

**BARTOW COUNTY
BOARD OF EDUCATION**

**ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2016**

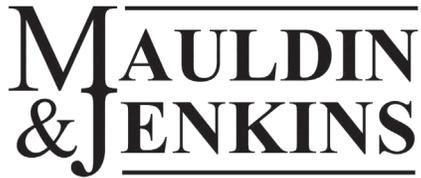
BARTOW COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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I. FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of
the Bartow County Board of Education
Cartersville, Georgia**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bartow County Board of Education as of June 30, 2016, and the respective changes in financial position, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of Net Pension Liability – Teachers Retirement System, Schedule of Contributions – Teachers Retirement System, and Schedule of Proportionate Share of Net Pension Liability – Public Schools Employee Retirement System on pages 4 through 13, 50, 51 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bartow County Board of Education's basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and the accompanying schedule of expenditures of federal awards, 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*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of special purpose local option sales tax proceeds and the schedule of expenditures of federal awards (collectively "the supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016 on our consideration of the Bartow County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bartow County Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 13, 2016

**BARTOW COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

INTRODUCTION

Our discussion and analysis of the Bartow County Board of Education's financial performance provides an overview of the School District financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District financial performance.

FINANCIAL HIGHLIGHTS

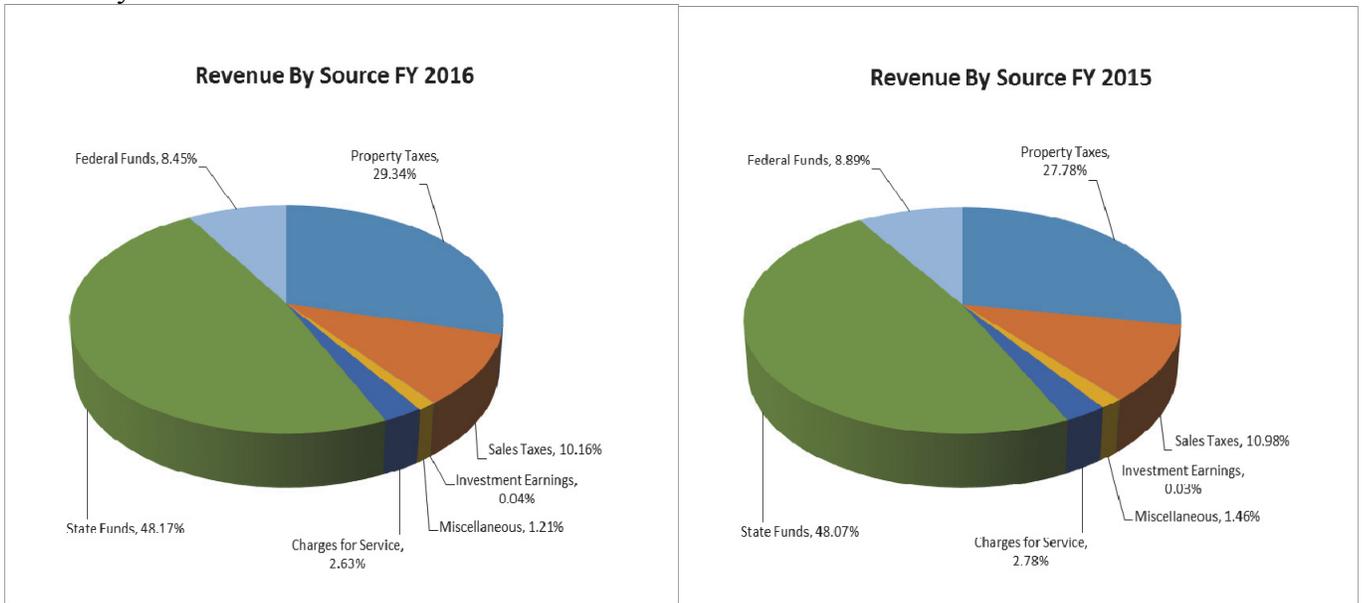
Key financial highlights for fiscal year 2016 are as follows:

In total, net position increased \$11.7 million which represents a 7.6 % increase from the prior year.

- Combined general revenues for governmental activities accounted for \$61.5 million or 41.6% of all revenues. Program specific revenues – charges for services, grants and contributions accounted for \$86.4 million or 58.9% of total revenues of \$147.9 million. Total combined revenues were \$1.9 million more than the prior year.
- Combined general and program revenues for the year were from Federal, State, and Local sources, with the State QBE appropriation, proceeds from the Educational Local Option Sales Tax, and local property tax assessments providing the bulk of the resources. The percentage breakdown by source is as follows: Property Taxes 29.3%; Sales and Other Taxes 10.2%; State funds 48.2%; Federal funds 8.5% Charges for services 2.6%; Investment earnings .04% and Miscellaneous 1.2%.
- The School District had \$136.3 million in expenses related to governmental activities and \$86.4 million of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$49.8 million provided the remaining support for these programs.
- Among major funds, the General Fund had \$132.5 million in revenues and \$129.4 million in expenditures; the capital project fund had \$15.2 million in revenues and \$5.1 million in expenditures and the Debt Service Fund had \$0.6 million in revenues and \$16.2 million in expenditures (excluding other financing sources and uses). Fund balance increased for the General Fund by \$3.1 million; the fund balance increased for the Debt Service Fund by \$.01 million and the fund balance increased for capital projects by \$45.6 million. The significant increase in fund balance for capital projects is due to the issuance of the 2016 bonds which were in the amount of \$45 million.

**BARTOW COUNTY BOARD OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The following charts show the source of governmental activities revenue for the current and prior fiscal years.



OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include a series of statements and notes to the statements. These statements are presented so the reader can understand the School District as a financial whole or its individual fund level.

The District-wide financial statements include the statement of net positions and statement of activities and the supporting notes to these statements. These statements provide aggregated information about the activities of the School District and a longer-term view of those activities.

At the next level, the fund financial statements focus on individual parts of the School District, reporting operation’s in more detail and includes the supporting notes to these statements. The governmental funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fiduciary fund 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 School District’s most significant funds. In the case of the Bartow County School District, the General Fund, District-Wide Capital Projects Fund, and Debt Service Fund are the most significant funds. These funds are reported as major funds and therefore are not non-major funds.

The notes to the financial statements provide additional detailed information that is essential to understanding data provided in the system-wide and fund level statements. The notes can be found on pages 22-49 of this report.

**BARTOW COUNTY BOARD OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

District-Wide Statements

The District-wide statements are designed to provide readers with a broad overview of the finances. This view of the School District as a whole looks at financial transactions and asks these questions, “How did we do financially in fiscal year 2016 and are we in a better financial position this year than last?”

The Statement of Net Position and Statement of Activities provide the basis for answering this question. These statements are presented using the accrual basis of accounting, similar to the accounting used by most private-sector businesses. This basis of accounting includes all of the current year’s revenues and expenditures regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the School District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether our financial position is improving or deteriorating.

