compared with fiscal year 2016 balances.

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

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Land	\$ 4,353,020	\$ 4,353,020
Construction In Progress	24,161,594	7,515,265
Building and Improvements	111,576,896	109,257,027
Equipment	3,271,235	2,861,157
Infrastructure	280,150	323,250
Land Improvements	2,438,770	540,759
Intangible Assets	102,750	183,354
Total	<u>\$ 146,184,415</u>	<u>\$ 125,033,832</u>

The School District has one large construction project in progress (a new high school) at the end of fiscal year 2016.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Debt

At June 30, 2016, the School District had \$78.6 million in bonds outstanding with \$5.1 million due within one year.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
General Obligation Bonds	\$ 78,630,000	\$ 15,190,000

Current Issues

Valdosta is located in the south central portion of Georgia and is the tenth largest metropolitan area in the state. Valdosta has a successful business climate, proactive government, and is easily accessed from Interstate I-75 and I-10. Travel is convenient to the Valdosta area through the Valdosta Regional Airport. Valdosta is also a regional rail center for CSX, Norfolk Southern and Valdosta Railway. Valdosta is located 240 miles south of the state capital of Atlanta and approximately fifteen miles north of the Florida border. As of 2014, the Valdosta population consists of approximately 57,000 citizens, and the estimated metropolitan area population is approximately 143,000. According to 2013 estimates, the median household income in Valdosta is \$29,371, and approximately 33% of the population lives in poverty. Over 22% of the population over 25 years of age have a bachelor’s degree or higher. Children living in the metro Valdosta area are served by two public school districts, City of Valdosta Schools and Lowndes County Schools, and other private, charter, and parochial schools. Lowndes County is the home of Moody Air Force Base and Valdosta State University. As of 2016, over 8,000 students are served in City of Valdosta Schools, with current enrollment for the 2016-2017 school year being 8,129 Pre-Kindergarten to grade 12 students. Our School District has seen a 13% increase in enrollment since 2006. The School District’s campuses include five elementary schools, two middle schools, a high school, alternative school, and Early College program. Our majority-minority School District represents a diverse population with approximately 75% of students being eligible for free and reduced rate meals; however, our School District participates in the Community Eligibility Provision allowing all students to eat free breakfast and lunch. City of Valdosta Schools is the fifth largest employer in the community with over 1,100 employees. Special services are provided to students through special education (12.7%), gifted education (5.7%), and English Learners (2.2%). In 2016, 398 graduates received a regular diploma. Valdosta-Lowndes County residents have approved multiple Education Special Purpose Local Option Sales Tax (ESPLOST) initiatives to support funding education in the community. ESPLOST IV was approved in October 2012 and generates \$8.8 million in revenue annually for the two local public school districts. Valdosta is the hub of retail trade for many of the surrounding counties, and over half of funds raised from sales tax collections come from non-residents of our community. In March 2015, voters approved ESPLOST V which will primarily support the building of a new high school for City of Valdosta Schools.

Contacting the Board’s Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City of Valdosta School District’s finances and show the School District’s accountability for the money received. For questions concerning this report or for information on financial information, contact Mr. Jeremy Jones, Assistant Finance Director, City of Valdosta Schools, 1204 Williams Street, PO Box 5407, Valdosta, Georgia 31603-5407 or email jmjones@gocats.org.

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CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY

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CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 86,346,952.48
Investments	18,082.31
Accounts Receivable, Net	
Taxes	2,926,151.65
State Government	12,995,111.60
Federal Government	530,686.23
Other	312,473.11
Inventories	236,411.65
Capital Assets, Non-Depreciable	28,514,613.79
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>117,669,801.70</u>
Total Assets	<u>249,550,284.52</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	<u>5,574,387.66</u>
<u>LIABILITIES</u>	
Salaries and Benefits Payable	7,801,750.32
Interest Payable	1,550,354.20
Retainages Payable	1,887,575.69
Deposits and Unearned Revenue	50,000.00
Net Pension Liability	56,502,617.00
Long-Term Liabilities	
Due Within One Year	6,175,884.25
Due in More Than One Year	<u>85,010,316.52</u>
Total Liabilities	<u>158,978,497.98</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	<u>7,913,410.00</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	114,669,064.57
Restricted for	
Continuation of Federal Programs	2,615,241.48
Debt Service	10,647,634.79
Capital Projects	3,700,715.48
Unrestricted (Deficit)	<u>(43,399,892.12)</u>
Total Net Position	<u>\$ 88,232,764.20</u>

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 47,010,897.14	\$ 316,232.55
Support Services		
Pupil Services	3,641,775.94	-
Improvement of Instructional Services	3,753,038.86	-
Educational Media Services	944,599.11	-
General Administration	1,275,676.73	-
School Administration	4,465,785.81	-
Business Administration	955,540.87	-
Maintenance and Operation of Plant	5,310,190.63	-
Student Transportation Services	1,651,883.21	-
Central Support Services	256,373.45	-
Other Support Services	135,797.87	-
Operations of Non-Instructional Services		
Enterprise Operations	569,738.26	-
Food Services	4,415,170.93	69,361.77
Interest on Short-Term and Long-Term Debt	<u>1,764,294.69</u>	<u>-</u>
Total Governmental Activities	<u>\$ 76,150,763.50</u>	<u>\$ 385,594.32</u>
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
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
\$ 33,115,277.50	\$ 8,857,523.24	\$ (4,721,863.85)
742,839.18	-	(2,898,936.76)
2,217,028.76	59,535.26	(1,476,474.84)
990,495.00	-	45,895.89
1,320,939.20	17,010.07	62,272.54
1,718,280.56	-	(2,747,505.25)
18,868.65	6,615.03	(930,057.19)
2,378,854.81	293,896.27	(2,637,439.55)
341,915.08	-	(1,309,968.13)
5,823.66	-	(250,549.79)
94,419.46	-	(41,378.41)
-	9,450.04	(560,288.22)
5,493,857.18	206,010.89	1,354,058.91
-	-	(1,764,294.69)
<u>\$ 48,438,599.04</u>	<u>\$ 9,450,040.80</u>	<u>(17,876,529.34)</u>
		26,391,630.14
		8,793,154.59
		305,416.14
		216,591.33
		<u>1,346,511.84</u>
		<u>37,053,304.04</u>
		19,176,774.70
		<u>69,055,989.50</u>
		<u>\$ 88,232,764.20</u>

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 17,768,568.43	\$ 56,380,395.06	\$ 12,197,988.99	\$ 86,346,952.48
Investments	18,082.31	-	-	18,082.31
Accounts Receivable, Net				
Taxes	2,165,622.21	760,529.44	-	2,926,151.65
State Government	5,067,654.80	7,927,456.80	-	12,995,111.60
Federal Government	530,686.23	-	-	530,686.23
Other	312,473.11	-	-	312,473.11
Inventories	236,411.65	-	-	236,411.65
Total Assets	<u>\$ 26,099,498.74</u>	<u>\$ 65,068,381.30</u>	<u>\$ 12,197,988.99</u>	<u>\$ 103,365,869.03</u>
<u>LIABILITIES</u>				
Salaries and Benefits Payable	\$ 7,801,750.32	\$ -	\$ -	\$ 7,801,750.32
Retainages Payable	-	1,887,575.69	-	1,887,575.69
Deposits and Unearned Revenue	50,000.00	-	-	50,000.00
Total Liabilities	<u>7,851,750.32</u>	<u>1,887,575.69</u>	<u>-</u>	<u>9,739,326.01</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	<u>1,461,220.41</u>	<u>-</u>	<u>-</u>	<u>1,461,220.41</u>
<u>FUND BALANCES</u>				
Nonspendable	236,411.65	-	-	236,411.65
Restricted	2,378,829.83	63,180,805.61	12,197,988.99	77,757,624.43
Committed	239,565.68	-	-	239,565.68
Unassigned	<u>13,931,720.85</u>	<u>-</u>	<u>-</u>	<u>13,931,720.85</u>
Total Fund Balances	<u>16,786,528.01</u>	<u>63,180,805.61</u>	<u>12,197,988.99</u>	<u>92,165,322.61</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 26,099,498.74	\$ 65,068,381.30	\$ 12,197,988.99	\$ 103,365,869.03

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 92,165,322.61

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	\$	4,353,019.97	
Construction in progress		24,161,593.82	
Buildings and improvements		137,088,995.61	
Equipment		9,544,526.16	
Land improvements		4,749,990.71	
Intangible assets		1,416,653.46	
Infrastructure		431,000.00	
Accumulated depreciation		<u>(35,561,364.24)</u>	146,184,415.49

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

Net pension liability		(56,502,617.00)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		(2,339,022.34)
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Taxes that are not available to pay for current period expenditures are deferred in the funds.		1,461,220.41
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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	\$	(78,630,000.00)	
Accrued interest payable		(1,550,354.20)	
Amortized bond premiums		<u>(12,556,200.77)</u>	<u>(92,736,554.97)</u>