The Statement of Activities presents information showing how the School District’s net position changed during the fiscal year. The causes of 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.

In the Statements of Net Position and Statement of Activities the School District has one type of activity-governmental. Governmental activities includes all programs of instruction, support services, operating and maintenance of plant, administration, pupil transportation, school nutrition, after school and school activity accounts.

**BARTOW COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

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

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

**BARTOW COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM 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 positions for the current and prior fiscal years:

**Table 1
Condensed Statement of Net Position
June 30**

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Assets and Deferred Outflows of Resources		
Current and Other Assets	\$ 99,677,694	\$ 49,462,698
Capital Assets	<u>262,815,612</u>	<u>268,204,928</u>
Total Assets	<u>362,493,306</u>	<u>317,667,626</u>
Deferred Outflow of Resources	<u>9,800,121</u>	<u>9,186,451</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 372,293,427</u>	<u>\$ 326,854,077</u>
Liabilities		
Current and Other Liabilities	36,979,452	43,082,330
Long-term Liabilities	<u>167,962,977</u>	<u>109,526,247</u>
Total Liabilities	<u>204,942,429</u>	<u>152,608,577</u>
Deferred Inflows of Resources	<u>13,140,170</u>	<u>31,718,405</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 218,082,599</u>	<u>\$ 184,326,982</u>
Net Position		
Net Investment in Capital Assets	228,240,660	220,157,117
Restricted	14,824,160	19,678,474
Unrestricted	<u>(88,853,992)</u>	<u>(97,308,496)</u>
Total Net Position	<u>\$ 154,210,828</u>	<u>\$ 142,527,095</u>

**BARTOW COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Table 2 shows the changes in net position for the current and prior fiscal years:

**Table 2
Changes in Net Position
For the Fiscal Year Ended June 30,**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 2,177,937	\$ 4,055,316
Operating Grants and Contributions	83,785,302	80,432,375
Capital Grants and Contributions	<u>456,213</u>	<u>838,483</u>
Total Program Revenues	<u>86,419,452</u>	<u>85,326,174</u>
General Revenues:		
Taxes		
Property Taxes	43,390,187	40,571,488
Sales Taxes	15,042,709	16,052,836
Grants and Contributions not Restricted to		
Specific Programs	3,011,004	4,015,125
Investment Earnings	52,805	50,319
Gain on Sale of Capital Assets	<u>23,233</u>	<u>-</u>
Total General Revenues	<u>61,519,938</u>	<u>60,689,768</u>
Total Revenues	<u>147,939,390</u>	<u>146,015,942</u>
Program Expenses		
Instruction	90,144,048	92,194,039
Support Services		
Pupil Services	3,788,225	3,857,635
Improvement of Instructional Services	1,099,392	1,063,750
Educational Media Services	1,687,931	1,651,784
Federal Grant Administration	351,511	491,994
General Administration	884,316	819,360
School Administration	7,632,820	7,466,487
Business Administration	1,186,913	1,557,750
Maintenance and Operations of Plant	10,175,061	9,691,460
Student Transportation Services	8,248,965	7,514,002
Central Support Services	2,166,851	2,355,310
Other Support Services	198,498	170,135
Operations of Non-Instructional Services		
Food Services	7,238,342	6,934,931
Interest on Long-Term Debt	<u>1,452,784</u>	<u>921,109</u>
Total Expenses	<u>136,255,657</u>	<u>136,689,746</u>
Change in Net Position	11,683,733	9,326,196
Net Position, Beginning of Year	<u>142,527,095</u>	<u>133,200,899</u>
Net Position, End of Year	<u>\$ 154,210,828</u>	<u>\$ 142,527,095</u>

**BARTOW COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Governmental Activities

As reported in the statement of activities, the cost of all our governmental activities this year was \$136,255,657. Instructional program expenses of \$90,144,048 represent 66.2% of the total expenses. Interest expense was attributable to the various outstanding bond issues and represents approximately 1% of total expenses.

Although program revenues make up a majority 58.4(%) of the combined revenues, the School District is dependent upon general revenues (property tax, sales tax and other non-restricted revenues) to cover the net cost of services. For the fiscal year 2016, general revenues in the amount of \$61,519,938 represented 41.1% of total revenues.

The statement of activities, on page 15, shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted federal and state entitlements.

**Table 3
Statement of Activities
For the Fiscal Year Ended June 30**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Instruction	\$90,144,048	\$92,194,039	\$(27,685,184)	\$(31,508,823)
Support Services				
Pupil Services	3,788,225	3,857,635	(2,623,028)	(2,587,055)
Improvement of				
Instructional Services	1,099,392	1,063,750	434,673	580,608
Educational Media Services	1,687,931	1,651,784	93,146	118,848
Federal Grant Administration	351,511	491,994	(351,511)	30,452
General Administration	884,316	819,360	1,135,911	1,252,921
School Administration	7,632,820	7,466,487	(3,982,831)	(3,897,907)
Business Administration	1,186,913	1,557,750	(1,172,092)	(1,511,661)
Maintenance and Operation				
of Plant	10,175,061	9,691,460	(5,987,213)	(5,048,594)
Student Transportation				
Services	8,248,965	7,514,002	(6,244,490)	(5,691,811)
Central Support Services	2,166,851	2,355,310	(2,129,471)	(2,318,863)
Other Support Services	198,498	170,135	(108,287)	(84,746)
Food Services	7,238,342	6,934,931	(374,553)	(386,025)
Interest on Short-term and				
Long-term Debt	1,452,784	921,109	(841,275)	(310,916)
Total Program Expenses	<u>\$136,255,657</u>	<u>\$136,689,746</u>	<u>\$(49,836,205)</u>	<u>\$(51,363,572)</u>

**BARTOW COUNTY BOARD OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM’S FUNDS

The School District’s governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources (excluding transfers) of \$199,556,971 and expenditures and other financing uses (excluding transfers) of \$150,728,307 for a \$48,828,664 increase in fund balance. The total governmental fund balance for 2016 is comprised of the following:

**Table 4
Governmental Fund Balances
June 30**

	<u>2016</u>	<u>2015</u>
General Fund	\$ 16,689,057	\$ 13,570,663
Capital Projects Fund	57,161,775	11,561,222
Debt Service Fund	<u>5,468,153</u>	<u>5,358,436</u>
 Total Fund Balance	 <u>\$ 79,318,985</u>	 <u>\$ 30,490,321</u>

The \$3.1 million increase for the fund balance in the General Fund was the result of revenues exceeding expenditures. The District has continued to significantly reduce the deficit prior fiscal years as the funding levels have begun to increase with the reduction of austerity and the recovering tax digest which has resulted in the increase of the fund balance in the General Fund.

The \$45.6 million increase for District-Wide Capital Project Fund balance is due to the increase of cash as the District issued bond in the amount of \$45,000,000. All revenue collected from the current SPLOST is being used for the repayment of the 2010 Bond Issuance.

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 fiscal year 2016, the School District amended its General Fund budget as needed.
- For the General Fund, the final actual revenues and other financing sources on the GAAP basis of \$132,513,807 were greater than the final budgeted amount of \$126,495,697 by \$6,018,110. This difference was due largely to the prior year carryover of State Special revenue funds, increased local funding from the Bartow County Pilot program, increase school distribution portion of the TAVT, increase in the County tax digest, and the increase in other Local School Miscellaneous Revenues.

**BARTOW COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

General Fund Budgeting Highlights (Continued)

- The final actual budgetary basis expenditures of \$129,395,413 were less than the final budgeted amount of \$129,894,301 by \$498,888.
- Overall, the 2016 actual general fund revenues exceeded the actual general fund expenditures by \$3,095,161, excluding the effects of other financing sources and uses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year, June 30, 2016, the School District had \$262,815,612 invested in capital assets, all in governmental activities. Additional information about capital assets can be found in the notes to the financial statements. Table 5 reflects these balances.

**Table 5
Capital Assets (net of depreciation)
June 30**

	<u>2016</u>	<u>2015</u>
Land	\$ 16,699,092	\$ 16,699,092
Construction in Progress	1,307,838	11,583,979
Land Improvements	4,056,329	4,386,761
Buildings	233,124,009	227,504,468
Equipment	<u>7,628,344</u>	<u>8,030,628</u>
 Total Capital Assets	 <u>\$ 262,815,612</u>	 <u>\$ 268,204,928</u>

Construction in progress at year end includes construction in progress cost to the construction of the Woodland High Performing Art Center in the amount of \$779,931, construction of the New Adairsville Elementary School in the amount of \$278,280 and the costs for Bartow College and Career renovations in the amount of \$249,627.

Debt

At the end of fiscal year June 30, 2016, the School District had \$74,960,000 in general obligation bonds outstanding, with \$15,410,000 due within one year. Debt service payments are made from the proceeds of the Educational Local Option Sales Tax. Table 6 summarizes general obligation bonds outstanding. Additional information about long-term debt can be found in the notes to the financial statements.

Compensated absences outstanding at June 30, 2016 were \$595,561 compared to \$620,878 in the prior year.

**BARTOW COUNTY BOARD OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Table 6
General Obligation Debt
June 30**

	<u>2016</u>	<u>2015</u>
Series 2010A G. O. Bonds	\$ 6,960,000	\$ 21,960,000
Series 2010B G. O. Bonds	23,000,000	23,000,000
Series 2016 G.O. Bonds	<u>45,000,000</u>	<u>45,000,000</u>
 Total General Obligation bonds	 <u>\$ 74,960,000</u>	 <u>\$ 89,960,000</u>

The School District maintains an “AA+” bond rating as determined by the Standard and Poor’s Ratings Services.

CURRENT ISSUES

- As The School District’s gross tax digest experienced an increase in FY16 and is expected to continue to stabilize the effect on General Fund fund balance.
- Capital Improvements – The School District has completed the replacement of HVAC systems throughout the District as needed. The renovation at Woodland High School is set to be complete in FY17. The District is currently working on the beginning stages of the construction of the new Adairsville Elementary School. All debt associated with the 2010 bond issuance is scheduled to be paid off in by 2017 as originally projected. The current SPLOST is set to expire in FY18 however taxpayers voted in November 2015 to extend the current SPLOST for another 5 year term and in FY16 the District issued bonds in the amount of \$45,000,000 which will further enhance capital projects throughout the District.

CONTACTING THE SCHOOL SYSTEM’S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, investors, and creditors with a general overview of the School District’s finances and to show the School District’s accountability for the money it receives. If you have questions about this report or need additional financial information contact Megan Brown, CFO at Bartow County Schools, 65 Gilreath Road, Cartersville, GA 30120, or 770-606-5800.

BASIC FINANCIAL STATEMENTS

BARTOW COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2016

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 86,336,704
Receivables:	
Taxes, net of allowances	2,258,720
Intergovernmental:	
State	9,594,807
Federal	981,826
Local	2,630
Other	36,385
Inventory	274,629
Prepays	191,993
Capital assets (nondepreciable)	18,006,930
Capital assets (depreciable, net of accumulated depreciation)	244,808,682
Total assets	<u>362,493,306</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Plan contributions subsequent to the measurement date - pension	9,800,121
Total deferred outflows of resources	<u>9,800,121</u>
 LIABILITIES	
Accounts payable	931,898
Salaries and benefits payable	17,236,192
Contracts payable	1,697,867
Accrued interest payable	748,447
Retainage payable	59,488
Unearned revenue	56,367
Claims payable due within one year	110,308
Claims payable due in more than one year	330,925
Capital lease payable due within one year	403,771
Capital lease payable due in more than one year	405,749
Bonds payable due within one year	15,410,000
Bonds payable due in more than one year	66,200,333
Compensated absences due within one year	325,114
Compensated absences due in more than one year	270,447
Net pension liability due in more than one year	100,755,523
Total liabilities	<u>204,942,429</u>
 DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual experience	886,197
Net difference between projected and actual investment earnings - pension	8,498,834
Changes in proportion and difference between employer contributions and employer proportionate share of contributions - pension	3,755,139
Total deferred inflows of resources	<u>13,140,170</u>
 NET POSITION	
Net investment in capital assets	228,240,660
Restricted for:	
Federal programs	2,544,935
Capital projects	7,559,519
Debt service	4,719,706
Unrestricted	(88,853,992)
Total net position	<u>\$ 154,210,828</u>

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

BARTOW COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 90,144,048	\$ 755,352	\$ 61,527,737	\$ 175,775	\$ (27,685,184)
Support services:					
Pupil services	3,788,225	-	1,164,020	1,177	(2,623,028)
Improvement of instructional services	1,099,392	-	1,534,065	-	434,673
Educational media services	1,687,931	-	1,781,061	16	93,146
Federal grant administration	351,511	-	-	-	(351,511)
General administration	884,316	-	2,018,144	2,083	1,135,911
School administration	7,632,820	-	3,644,857	5,132	(3,982,831)
Business administration	1,186,913	-	14,821	-	(1,172,092)
Maintenance and operation of facilities	10,175,061	-	4,181,238	6,610	(5,987,213)
Student transportation services	8,248,965	-	1,747,881	256,594	(6,244,490)
Central support services	2,166,851	-	32,259	5,121	(2,129,471)
Other support services	198,498	-	90,211	-	(108,287)
Operations of non-instructional services:					
Food services operation	7,238,342	1,422,585	5,437,499	3,705	(374,553)
Interest on long-term debt	1,452,784	-	611,509	-	(841,275)
Total governmental activities	\$ 136,255,657	\$ 2,177,937	\$ 83,785,302	\$ 456,213	(49,836,205)