Net position of governmental activities (Exhibit "A") \$ 88,232,764.20

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 25,907,166.38	\$ -	\$ -	\$ 25,907,166.38
Sales Taxes	305,416.14	8,793,154.59	-	9,098,570.73
State Funds	37,106,783.52	9,450,040.80	-	46,556,824.32
Federal Funds	11,477,120.97	-	-	11,477,120.97
Charges for Services	385,594.32	-	-	385,594.32
Investment Earnings	35,886.28	150,785.24	29,919.81	216,591.33
Miscellaneous	1,346,511.84	-	-	1,346,511.84
Total Revenues	<u>76,564,479.45</u>	<u>18,393,980.63</u>	<u>29,919.81</u>	<u>94,988,379.89</u>
<u>EXPENDITURES</u>				
Current				
Instruction	43,623,588.53	454,277.58	-	44,077,866.11
Support Services				
Pupil Services	3,641,775.94	-	-	3,641,775.94
Improvement of Instructional Services	3,713,592.42	-	-	3,713,592.42
Educational Media Services	944,599.11	-	-	944,599.11
General Administration	917,372.81	-	-	917,372.81
School Administration	4,465,785.81	-	-	4,465,785.81
Business Administration	725,670.60	792,662.92	-	1,518,333.52
Maintenance and Operation of Plant	6,277,873.07	28,453.39	-	6,306,326.46
Student Transportation Services	2,027,850.30	1,090,093.00	-	3,117,943.30
Central Support Services	324,374.68	-	-	324,374.68
Other Support Services	135,797.87	-	-	135,797.87
Enterprise Operations	506,108.04	60,613.02	-	566,721.06
Food Services Operation	5,108,131.32	-	-	5,108,131.32
Capital Outlay	-	23,354,259.11	-	23,354,259.11
Debt Services				
Principal	-	-	4,985,000.00	4,985,000.00
Interest	-	-	1,582,991.39	1,582,991.39
Total Expenditures	<u>72,412,520.50</u>	<u>25,780,359.02</u>	<u>6,567,991.39</u>	<u>104,760,870.91</u>
Excess of Revenues over (under) Expenditures	<u>4,151,958.95</u>	<u>(7,386,378.39)</u>	<u>(6,538,071.58)</u>	<u>(9,772,491.02)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of Bonds	-	60,824,308.61	7,600,691.39	68,425,000.00
Premiums on Bonds Sold	-	12,389,318.75	-	12,389,318.75
Transfers In	-	-	5,472,000.00	5,472,000.00
Transfers Out	-	(5,472,000.00)	-	(5,472,000.00)
Total Other Financing Sources (Uses)	<u>-</u>	<u>67,741,627.36</u>	<u>13,072,691.39</u>	<u>80,814,318.75</u>
Net Change in Fund Balances	<u>4,151,958.95</u>	<u>60,355,248.97</u>	<u>6,534,619.81</u>	<u>71,041,827.73</u>
Fund Balances - Beginning	<u>12,634,569.06</u>	<u>2,825,556.64</u>	<u>5,663,369.18</u>	<u>21,123,494.88</u>
Fund Balances - Ending	<u>\$ 16,786,528.01</u>	<u>\$ 63,180,805.61</u>	<u>\$ 12,197,988.99</u>	<u>\$ 92,165,322.61</u>

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

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ 71,041,827.73

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	\$ 24,408,271.69	
Depreciation expense	<u>(3,193,721.13)</u>	21,214,550.56

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. (63,966.60)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 484,463.76

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.

General obligation bonds issued, including a premium of \$12,389,318.75	\$ (80,814,318.75)	
Bond principal retirements	4,985,000.00	
Amortization of Bond Premium	<u>1,115,884.25</u>	(74,713,434.50)

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	2,510,521.30
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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	<u>(1,297,187.55)</u>
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Change in net position of governmental activities (Exhibit "B") \$ 19,176,774.70

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

EXHIBIT "G"

	AGENCY FUNDS
	<hr/>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>157,579.35</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>157,579.35</u>

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The City of Valdosta 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), Bond Proceeds and grants from the 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, and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

NEW ACCOUNTING PRONOUNCEMENTS

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

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The School District participates in an external investment pool, the State of Georgia local government investment pool (Georgia Fund 1), which does not meet the criteria of this statement. Therefore, the investment in this pool is measured at fair value as provided in paragraph 11 of GASB Statement No. 31, as amended.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

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

RECEIVABLES

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

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

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

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

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

	Capitalization Policy	Estimated Useful Life
Land	Any	N/A
Land Improvements	\$ 100,000.00	20 to 50 years
Buildings and Improvements	\$ 50,000.00	10 to 80 years
Equipment	\$ 20,000.00	5 to 20 years
Intangible Assets	\$ 100,000.00	5 to 10 years
Infrastructure	\$ 400,000.00	10 to 50 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 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 to 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 Lowndes County Board of Commissioners adopted the property tax levy for the 2015 tax digest year (calendar year) on October 29, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on January 20, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The Lowndes County Tax Commissioner bills and collects the property taxes for the School District and remits the taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations amounted to \$24,541,827.94.

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

School Operations	<u>16.98</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$1,365,338.44 during fiscal year ended June 30, 2016.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$8,793,154.59 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund. 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 AND CASH EQUIVALENTS

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,
- (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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2016, the School District had deposits requiring collateral with a carrying amount of \$3,190,583.20, which includes \$18,082.31 in Certificates of Deposits that are reported as investments. The School District has a bank balance of \$10,191,692.20. The bank balances insured by Federal depository insurance were \$403,358.92.

At June 30, 2016, \$9,788,333.28 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name	<u>\$ 9,788,333.28</u>
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Reconciliation of cash and cash equivalents balances to carrying value of deposits:

Statement of Net Position	
Cash and cash equivalents	\$ 86,346,952.48
Statement of Fiduciary Net Position	
Cash and cash equivalents	<u>157,579.35</u>
Total cash and cash equivalents	<u>86,504,531.83</u>
Add:	
Deposits with original maturity of three months or more reported as investments	18,082.31
Less:	
Investment pools reported as cash and cash equivalents	
Georgia Fund 1	<u>83,332,030.94</u>
Total carrying value of deposits - June 30, 2016	<u>\$ 3,190,583.20</u>

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of \$83,332,030.94 in Georgia Fund 1, a local government investment pool. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an 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, 2016, was 42 days.

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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.

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,353,019.97	\$ -	\$ -	\$ 4,353,019.97
Construction in Progress	7,515,265.26	22,917,103.82	6,270,775.26	24,161,593.82
Total Capital Assets Not Being Depreciated	11,868,285.23	22,917,103.82	6,270,775.26	28,514,613.79
Capital Assets Being Depreciated				
Buildings and Improvements	132,495,423.42	4,593,572.19	-	137,088,995.61
Equipment	8,709,622.72	1,154,736.00	319,832.56	9,544,526.16
Infrastructure	431,000.00	-	-	431,000.00
Land Improvements	2,736,355.77	2,013,634.94	-	4,749,990.71
Intangible Assets	1,416,653.46	-	-	1,416,653.46
Less Accumulated Depreciation for:				
Buildings and Improvements	23,238,396.17	2,273,703.29	-	25,512,099.46
Equipment	5,848,465.99	680,691.39	255,865.96	6,273,291.42
Infrastructure	107,750.00	43,100.00	-	150,850.00
Land Improvements	2,195,597.19	115,622.71	-	2,311,219.90
Intangible Assets	1,233,299.72	80,603.74	-	1,313,903.46
Total Capital Assets, Being Depreciated, Net	113,165,546.30	4,568,222.00	63,966.60	117,669,801.70
Governmental Activity Capital Assets - Net	\$ 125,033,831.53	\$ 27,485,325.82	\$ 6,334,741.86	\$ 146,184,415.49

Current year depreciation expense by function is as follows:

Instruction	\$ 2,564,318.45
Support Services	
Improvements of Instructional Services	\$ 58,721.23
General Administration	5,507.30
Business Administration	43,301.67
Maintenance and Operation of Plant	95,054.86
Student Transportation Services	357,239.26
Enterprise Operations	559,824.32
Food Services	3,021.36
	66,557.00
	\$ 3,193,721.13

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NOTE 6: INTERFUND TRANSFERS

INTERFUND TRANSFERS

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

<u>Transfers to</u>	<u>Transfers From Capital Projects Fund</u>
Debt Service Fund	\$ <u>5,472,000.00</u>

Transfers are used to move Education Special Purpose Local Option Sales Tax (ESPLOST) proceeds from the capital projects fund to the debt service fund for the retirement of debt.

NOTE 7: LONG-TERM LIABILITIES

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

	<u>Governmental Activities</u>				
	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 15,190,000.00	\$ 68,425,000.00	\$ 4,985,000.00	\$ 78,630,000.00	\$ 5,060,000.00
Unamortized Bond Premiums	<u>1,282,766.27</u>	<u>12,389,318.75</u>	<u>1,115,884.25</u>	<u>12,556,200.77</u>	<u>1,115,884.25</u>
	<u>\$ 16,472,766.27</u>	<u>\$ 80,814,318.75</u>	<u>\$ 6,100,884.25</u>	<u>\$ 91,186,200.77</u>	<u>\$ 6,175,884.25</u>

GENERAL OBLIGATION DEBT OUTSTANDING

The School District's bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The School District repays general obligation bonds from voter-approved Education Special Purpose Local Option Sales Tax (ESPLOST) proceeds. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

During the current year, the School District issued general obligation bonds totaling \$68,425,000.00 for the purpose of constructing a new Valdosta High School.

General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Government - Series 2012	2.00% - 4.00%	3/13/2012	2/1/2018	\$ 25,000,000.00	\$ 10,205,000.00
General Government - Series 2015	3.00% - 5.00%	10/15/2015	2/1/2033	<u>68,425,000.00</u>	<u>68,425,000.00</u>
				<u>\$ 93,425,000.00</u>	<u>\$ 78,630,000.00</u>

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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
	Principal	Interest	Premium
2017	\$ 5,060,000.00	\$ 3,720,850.00	\$ 1,115,884.25
2018	5,145,000.00	3,518,450.00	1,115,884.24
2019	4,925,000.00	3,312,650.00	688,295.49
2020	5,170,000.00	3,066,400.00	688,295.49
2021	5,425,000.00	2,807,900.00	688,295.49
2022 - 2026	29,645,000.00	9,967,000.00	3,441,477.45
2027 - 2031	18,875,000.00	3,086,800.00	3,441,477.45
2032 - 2033	4,385,000.00	330,500.00	1,376,590.91
Total Principal and Interest	<u>\$ 78,630,000.00</u>	<u>\$ 29,810,550.00</u>	<u>\$ 12,556,200.77</u>

NOTE 8: RISK MANAGEMENT

INSURANCE

Commercial Insurance

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

WORKERS' COMPENSATION

Georgia School Boards Association Workers' Compensation Fund

The School District participates in the Georgia School Boards Association Workers' Compensation Fund (the Fund), a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to \$2.0 million. In addition to the \$550,000.00 per occurrence retention, the Fund also retains an additional \$200,000.00 per year corridor retention.

UNEMPLOYMENT COMPENSATION

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

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
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Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2015	\$ -	\$ 1,650.00	\$ 1,650.00	\$ -
2016	\$ -	\$ -	\$ -	\$ -

SURETY BOND

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

Position Covered	Amount
Superintendent	\$ 20,000.00
Finance Director	\$ 10,000.00
Assistant Finance Director	\$ 10,000.00
Business Services Director	\$ 10,000.00
Director of Operations	\$ 10,000.00
Payroll Manager	\$ 10,000.00
Purchasing Agent	\$ 10,000.00

NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

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

Nonspendable		
Inventories		\$ 236,411.65
Restricted		
Continuation of Federal Programs	\$ 2,378,829.83	
Capital Projects	63,180,805.61	
Debt Service	<u>12,197,988.99</u>	77,757,624.43
Committed		
School Activity Accounts		239,565.68
Unassigned		<u>13,931,720.85</u>
Fund Balance, June 30, 2016		<u>\$ 92,165,322.61</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.