General revenues:

Taxes:	
Property taxes, levied for general purposes	43,390,187
Sales taxes	15,042,709
Grants and contributions not restricted to specific programs	3,011,004
Unrestricted investment earnings	52,805
Gain on sale of capital assets	23,233
Total general revenues	61,519,938
Change in net position	11,683,733
Net position, beginning of year	142,527,095
Net position, end of year	\$ 154,210,828

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

BARTOW COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2016

ASSETS	General	District-Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 23,366,993	\$ 57,501,558	\$ 5,468,153	\$ 86,336,704
Receivables:				
Taxes, net of allowances	889,093	1,369,627	-	2,258,720
Intergovernmental:				
State	9,548,558	46,249	-	9,594,807
Federal	981,826	-	-	981,826
Local	2,630	-	-	2,630
Other	36,385	-	-	36,385
Due from other funds	-	1,696	-	1,696
Prepays	191,993	-	-	191,993
Inventory	274,629	-	-	274,629
Total assets	<u>\$ 35,292,107</u>	<u>\$ 58,919,130</u>	<u>\$ 5,468,153</u>	<u>\$ 99,679,390</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 931,898	\$ -	\$ -	\$ 931,898
Contracts payable	-	1,697,867	-	1,697,867
Salaries and benefits payable	17,236,192	-	-	17,236,192
Retainage payable	-	59,488	-	59,488
Unearned revenue	56,367	-	-	56,367
Due to other funds	1,696	-	-	1,696
Total liabilities	<u>18,226,153</u>	<u>1,757,355</u>	<u>-</u>	<u>19,983,508</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	376,897	-	-	376,897
Total deferred inflows of resources	<u>376,897</u>	<u>-</u>	<u>-</u>	<u>376,897</u>
FUND BALANCES				
Nonspendable:				
Inventory	274,629	-	-	274,629
Prepays	191,993	-	-	191,993
Restricted for:				
Federal programs	2,544,935	-	-	2,544,935
Capital projects	-	57,161,775	-	57,161,775
Debt service	-	-	5,468,153	5,468,153
Unassigned:				
General fund	13,677,500	-	-	13,677,500
Total fund balances	<u>16,689,057</u>	<u>57,161,775</u>	<u>5,468,153</u>	<u>79,318,985</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 35,292,107</u>	<u>\$ 58,919,130</u>	<u>\$ 5,468,153</u>	<u>\$ 99,679,390</u>

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

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

Total fund balances - governmental funds	\$	79,318,985
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		
Cost	\$ 353,911,312	
Less accumulated depreciation	<u>(91,095,700)</u>	262,815,612
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Property taxes		376,897
The net pension liability is not expected to be paid with current financial resources and is therefore not reported in governmental funds.		
Net pension liability	\$ (100,755,523)	
Deferred outflows of resources - contributions	9,800,121	
Deferred inflows of resources - experience differences	(886,197)	
Deferred inflows of resources - changes in proportion and difference between employer contributions and employer's proportionate share of contributions	(3,755,139)	
Deferred inflows of resources - investment earnings	<u>(8,498,834)</u>	(104,095,572)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ (74,960,000)	
Premium, net of amortization	(6,650,333)	
Capital lease payable	(809,520)	
Accrued interest	(748,447)	
Compensated absences	(595,561)	
Claims liability	<u>(441,233)</u>	(84,205,094)
Net position of governmental activities	\$	<u>154,210,828</u>

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

BARTOW COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	District -			Total Governmental Funds
	General	Wide Capital Projects	Debt Service	
REVENUES				
Property taxes	\$ 43,530,452	\$ -	\$ -	\$ 43,530,452
Sales taxes	-	15,042,709	-	15,042,709
State funds	71,364,031	101,567	-	71,465,598
Federal funds	11,888,091	-	611,509	12,499,600
Investment income	33,554	13,259	5,992	52,805
Charges for services	3,885,516	-	-	3,885,516
Miscellaneous	1,788,930	-	-	1,788,930
Total revenues	<u>132,490,574</u>	<u>15,157,535</u>	<u>617,501</u>	<u>148,265,610</u>
EXPENDITURES				
Current:				
Instruction	86,650,818	-	-	86,650,818
Support services:				
Pupil services	3,877,980	-	-	3,877,980
Improvement of instructional services	1,108,027	-	-	1,108,027
Educational media services	1,762,961	-	-	1,762,961
Federal grant administration	374,258	-	-	374,258
General administration	844,292	-	-	844,292
School administration	7,821,148	-	-	7,821,148
Business administration	1,222,302	-	-	1,222,302
Maintenance and operation of facilities	9,909,721	-	-	9,909,721
Student transportation services	6,531,538	979,917	-	7,511,455
Central support services	1,958,654	75,919	-	2,034,573
Other support services	199,051	-	-	199,051
Food services operation	7,134,663	-	-	7,134,663
Capital outlay	-	3,254,631	-	3,254,631
Debt service:				
Principal retirement	-	401,802	15,000,000	15,401,802
Interest and fees	-	5,935	1,237,784	1,243,719
Bond issuance costs	-	376,906	-	376,906
Total expenditures	<u>129,395,413</u>	<u>5,095,110</u>	<u>16,237,784</u>	<u>150,728,307</u>
Excess (deficiency) of revenues over expenditures	<u>3,095,161</u>	<u>10,062,425</u>	<u>(15,620,283)</u>	<u>(2,462,697)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	15,730,000	15,730,000
Transfers out	-	(15,730,000)	-	(15,730,000)
Proceeds from bond issuance	-	45,000,000	-	45,000,000
Premium on bond issuance	-	6,268,128	-	6,268,128
Proceeds from sale of capital assets	23,233	-	-	23,233
Total other financing sources (uses)	<u>23,233</u>	<u>35,538,128</u>	<u>15,730,000</u>	<u>51,291,361</u>
Net change in fund balances	3,118,394	45,600,553	109,717	48,828,664
FUND BALANCES, beginning of year	<u>13,570,663</u>	<u>11,561,222</u>	<u>5,358,436</u>	<u>30,490,321</u>
FUND BALANCES, end of year	<u>\$ 16,689,057</u>	<u>\$ 57,161,775</u>	<u>\$ 5,468,153</u>	<u>\$ 79,318,985</u>

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

BARTOW COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Net change in fund balances - total governmental funds	\$	48,828,664
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeded capital outlays in the current period is as follows:

Capital outlay	\$	2,723,756	
Depreciation expense		<u>(8,113,072)</u>	(5,389,316)

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

Property taxes	(140,265)
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In the governmental funds, current year expenditures related to pensions are comprised solely of amounts contributed to the plan for the current year. However, in the statement of activities, expenses related to pensions include amounts that do not require the use of current financial resources. This amount represents the difference in the required accounting treatment of pensions and related items.