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of not less than 5% of expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with O.C.G.A. § 20-2-167(a)5. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

NOTE 10: SIGNIFICANT COMMITMENTS

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

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

Project	Unearned Executed Contracts (1)	Payments through June 30, 2016 (2)	Funding Available From State (1)
New Valdosta High School	\$ 67,317,362.49	\$ 23,975,288.89	\$ 4,172,761.20

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

(2) Payments include retainages payable at year-end.

NOTE 11: 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.

NOTE 12: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Post-Employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). Additional information about the School OPEB Fund is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This report can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

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

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

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

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

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

For non-certificated school personnel:

July 1, 2015 – December 31, 2015 \$596.20 per member per month

January 1, 2016 – June 30, 2016 \$746.20 per member per month

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2016	100%	\$ 7,929,038.82
2015	100%	\$ 7,870,339.40
2014	100%	\$ 7,698,183.06

NOTE 13: RETIREMENT PLANS

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

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual School District payroll, of which 14.18% of payroll was required from the School District and 0.09% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$5,499,153.88 and \$29,566.45 from the School District and the State, respectively.

EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to \$4,200.00, plus 6% of annual compensation in excess of \$4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were \$43,413.78 for the current fiscal year.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

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

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

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

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$170,588.00.

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

At June 30, 2016, the School District reported a liability of \$56,502,617.00 for its proportionate share of the net pension liability for TRS (\$56,193,941.00) and ERS (\$308,676.00).

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	\$ 56,193,941.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>381,666.00</u>
Total	<u>\$ 56,575,607.00</u>

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

At June 30, 2015, the School District's TRS proportion was 0.369114%, which was a decrease of 0.012988% from its proportion measured as of June 30, 2014. At June 30, 2015, the School District's ERS proportion was 0.007619%, which was an increase of 0.000677% from its proportion measured as of June 30, 2014.

At June 30, 2016, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$794,095.00.

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

For the year ended June 30, 2016, the School District recognized pension expense of \$2,988,825.00 for TRS, \$50,244.00 for ERS and \$47,355.00 for PSERS and revenue of \$7,494.00 for TRS and \$47,355.00 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.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

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

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 494,255.00	\$ -	\$ 2,466.00
Net difference between projected and actual earnings on pension plan investments	-	4,740,018.00	-	22,271.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	2,654,400.00	31,820.00	-
School District contributions subsequent to the measurement date	5,499,153.88	-	43,413.78	-
Total	\$ 5,499,153.88	\$ 7,888,673.00	\$ 75,233.78	\$ 24,737.00

The School District contributions subsequent to the measurement date of \$5,499,153.88 for TRS and \$43,413.78 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2017	\$ (2,999,330.00)	\$ 13,932.00
2018	\$ (2,999,330.00)	\$ (4,432.00)
2019	\$ (2,999,333.00)	\$ (9,927.00)
2020	\$ 1,217,963.00	\$ 7,510.00
2021	\$ (108,643.00)	\$ -

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

Teachers Retirement System:

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

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

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

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

Employees' Retirement System:

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

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

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

Public School Employees Retirement System:

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

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

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

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

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

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

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 non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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	\$ 96,565,039.00	\$ 56,193,941.00	\$ 22,918,550.00
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	\$ 437,559.00	\$ 308,676.00	\$ 198,798.00

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>.

DEFINED CONTRIBUTION PLAN

In January 1981, City of Valdosta Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees Retirement System (PSERS), Teachers Retirement System (TRS), and Employees' Retirement System (ERS). The Board then decided to supplement the retirement of these groups at 4.415 percent. The Copeland Company was selected for investments using Travelers investment products.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "H"

In 1998, CitiCorp and Travelers merged. In January 2000, the record keeping was assumed by CitiStreet which was the result of a joint venture between CitiGroup and State Street. In June 2004, City of Valdosta Board of Education decided to bring on VALIC (Variable Annuity Life Insurance Company) as an additional vendor. In October 2006, MetLife purchased the portion of CitiStreet retirement business that included Valdosta City Schools. In February 2008, City of Valdosta Board of Education entered into an information sharing agreement with ING Life Insurance and Annuity Company. In July 2011, City of Valdosta Board of Education initiated a three year cliff investing schedule for all employees under TRS and ERS. In September 2011, City of Valdosta Board of Education reduced the employer amount to 2 percent for TRS and ERS employees and continued with 4.415 percent for full-time PSERS employees. In fiscal year 2014, City of Valdosta Board of Education increased the employer amount to 3 percent for TRS and ERS employees and continued with 4.415 percent for full-time PSERS employees. In fiscal year 2015, City of Valdosta Board of Education increased the employer amount to 3.5 percent and in fiscal year 2016, the Board increased the percentage to 4 percent. In May 2016, the Board voted to increase the employer amount to 4.5 percent beginning in fiscal year 2017.

All Valdosta City Schools employees have the opportunity to invest in the 403(b) because of universal availability. However, Valdosta City Schools contributes only to full-time (30 hours a week) employees.