4,207,074

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

Principal payments - capital lease payable	\$	401,802	
Principal payments - bonds		15,000,000	
Bond premium		(6,268,128)	
Issuance of general obligation debt		<u>(45,000,000)</u>	(35,866,326)

Some expenses 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.

Amortization of bond premium	\$	522,323	
Change in claims payable		(149,256)	
Change in compensated absences		25,317	
Change in accrued interest		<u>(354,482)</u>	43,902

Change in net position of governmental activities	\$	<u><u>11,683,733</u></u>
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The accompanying notes are an integral part of these financial statements.

BARTOW COUNTY BOARD OF EDUCATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 40,581,011	\$ 40,581,011	\$ 43,530,452	\$ 2,949,441
State funds	70,408,922	70,486,607	71,364,031	877,424
Federal funds	14,025,129	13,044,654	11,888,091	(1,156,563)
Charges for services	2,023,250	2,023,250	3,885,516	1,862,266
Investment income	22,675	22,675	33,554	10,879
Miscellaneous	337,500	337,500	1,788,930	1,451,430
Total revenues	<u>127,398,487</u>	<u>126,495,697</u>	<u>132,490,574</u>	<u>5,994,877</u>
EXPENDITURES				
Current:				
Instruction	85,051,648	84,592,615	86,650,818	(2,058,203)
Support services:				
Pupil services	3,814,606	3,780,486	3,877,980	(97,494)
Improvement of instructional services	1,849,846	1,812,431	1,108,027	704,404
Educational media services	1,785,093	1,785,155	1,762,961	22,194
Federal grant administration	664,757	495,615	374,258	121,357
General administration	962,981	1,033,231	844,292	188,939
School administration	7,853,539	7,858,731	7,821,148	37,583
Business administration	999,711	999,711	1,222,302	(222,591)
Maintenance and operation of plant	9,542,612	9,566,890	9,909,721	(342,831)
Student transportation services	6,963,918	6,811,578	6,531,538	280,040
Central support services	2,080,692	2,158,692	1,958,654	200,038
Other support services	191,026	226,962	199,051	27,911
Food services operation	8,767,704	8,772,204	7,134,663	1,637,541
Total expenditures	<u>130,528,133</u>	<u>129,894,301</u>	<u>129,395,413</u>	<u>498,888</u>
Excess (deficiency) of revenues over expenditures	<u>(3,129,646)</u>	<u>(3,398,604)</u>	<u>3,095,161</u>	<u>6,493,765</u>
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	23,233	23,233
Total other financing sources	<u>-</u>	<u>-</u>	<u>23,233</u>	<u>23,233</u>
Net change in fund balances	<u>(3,129,646)</u>	<u>(3,398,604)</u>	<u>3,118,394</u>	<u>6,516,998</u>
FUND BALANCES, beginning of year	<u>13,570,663</u>	<u>13,570,663</u>	<u>13,570,663</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 10,441,017</u>	<u>\$ 10,172,059</u>	<u>\$ 16,689,057</u>	<u>\$ 6,516,998</u>

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

BARTOW COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2016

	Club and Athletics Fund
ASSETS	
Cash	\$ 136,772
Total assets	\$ 136,772
LIABILITIES	
Funds held for others	\$ 136,772
Total liabilities	\$ 136,772

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

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

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 of the Bartow County Board of Education.

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 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.

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes and unrestricted amounts.

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements:

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

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST), bond proceeds and grants from the Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- *Debt Service Fund* accounts for accumulated resources legally restricted for the payment of general long-term debt principal, interest and paying agent's fees.

The School District also reports the following fund types:

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

Basis of Accounting/Measurement Focus

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

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period; however, intergovernmental revenues reported in the governmental funds are considered to be available if they are collected within 120 days after year-end.

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

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

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

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents

COMPOSITION OF DEPOSITS

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

Investments

COMPOSITION OF INVESTMENTS

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. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. 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. Funds may be invested in the following:

- (1) Obligations issued by the State of Georgia or by other states,
- (2) Obligations issued by the United States government,
- (3) Obligations fully insured or guaranteed by the United States government or a United States government agency,
- (4) Obligations of any corporation of the United States government,
- (5) Prime banker's acceptances,
- (6) The Local Government Investment Pool administered by the State Treasurer of the State of Georgia,
- (7) Repurchase agreements, and
- (8) Obligations of other political subdivisions of the State of Georgia.

The School District does not have a formal policy regarding investments that addresses credit risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are reported net of an allowance for uncollectible receivables when necessary.

Property Taxes

The Bartow County Tax Commissioner levied the property tax for the 2015 tax digest year (calendar year) on October 1, 2015 (levy date). Taxes were due on December 1, 2015 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The Bartow County Tax Commissioner bills and collects the property taxes for the School District, withholds 1% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations amounted to \$43,530,452. Allowances for uncollectible property taxes at June 30, 2016 for the School District's General Fund are \$43,807.

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The Bartow County Board of Education is in compliance with this law. Tax millage rates levied for the 2015 tax year (calendar year) for the Bartow County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Maintenance and Operations	19.20 mills
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Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$15,042,709 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.

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

CONSUMABLE SUPPLIES

On the basic financial statements, consumable supplies are reported at cost (first-in, first-out). The School District uses the consumption method to account for the consumable supplies inventory whereby an asset is recorded when supplies are purchased and expenses/expenditures are recorded at the time the supplies are consumed.

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 (first-in, first-out). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to June 30, 2016, are recorded as prepaid items.

Capital Assets

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

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>Capitalization</u> <u>Policy</u>	<u>Estimated</u> <u>Useful Life</u>
Land	All	N/A
Land Improvements	\$ 10,000	20-30 years
Buildings and Improvements	\$ 10,000	15-60 years
Equipment	\$ 10,000	5-20 years
Intangible Assets	\$ 10,000	5-20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Governmental Activities report one type of deferred outflows of resources related to the reporting of the net pension liability. The deferred outflow of resources being recognized is the School District's actual contributions to the pension plan during the fiscal year ended June 30, 2016 which is subsequent to the measurement date and will be applied to the net pension liability in fiscal year 2017.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one type of deferred inflow under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The School District has three items that qualify for reporting in this category which occur only in the governmental activities. Governmental Activities report a deferred inflow of resources for the net difference between projected and actual investment earnings on the pension assets. This difference will be amortized over a five year period. Governmental Activities also report a deferred inflow of resources for the difference between the School District's actual contributions towards the pension plan and the School District's proportionate share of contributions as well as experience gains and losses. These differences will be amortized over the remaining service period.