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>
2016	100%	\$ 1,564,253.91
2015	100%	\$ 1,461,418.66
2014	100%	\$ 1,215,872.89

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CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
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-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.369114%	\$ 56,193,941.00	\$ 381,666.00	\$ 56,575,607.00	\$ 39,230,212.24	143.24%	81.44%
2015	0.382102%	\$ 48,273,548.00	\$ 319,758.00	\$ 48,593,306.00	\$ 39,243,539.74	123.01%	84.03%

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
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"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total net pension liability
2016	0.007619%	\$ 308,676.00	\$ 174,204.78	177.19%	76.20%
2015	0.006942%	\$ 260,368.00	\$ 156,320.94	166.56%	77.99%

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF 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-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.00%	\$ -	\$ 794,095.00	\$ 794,095.00	\$ 566,819.89	N/A	87.00%
2015	0.00%	\$ -	\$ 667,958.00	\$ 667,958.00	\$ 468,594.76	N/A	88.29%

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
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-employee payroll	Contribution as a percentage of covered- employee payroll
2016	\$ 5,499,153.88	\$ 5,499,153.88	\$ -	\$ 38,776,456.03	14.18%
2015	\$ 5,123,990.03	\$ 5,123,990.03	\$ -	\$ 39,230,212.24	13.06%

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
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-employee payroll	Contribution as a percentage of covered-employee payroll
2016	\$ 43,413.78	\$ 43,413.78	\$ -	\$ 175,621.94	24.72%
2015	\$ 38,255.33	\$ 38,255.33	\$ -	\$ 174,204.78	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.

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

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

Employees' Retirement System

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

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	5.45% - 9.25%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Public School Employees Retirement System

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

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of living adjustments	1.50% semi-annually

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

SCHEDULE "7"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 25,081,093.00	\$ 25,081,093.00	\$ 25,907,166.38	\$ 826,073.38
Sales Taxes	230,000.00	230,000.00	305,416.14	75,416.14
State Funds	36,469,066.88	36,417,875.88	37,106,783.52	688,907.64
Federal Funds	11,349,050.88	11,662,656.88	11,477,120.97	(185,535.91)
Charges for Services	379,026.61	379,026.61	385,594.32	6,567.71
Investment Earnings	18,748.23	18,748.23	35,886.28	17,138.05
Miscellaneous	751,238.40	751,238.40	1,346,511.84	595,273.44
Total Revenues	74,278,224.00	74,540,639.00	76,564,479.45	2,023,840.45
<u>EXPENDITURES</u>				
Current				
Instruction	45,639,436.71	46,010,301.85	43,623,588.53	2,386,713.32
Support Services				
Pupil Services	3,387,355.57	3,582,994.07	3,641,775.94	(58,781.87)
Improvement of Instructional Services	3,971,217.10	4,057,613.12	3,713,592.42	344,020.70
Educational Media Services	990,794.37	990,794.37	944,599.11	46,195.26
General Administration	1,219,930.58	1,396,809.98	917,372.81	479,437.17
School Administration	4,686,256.53	4,686,256.53	4,465,785.81	220,470.72
Business Administration	731,058.95	731,058.95	725,670.60	5,388.35
Maintenance and Operation of Plant	6,889,467.67	6,889,467.67	6,277,873.07	611,594.60
Student Transportation Services	2,633,603.92	2,542,084.13	2,027,850.30	514,233.83
Central Support Services	351,805.80	351,805.80	324,374.68	27,431.12
Other Support Services	128,093.00	143,935.00	135,797.87	8,137.13
Enterprise Operations	393,597.00	393,597.00	506,108.04	(112,511.04)
Food Services Operation	5,284,850.13	5,284,850.13	5,108,131.32	176,718.81
Total Expenditures	76,307,467.33	77,061,568.60	72,412,520.50	4,649,048.10
Net Change in Fund Balances	(2,029,243.33)	(2,520,929.60)	4,151,958.95	6,672,888.55
Fund Balances - Beginning	12,672,967.69	12,672,967.69	12,634,569.06	(38,398.63)
Adjustments	-	50,222.47	-	(50,222.47)
Fund Balances - Ending	\$ 10,643,724.36	\$ 10,202,260.56	\$ 16,786,528.01	\$ 6,584,267.45

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

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.

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

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	16165GA324N1099	\$ 1,344,061.09
National School Lunch Program	10.555	16165GA324N1099	3,581,385.41
Total U. S. Department of Agriculture			4,925,446.50
Education, U. S. Department of			
Direct			
Impact Aid	84.041		39,759.88
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	1,429,535.42
Preschool Grants	84.173	H173A150081	46,595.44
Total Special Education Cluster			1,476,130.86
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	S412A130039	245,413.88
Career and Technical Education - Basic Grants to States	84.048	V048A150010	104,027.20
Education for Homeless Children and Youth	84.196	S196A150011	1,270.88
English Language Acquisition Grants	84.365	S365A150010	23,011.34
Improving Teacher Quality State Grants	84.367	S367A150001	489,547.62
Migrant Education - State Grant Program	84.011	S011A150011	18,295.56
Title I Grants to Local Educational Agencies	84.010	S010A150010	3,661,030.46
Total Other Programs			4,542,596.94
Total U. S. Department of Education			6,058,487.68
Health and Human Services, U. S. Department of			
Child Care and Development Fund Cluster			
Pass-Through From Bright From the Start:			
Georgia Department of Early Care and Learning			
Child Care and Development Block Grant	93.575	16165GA368N1099	43,652.18
Defense, U. S. Department of			
Direct			
Department of the Navy			
R.O.T.C. Program	12.U01		62,550.21
Total Expenditures of Federal Awards			\$ 11,090,136.57