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Vacation leave of 10 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 30 days. Vacation leave of 15 days is awarded on a fiscal year basis to the Superintendent and there are no limits on the amount that may be carried over.

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund existing general obligation bonds. Bond issuance costs are recognized in the financial statements during the fiscal year bonds are issued. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

In the fund financial statements, the face amount of debt issued and any related premium, is reported as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

Use of Estimates

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

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. 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.

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

Fund Equity/Net Position

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

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

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Only the Board of Education may modify or rescind the commitment, also through a resolution.

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the Superintendent or his or her designee to assign fund balances.

- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The School District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

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 budgeted expenditures and not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia annotated 20-2-167(a)5. If 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.

Net Position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the School District has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School System adopts an annual budget for the General Fund and Debt Service Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167 and in accordance with U.S. generally accepted accounting principles. After the Board of Education has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget.

For the year ended June 30, 2016 expenditures exceeded the budget in the General Fund departments as follows:

General Fund:		
Instruction	\$	2,058,203
Support services:		
Pupil services		97,494
Business administration		222,591
Maintenance and operation of plant		342,831

The excess of expenditures over budget that are noted above were primarily funded by greater than anticipated revenues.

Note 4: DEPOSITS AND INVESTMENTS

CATEGORIZATION OF INVESTMENTS

The investment in the local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the School District's investment in the Georgia Fund 1 is reported at fair value. The School District considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

Investment	Maturity	Fair Value
Georgia Fund 1	42 days	\$ 1,233,041

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 4: DEPOSITS AND INVESTMENTS (Continued)

INTEREST RATE RISK

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

FAIR VALUE MEASUREMENTS

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the School District does not disclose investment in the Georgia Fund 1 within the fair value hierarchy.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2016, all deposits and investments were properly collateralized and insured.

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. For the year ended June 30, 2016, the commodities usage is recorded at their federally assigned value of \$351,831.

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6: CAPITAL ASSETS

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

	<u>Balances July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balances June 30, 2016</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 16,699,092	\$ -	\$ -	\$ -	\$ 16,699,092
Construction in progress	11,583,979	1,130,789	-	(11,406,930)	1,307,838
Total	<u>28,283,071</u>	<u>1,130,789</u>	<u>-</u>	<u>(11,406,930)</u>	<u>18,006,930</u>
Capital assets, being depreciated:					
Building and improvements	286,138,865	70,085	(55,500)	11,406,930	297,560,380
Equipment	23,458,819	1,430,901	(202,659)	-	24,687,061
Land improvements	13,564,960	91,981	-	-	13,656,941
Total	<u>323,162,644</u>	<u>1,592,967</u>	<u>(258,159)</u>	<u>11,406,930</u>	<u>335,904,382</u>
Less accumulated depreciation for:					
Building and improvements	(58,634,397)	(5,857,474)	55,500	-	(64,436,371)
Equipment	(15,428,191)	(1,833,185)	202,659	-	(17,058,717)
Land improvements	(9,178,199)	(422,413)	-	-	(9,600,612)
Total	<u>(83,240,787)</u>	<u>(8,113,072)</u>	<u>258,159</u>	<u>-</u>	<u>(91,095,700)</u>
Total capital assets, being depreciated, net	<u>239,921,857</u>	<u>(6,520,105)</u>	<u>-</u>	<u>11,406,930</u>	<u>244,808,682</u>
Governmental activities capital assets, net	<u>\$ 268,204,928</u>	<u>\$ (5,389,316)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,815,612</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 6,452,940
Support services:	
Pupil services	43,253
Educational media services	591
General administration	76,550
School administration	188,596
Maintenance and operation of facilities	242,479
Student transportation services	778,095
Central support services	188,203
Operations of non-instructional services:	
Food services	142,365
	<u>\$ 8,113,072</u>

**BARTOW COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016**

Note 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables/payables as of June 30, 2016, consisted of the following:

	Interfund Receivable
Interfund Payable	District-Wide
	Capital Projects
General Fund	\$ 1,696

The interfund balance above represents bank fee expenditures to be reimbursed by the General Fund.

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

Transfer From	Transfers To	Fund
District-Wide Capital Projects	Debt Service	\$ 15,730,000

Transfers are used to move SPLOST proceeds from the District-Wide Capital Projects Fund to the Debt Service Fund to fund debt service as allowed in the referendum.

Note 8: RISK MANAGEMENT

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

The School District participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage.

The School District has established a limited risk management program for workers' compensation claims. In connection with this program, a self-insurance reserve has been established within the General Fund by the School District. The School District accounts for claims within the General Fund with expense/expenditures, and liability being reported when it is probably that a loss has occurred and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$350,000 loss per occurrence, up to the statutory limit.

For purposes of estimating the unpaid claims liability as of June 30, 2016, the District's third party administrator calculated the reserve liability based on the estimated costs of each outstanding claim, and an estimate for incurred but not reported claims, from claims experience for like claims.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 8: RISK MANAGEMENT (Continued)

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

	<u>Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year</u>	<u>Due Within One Year</u>
2015	\$ 577,129	\$ 302,794	\$ 587,946	\$ 291,977	\$ 72,994
2016	\$ 291,977	\$ 401,865	\$ 252,609	\$ 441,233	\$ 110,308

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

Superintendent	\$ 150,000
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The School District is self-insured with regard to unemployment compensation claims. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of the fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	<u>Beginning of Year</u>	<u>Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year</u>
2015	\$ -	\$ 3,154	\$ 3,154	\$ -
2016	\$ -	\$ 6,107	\$ 6,107	\$ -

Note 9: OPERATING LEASES

Bartow County Board of Education is committed under various leases for equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year totaled approximately \$190,370. Future minimum lease payments on these leases are as follows:

<u>Year ending June 30,</u>	
2017	190,365
Total	<u>\$ 190,365</u>

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 10: LONG-TERM DEBT

COMPENSATED ABSENCES

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

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Balance at June 30, 2016</u>
General Government - Series 2010A	2.375% - 5.00%	\$ 6,960,000
General Government - Series 2010B	2.62% - 3.00%	23,000,000
General Government - Series 2016	2.00% - 5.00%	45,000,000
		<u>\$ 74,960,000</u>

The changes in long-term obligations during the fiscal year ended June 30, 2016, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 44,960,000	\$ 45,000,000	\$ (15,000,000)	\$ 74,960,000	\$ 15,410,000
Unamortized bond premium	904,528	6,268,128	(522,323)	6,650,333	-
Capital lease payable	1,211,322	-	(401,802)	809,520	403,771
Claims payable	291,977	401,865	(252,609)	441,233	110,308
Net pension liability	85,770,692	26,995,694	(12,010,863)	100,755,523	-
Compensated absences	620,878	313,618	(338,935)	595,561	325,114
Governmental activity					
Long-term liabilities	<u>\$ 133,759,397</u>	<u>\$ 78,979,305</u>	<u>\$ (28,526,532)</u>	<u>\$ 184,212,170</u>	<u>\$ 16,249,193</u>

In fiscal year 2011, the School District issued \$69,960,000 of Series 2010A General Obligation Bonds in the amount of \$46,960,000 and Series 2010B Taxable General Obligation Bonds in the amount of \$23,000,000 for the purpose of financing the costs of acquiring, constructing, and equipping new school facilities, adding to, renovating, repairing, improving, and equipping existing school facilities and acquiring system-wide technology improvements.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 10: LONG-TERM DEBT (Continued)

In fiscal year 2016, the School District issued \$45,000,000 of Series 2016 General Obligation Bonds for the purpose of financing the costs of acquiring, constructing, and equipping a new elementary school and a new transportation and maintenance facility, adding to, renovating, repairing, equipping, and improving existing school facilities and acquiring instructional and administrative technology improvements and school busses and other vehicles.