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

Note 2. Summary of Significant Accounting Policies

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

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2016

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	\$ 641,849.46	\$ -	\$ 641,849.46
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	1,519,388.00	-	1,519,388.00
Kindergarten Program - Early Intervention Program	1,654,003.00	-	1,654,003.00
Primary Grades (1-3) Program	4,325,570.00	-	4,325,570.00
Primary Grades - Early Intervention (1-3) Program	3,375,368.00	-	3,375,368.00
Upper Elementary Grades (4-5) Program	2,027,232.00	-	2,027,232.00
Upper Elementary Grades - Early Intervention (4-5) Program	1,753,002.00	-	1,753,002.00
Middle School (6-8) Program	4,395,835.00	-	4,395,835.00
High School General Education (9-12) Program	3,306,338.00	-	3,306,338.00
Vocational Laboratory (9-12) Program	1,113,745.00	-	1,113,745.00
Students with Disabilities	5,172,968.00	-	5,172,968.00
Gifted Student - Category VI	1,065,267.00	-	1,065,267.00
Remedial Education Program	892,034.00	-	892,034.00
Alternative Education Program	290,952.00	-	290,952.00
English Speakers of Other Languages (ESOL)	250,493.00	-	250,493.00
Media Center Program	815,656.00	-	815,656.00
20 Days Additional Instruction	247,656.00	-	247,656.00
Staff and Professional Development	146,779.00	-	146,779.00
Principal Staff and Professional Development	1,980.00	-	1,980.00
Indirect Cost			
Central Administration	870,865.00	-	870,865.00
School Administration	1,396,204.00	-	1,396,204.00
Facility Maintenance and Operations	1,878,540.00	-	1,878,540.00
Mid-term Adjustment Hold-Harmless	430,419.00	-	430,419.00
Amended Formula Adjustment	(1,970,665.00)	-	(1,970,665.00)
Categorical Grants			
Pupil Transportation			
Regular	501,615.00	-	501,615.00
Nursing Services	156,223.00	-	156,223.00
Other State Programs			
Food Services	127,780.00	-	127,780.00
Math and Science Supplements	69,631.08	-	69,631.08
Preschool Handicapped Program	281,755.00	-	281,755.00
Teachers Retirement	29,566.45	-	29,566.45
Technology for Connections to Classrooms Bonds	74,800.76	-	74,800.76
Vocational Education	33,744.00	-	33,744.00
Vocational Supervisors	13,584.00	-	13,584.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects	-	9,450,040.80	9,450,040.80
Office of the State Treasurer			
Public School Employees Retirement	170,588.00	-	170,588.00
CONTRACT			
Human Resources, Georgia Department of			
Family Connection	46,017.77	-	46,017.77
	\$ 37,106,783.52	\$ 9,450,040.80	\$ 46,556,824.32

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CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2016

SCHEDULE "10"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED (6) (7) (8)	ESTIMATED COMPLETION DATE
SPLOST IV							
1. The addition, renovation, repair and improvements to existing school buildings, facilities and grounds, including, but not limited to, all existing elementary schools, middle schools and Valdosta High School; Valdosta High School;	\$ 27,087,000.00	\$ 27,087,000.00	\$ 441,920.02	\$ 1,575,008.60	\$ -	\$ -	6/30/2017
2. Planning design and construction of new school buildings and facilities, including but not limited to a new Southeast Elementary School and a new "West District" Elementary School;	1,110,000.00	49,957,206.57	22,559,149.90	27,398,056.67	-	-	6/30/2017
3. Renovations and modifications or the relocation and replacement of the Valdosta City School System Central Office Complex;	-	-	-	-	-	-	
4. Equipping system-wide new construction, additions and renovations;	9,144,232.35	9,144,232.35	-	-	-	-	6/30/2017
5. Making system-wide technology improvements;	2,550,000.00	2,550,000.00	36,297.60	1,026,636.18	-	-	6/30/2017
6. Acquisition of security and safety equipment and/or fencing, textbooks, band and other musical instruments, vocational equipment and physical education and athletic equipment;	1,649,995.98	1,649,995.98	476,493.00	915,284.86	-	-	6/30/2017
7. Acquisition of school vehicles, including, but not limited to school buses, maintenance vehicles, and equipment; and	-	1,427,126.44	1,090,093.00	337,033.44	-	-	6/30/2017
8. Acquisition of any property necessary and desirable for new construction, expansion and/or improvement of existing facilities, both real and personal.	28,583,771.67	26,583,771.67	-	70,332.29	-	-	6/30/2017
	<u>\$ 70,125,000.00</u>	<u>\$ 118,399,333.01</u>	<u>\$ 24,603,953.52</u>	<u>\$ 31,322,352.04</u>	<u>\$ -</u>	<u>\$ -</u>	

- (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 Lowndes County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ 5,893,837.18
Current Year	<u>1,582,991.39</u>
Total	<u>\$ 7,476,828.57</u>

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

June 13, 2017

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

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

We have audited, in accordance with 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 City of Valdosta Board of Education (School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 13, 2017.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items FS 2016-001 and FS 2016-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

School District's Response to Findings

The School District's responses 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 the response.

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". The signature is fluid and cursive, with a horizontal line extending from the end.

Greg S. Griffin
State Auditor

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

June 13, 2017

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

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on Compliance for the Major Federal Program

We have audited City of Valdosta Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2016. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect of its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on 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

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-001 Controls over Financial Reporting

Control Category:	Financial Reporting
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

Finding Status: Unresolved

We have implemented procedures to have the Finance Director review the financial statements before turning them over to the auditors.

FS 2015-002 Internal Controls over Payroll Process

Control Category:	Employee Compensation
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Questioned Costs:	\$15,058.00

Finding Status: Previously Reported Corrective Action Implemented

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

▪ Material weaknesses identified?	Yes
▪ Significant deficiency identified?	None Reported

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? No

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-001 Internal Controls over Financial Reporting

Control Category: Financial Reporting

Internal Control Impact: Material Weakness

Compliance Impact: None

Repeat of Prior Year Finding: FS 2015-001

Description:

The School District did not have adequate controls in place over the financial statement reporting process.

Criteria:

Management is responsible for having adequate 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 nonmajor funds in the aggregate, to be provided in the fund financial statements.

Chapter 22A *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 School District did not have adequate internal control over the financial statement reporting process:

- Material audit adjustments totaling \$68,425,000.00 were proposed and accepted by the client to properly record bond proceeds received during the year on the government-wide financial statements.
- Material audit adjustments totaling \$9,450,040.80 were proposed and accepted by the client to properly present revenue attributed to reimbursements from the Georgia State Financing and Investment Commission (GSFIC) on the government-wide financial statements and the capital projects fund on the governmental fund financial statements.
- A significant audit adjustment of \$1,115,884.25 was proposed and accepted by the client to properly report the amortization of premiums on bonds on the government-wide financial statements.
- Significant audit adjustments totaling \$711,168.94 were proposed and accepted by the client to properly tie in beginning fund balance for the capital projects fund on the governmental fund financial statements.
- A reclassification entry totaling \$66,518,107.99, \$14,965,474.66 related to Net Investment in Capital Assets and \$51,552,633.33 related to Restricted for Capital Projects, was proposed and accepted by the client to properly classify net position on the government-wide financial statements.

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Reclassification entries totaling \$9,448,515.68 were proposed and accepted by the client to properly classify fund balance for the capital projects fund on the governmental fund financial statements.
- Other immaterial audit adjustments and reclassifications were proposed and accepted by the client to properly present the School District's financial statements, note disclosures and supplemental information.

Cause:

In discussing this matter with the School District, they indicated that the adjustments were due to oversights in preparing the financial statements.

Effect or Potential Effect:

Material 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 their internal controls and preparation and review procedures over financial reporting to ensure that the financial statements, including disclosures, presented for audit are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of the applicable GAAP, GASB pronouncements and knowledge of the School District's activities and operations. The School District should also consider implementing the use of a review checklist to assist in the review process over the financial statements.

Views of Responsible Officials:

We concur with this finding.

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-002 Maintenance of Capital Assets

Control Category: Capital Assets
Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: None

Description:

The School District did not maintain an adequate capital assets listing.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that capital assets inventory records are properly maintained. Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration indicates that School Districts must establish capital asset policies, define system requirements, implement a capital asset system and maintain capital asset inventory reports.

Condition:

Our review of capital assets revealed the following items:

- Construction in progress was overstated by \$4,172,671.94, due to the School District double booking a payment to the construction management firm for the new Valdosta High School, in their construction in progress analysis and in the general ledger. A material correcting adjustment was proposed and accepted by the client.
- The School District did not include the retainage payable for the new Valdosta High School project, in the amount of \$1,887,575.69, on the capital asset listing. Therefore, the subsidiary ledger did not reconcile to the financial statements.
- Two subsequent period expenditures totaling \$83,701.50, related to the new Valdosta High School project, were incorrectly included in construction in progress during the current year.
- One bus, which was purchased during the fiscal year, was placed on the capital asset listing at the incorrect cost.

Cause:

In discussing these deficiencies with School District management, they indicated that they did not properly maintain capital assets records in accordance with the requirements set forth in Chapter 37 *Implementing a Capital Asset Management System* of the Financial Management for Georgia Local Units of Administration.

Effect or Potential Effect:

The failure of the School District to maintain complete and accurate capital asset records can lead to inaccurate internal and external reporting, as well as noncompliance with generally accepted accounting principles.

Recommendation:

The School District's management should review the capital asset records and make appropriate adjustments to ensure that the capital asset records are correct.

Views of Responsible Officials:

We concur with this finding.

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2016

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2016-001	<u>Internal Controls over Financial Reporting</u>
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-001

The School District did not have adequate controls in place over the financial statement reporting process.

Corrective Action Plans:

We concur with this finding. We have implemented procedures to have the Finance Director review the financial statements presented for audit are complete and accurate.

Contact Person: Dr. Alvin Hudson
Telephone: (229) 671-6006
E-mail: ahudson@gocats.org

FS 2016-002	<u>Maintenance of Capital Assets</u>
Control Category:	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	None

The School District did not maintain an adequate capital assets listing.

Corrective Action Plans:

In reference to FS 2016-002, Regarding Maintenance of Capital Assets, we have implemented district wide procedures to monitor our capital assets and our construction in progress. We concur with the finding.

Contact Person: Dr. Alvin Hudson
Telephone: (229) 671-6006
E-mail: ahudson@gocats.org

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

No matters were reported.