At June 30, 2016, payments due by fiscal year, which includes principal and interest, for these items are as follows:

<u>Fiscal Year Ended June 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 15,410,000	\$ 2,692,407
2018	14,550,000	2,186,000
2019	8,325,000	1,826,250
2020	8,570,000	1,495,500
2021	8,915,000	1,110,125
2022 - 2023	19,190,000	920,000
	<u>\$ 74,960,000</u>	<u>\$ 10,230,282</u>

CAPITAL LEASE PAYABLE

In fiscal year 2015, the School District entered into an agreement for the purpose of purchasing equipment. Under the terms of the agreement, the School District will assure that the payments of principal and interest on the capital lease are made in a timely manner through September 10, 2017. The total annual payment is \$407,738. The lease qualifies for financial reporting as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The following is an analysis of assets under capital leases as of June 30, 2016:

<u>Asset</u>	<u>Governmental Activities</u>
Equipment	\$ 1,619,060
Accumulated depreciation	(607,148)
Total net book value of leased assets	<u>\$ 1,011,912</u>

The annual amortization of the leased assets value is included in depreciation expense.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 10: LONG-TERM DEBT (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2017	\$ 407,738
2018	407,738
Total minimum lease payments	<u>815,476</u>
Less: amount representing interest	<u>(5,956)</u>
Present value of minimum lease payments	809,520
Less: current liabilities	<u>(403,771)</u>
	<u>\$ 405,749</u>

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$325,093 for retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Teachers Retirement System
for Teachers Retirement (TRS)
in the amount of \$63,474

State Treasurer of the State of Georgia
Paid to the Public School Employees Retirement System
for Public School Employees Retirement (PSERS) Employer's Cost
in the amount of \$261,619

Note 12: CONTINGENCIES

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. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

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

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 13: RETIREMENT PLANS

GENERAL INFORMATION ABOUT THE TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan description: All teachers of the District as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) 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. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. 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 6.00 % 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. District contributions to TRS were \$9,800,121 for the year ended June 30, 2016.

**BARTOW COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016**

Note 13: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the District by the State of Georgia for certain public school support personnel. The amount recognized by the 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 District were as follows:

District's proportionate share of the net pension liability	\$ 100,755,523
State of Georgia's proportionate share of the net pension liability associated with the District	<u>624,489</u>
Total	<u><u>\$ 101,380,012</u></u>

The 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 District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2015. At June 30, 2015, the District's proportion was 0.661820%, which was a decrease of 0.017085% from its proportion measured as of June 30, 2014.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 13: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$5,593,047 and revenue of \$53,661 for support provided by the State of Georgia for certain support personnel. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 886,197
Net difference between projected and actual earnings on pension plan investments	-	8,498,834
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,755,139
District contributions subsequent to the measurement date	<u>9,800,121</u>	<u>-</u>
Total	<u>\$ 9,800,121</u>	<u>\$ 13,140,170</u>

District contributions subsequent to the measurement date of \$9,800,121 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:	
2017	\$ (5,130,255)
2018	(5,130,255)
2019	(5,130,262)
2020	2,404,753
2021	(154,151)
Total	<u>\$ (13,140,170)</u>

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 13: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

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:

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.

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

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

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

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 13: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the 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:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 173,140,749	\$ 100,755,523	\$ 41,092,874

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

GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS 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.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 13: RETIREMENT PLANS (Continued)

**GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS EMPLOYEES
RETIREMENT SYSTEM (PSERS) (Continued)**

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

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

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

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

Pension Liabilities and Pension Expense

At June 30, 2016, the District did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the District is as follows:

State of Georgia's proportionate share of the Net Pension Liability associated with the District	\$ <u>1,043,767</u>
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The 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 District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2015.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 13: RETIREMENT PLANS (Continued)

**GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS EMPLOYEES
RETIREMENT SYSTEM (PSERS) (Continued)**

For the year ended June 30, 2016, the District recognized pension expense of \$62,244 and revenue of \$62,244 for support provided by the State of Georgia.

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

Inflation	3.0%
Salary increase	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.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 13: RETIREMENT PLANS (Continued)

**GENERAL INFORMATION ABOUT THE PUBLIC SCHOOLS EMPLOYEES
RETIREMENT SYSTEM (PSERS) (Continued)**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected 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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	3.00%
Domestic large 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	<u>100.00%</u>	

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

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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.

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 14: POST-EMPLOYMENT BENEFITS

GEORGIA RETIREE 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, 2013, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2013, pay approximately 25 percent 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, 2013, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

**BARTOW COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016**

Note 14: POST-EMPLOYMENT BENEFITS (Continued)

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 – 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:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2016	100%	\$ 13,617,431
2015	100%	\$ 13,391,100
2014	100%	\$ 13,041,823

II. REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.661820%	0.678905%
District's proportionate share of the net pension liability	\$ 100,755,523	\$ 85,770,692
State of Georgia's proportionate share of the net pension liability associated with the District	<u>624,489</u>	<u>480,080</u>
Total	<u>\$ 101,380,012</u>	<u>86,250,772</u>
District's covered-employee payroll	\$ 69,858,943	\$ 69,261,759
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	144.23%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	81.44%	84.03%

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

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

	2016	2015	2014
Contractually required contributions	\$ 9,800,121	\$ 9,186,451	\$ 8,505,344
Contributions in relation to the contractually required contributions	9,800,121	9,186,451	8,505,344
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 68,676,391	\$ 69,858,943	\$ 69,261,759
Contributions as a percentage of covered-employee payroll	14.27%	13.15%	12.28%

BARTOW COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC SCHOOLS EMPLOYEE RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.000000%	0.000000%
District's proportionate share of the net pension liability	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the District	<u>1,043,767</u>	<u>982,468</u>
Total	<u>\$ 1,043,767</u>	<u>\$ 982,468</u>
District's covered-employee payroll	\$ 3,843,350	\$ 4,097,052
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	87.00%	88.29%

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

BARTOW COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Teachers Retirement System of Georgia:

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

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

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

Public Schools Employees Retirement System of Georgia:

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

III. OTHER SUPPLEMENTARY INFORMATION

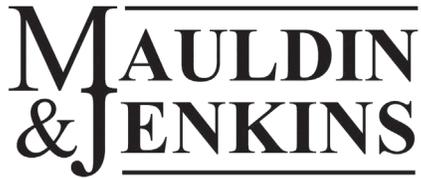
BARTOW COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Project</u>	<u>Original Estimated Cost(1)</u>	<u>Current Estimated Cost(2)</u>	<u>Expended In Current Year (3)</u>	<u>Expended In Prior Years (3) (4)</u>	<u>Total Completion Cost</u>	<u>Project Status</u>
SPLOST Issue 2011:						
Retiring a portion of the School System's General Obligation Bonds, Series 2009 or bonds issued by the School District to refund such bonds.	\$ 4,200,650	\$ 4,200,650	\$ -	\$ 4,200,650	\$ 4,200,650	Complete
Acquiring, constructing, and equipping two new elementary schools and one new middle school, acquiring land for future schools, instructional and administrative technology improvements (including software), school buses, addition to, renovating, repairing, improving and equipping existing school buildings and other buildings and facilities useful or desirable in connection therewith, and acquiring any necessary property thereof, both real and personal.	105,799,350	80,000,000	2,133,055	76,735,058	78,868,113	Ongoing
Total SPLOST Issue 2011	110,000,000	84,200,650	2,133,055	80,935,708	83,068,763	
SPLOST Issue 2016:						
Acquiring, constructing, and equipping one replacement elementary school and a new transportation and maintenance facility, acquiring land for future schools, instructional and administrative technology improvements (including necessary software), and school buses and other vehicles, adding to, renovating, repairing, improving, and equipping existing school buildings, athletic facilities, and other buildings and facilities useful or desirable in connection therewith, and acquiring any necessary property thereof, both real and personal.	111,000,000	111,000,000	3,182,750	-	3,182,750	Ongoing
Total SPLOST Issue 2016	111,000,000	111,000,000	3,182,750	-	3,182,750	
Total	\$ 221,000,000	\$ 195,200,650	\$ 5,315,805	\$ 80,935,708	\$ 86,251,513	

- (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 project(s). Includes all cost from project inception to completion.
- (3) The voters of Bartow 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.

IV. SINGLE AUDIT SECTION



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

**To the Superintendent and Members of
the Bartow County Board of Education
Cartersville, Georgia**

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 the Bartow County Board of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Bartow County Board of Education's basic financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bartow County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bartow County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bartow County Board of Education'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 13, 2016



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

**To the Superintendent and Members of
the Bartow County Board of Education
Cartersville, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the Bartow County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Bartow County Board of Education's major federal programs for the year ended June 30, 2016. The Bartow County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Bartow County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Bartow County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Bartow County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Bartow County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Bartow County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Bartow County Board of Education's internal control over compliance.

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

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 13, 2016

BARTOW COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Expenditures
U. S. DEPARTMENT OF AGRICULTURE		
Passed through Georgia Department of Education:		
Child Nutrition Cluster		
School Breakfast Program - Cash Assistance	10.553	\$ 1,085,625
National School Lunch Program:		
Non-Cash Assistance - Commodities (1)	10.555	351,831
Cash Assistance	10.555	3,642,757
School Snack Program	10.555	97,061
Total Child Nutrition Cluster		<u>5,177,274</u>
 Total U. S. Department of Agriculture		 <u>5,177,274</u>
U. S. DEPARTMENT OF DEFENSE		
Junior R.O.T.C.	12.112	117,038
Total U. S. Department of Defense		<u>117,038</u>
U. S. DEPARTMENT OF EDUCATION		
Passed through the Georgia Department of Education:		
Striving Readers		
Striving Readers - Birth to Age 5	84.371	52,308
Striving Readers - Middle Schools	84.371	15,501
Striving Readers - High Schools	84.371	17,735
Total Striving Readers		<u>85,544</u>
 Title I, Part A		
Title I Programs - Local Education Agency	84.010	3,090,192
Total Title I, Part A		<u>3,090,192</u>

(Continued)

BARTOW COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Expenditures
U. S. DEPARTMENT OF EDUCATION (Continued):		
Passed through Georgia Department of Education (continued):		
Title II-A - Improving Teacher Quality	84.367	343,266
Total Title II-A		<u>343,266</u>
Special Education Cluster (IDEA)		
Title VI-B Preschool	84.173	85,650
Title VI-B Flowthrough	84.027	2,558,598
Total Special Education Cluster (IDEA)		<u>2,644,248</u>
Title III - Limited English Proficient	84.365	92,015
Education for the Homeless Children and Youth	84.196	34,967
Vocational Education - Perkins Plus	84.048	19,328
Vocational Education - Perkins IV - Reserve - Perkins Carryover	84.048	7,352
Vocational Education - Program Improvement	84.048	111,201
Total Vocational Education		<u>137,881</u>
Total Passed Through Georgia Department of Education		<u>6,428,113</u>
Total U. S. Department of Education		<u>6,428,113</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Georgia Department of Behavioral Health and Development Disabilities:		
Substance Abuse Block Grant	93.959	165,666
Total U. S. Department of Health and Human Services		<u>165,666</u>
Total Expenditures of Federal Awards		<u>\$ 11,888,091</u>

(1) The amounts shown for the Food Distribution Program represents the federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the system during the current fiscal year.

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Bartow County Board of Education and is presented on the modified accrual basis of accounting.

The School District did not utilize the 10% de minimis indirect cost rate.

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 Award. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

BARTOW COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:
 Material weaknesses identified?

yes no

Significant deficiencies identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal Control over major federal programs:
 Material weaknesses identified?

yes no

Significant deficiencies identified?

yes none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major program:

CFDA Number
 10.553, 10.555

Name of Federal Program or Cluster
 Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

BARTOW COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

BARTOW COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

BARTOW COUNTY BOARD OF EDUCATION

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

STATUS OF PRIOR YEAR FINDINGS

2015-001 Expenditure Recognition

Condition: Internal controls were not sufficient to detect certain misstatements in the reporting of the School District's expenditures and related balance sheet accounts. During the testing of expenditures an audit adjustment was required to correct current year expenditures and related balance sheet accounts in the General Fund and Capital Projects Fund. The General Fund and Capital Projects Fund required an audit adjustment of approximately \$283,000 to properly report the prepaid expenditures. In the Capital Projects Fund, prepaid expenditures were overstated and expenditures were understated due to the misposting of the prepaid expenditure in the incorrect fund. Conversely, in the General Fund, prepaid expenditures were understated and expenditures were overstated.

Status: Corrected.