

**HENRY COUNTY BOARD
OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2017**

**Prepared by:
Finance Department**

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McDonough, Georgia 30253**

**HENRY COUNTY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of the
Henry County Board of Education
McDonough, 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 **Henry County Board of Education** as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Henry 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 the 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 Henry County Board of Education as of June 30, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund, Special Revenue Fund and Debt Service 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 (on pages 4 through 12), the schedules of proportionate share of the net pension liability and the schedules of contributions on pages 55 through 61 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 Henry County Board of Education's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-121, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2018, on our consideration of the Henry 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 Henry County Board of Education’s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
February 7, 2018

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

INTRODUCTION

Our discussion and analysis of the Henry County School System's ("School System") financial performance provides an overview of the School System's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School System's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School System's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- On the government-wide financial statements, the assets and deferred outflow of resources of the School System exceeded liabilities by \$341.8 million.
- Total revenues for governmental funds increased from \$449.4 million in 2016 to \$466.9 million in 2017, an increase of \$17.5 million.
- Total expenditures of governmental funds increased from \$450 million in 2016 to \$518.6 million in 2017, an increase of \$68.6 million.
- The change in net position of the School System improved by \$3.2 million from 2016 to 2017.
- The 2017 total fund balance for the General Fund (\$44.4 million) shows an \$8.3 million decrease from the prior fiscal year amount (\$52.7 million).

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 two levels of statements that present different views of the School System. These include the government-wide and fund financial statements.

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

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

The fund financial statements focus on individual parts of the School System, reporting the School System's operation in more detail. The Governmental Funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The 'Fiduciary Funds' statements provide information about the financial relationships in which the School System acts solely as a trustee or agent for the benefit of others. In the case of the Henry County School System, the General Fund, Capital Projects Fund, Debt Service Fund, and Special Revenue Fund are reported as major funds.

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

Government-wide Statements

The government-wide statements report information about the School System as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the board's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School System's net position and how they have changed. Net position, the difference between the School System's assets, deferred outflows of resources, liabilities, and deferred inflows of resources are one way to measure the School System's financial health or position.

Over time, increases or decreases in the School System's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School System, additional non-financial factors, such as changes in the property tax base, community support for education and student achievement should be considered.

The Statement of Net Position and the Statement of Activities reflects the School System's governmental activities.

Fund Financial Statements

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

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

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

Fiduciary Funds – The School System is the trustee, or fiduciary, for assets that belong to clubs, organizations and others within the principals’ accounts. The School System 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 System excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM AS A WHOLE

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
Assets		
Current and Other Assets	\$334,257,714	\$380,332,965
Capital Assets, Net	731,573,372	705,301,892
Total Assets	\$1,065,831,086	\$1,085,634,857
Deferred Outflows of Resources	\$100,785,091	\$30,174,294
Liabilities		
Current and Other Liabilities	\$67,202,034	\$59,223,925
Long-Term Liabilities	750,537,979	685,242,489
Total Liabilities	\$817,740,013	\$744,466,414
Deferred Inflows of Resources	\$7,115,650	\$32,775,220
Net Position		
Net investment in Capital Assets	\$367,403,517	\$303,568,653
Restricted	26,289,857	15,954,636
Unrestricted	(51,932,860)	19,044,228
Total Net Position	\$341,760,514	\$338,567,517

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

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM AS A WHOLE (CONTINUED)

Table 2
Changes in Net Position

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
Revenues		
Program Revenues:		
Charges for Services and Sales	\$10,372,703	\$11,501,921
Operating Grants and Contributions	233,086,493	227,037,065
Capital Grants and Contributions	6,089,354	4,069,078
Total Program Revenues	<u>\$249,548,550</u>	<u>\$242,608,064</u>
General Revenues:		
Property Taxes	\$148,479,274	\$135,498,043
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Service	33,741,025	32,960,910
Other Taxes	4,477,930	4,254,949
Grants and Contributions not Restricted to		
Specific Programs	18,576,312	22,908,226
Investment Earnings	1,598,608	56,028
Local School Activity	10,089,191	10,117,935
Total General Revenues	<u>\$216,962,340</u>	<u>\$205,996,091</u>
Total Revenues	<u><u>\$466,510,890</u></u>	<u><u>\$448,604,155</u></u>
Program Expenses		
Instruction	\$307,664,772	\$257,919,059
Support Services		
Pupil Services	13,492,979	10,729,161
Improvement of Instructional Services	17,055,138	14,200,685
Educational Media Services	5,622,143	5,215,805
General Administration	3,111,558	2,491,804
School Administration	25,081,905	21,943,774
Business services	1,583,474	1,130,470
Maintenance and Operation of Plant	32,813,239	31,948,492
Student Transportation Services	20,448,447	17,645,592
Central Support Services	1,939,365	1,487,675
Other Support Services	3,257,887	3,349,809
Operations of Non-Instructional Services		
Community Services	2,924,070	2,789,562
School Nutrition	17,694,856	17,998,497
Interest on Short-Term and Long-Term Debt	10,628,060	7,730,780
Total Expenses	<u>\$463,317,893</u>	<u>\$396,581,165</u>
Increase in Net Position	<u><u>\$3,192,997</u></u>	<u><u>\$52,022,990</u></u>

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

Governmental Activities

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

Table 3
Cost of Services

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
Instruction	\$307,664,772	\$257,919,059	\$106,197,707	\$67,838,264
Support Services				
Pupil Services	13,492,979	10,729,161	11,266,005	8,751,181
Improvement of Instructional Services	17,055,138	14,200,685	12,267,879	9,582,498
Educational Media Services	5,622,143	5,215,805	5,622,143	673,613
General Administration	3,111,558	2,491,804	(1,005,506)	(2,752,288)
School Administration	25,081,905	21,943,774	25,081,905	12,233,571
Business Services	1,583,474	1,130,470	1,576,798	1,130,470
Maintenance and Operations	32,813,239	31,948,492	21,802,957	31,948,492
Student Transportation	20,448,447	17,645,592	17,925,404	15,493,999
Central Support Services	1,939,365	1,487,675	1,915,294	1,468,721
Other Support Services	3,257,887	3,349,809	3,154,246	2,825,752
Operations of Non-Instructional Services				
Enterprise Operations	-	-	(148,173)	(150,081)
Community Services	2,924,070	2,789,562	(2,354,941)	(3,402,206)
School Nutrition	17,694,856	17,998,497	(160,435)	600,335
Interest on Long-Term Debt	10,628,060	7,730,780	10,628,060	7,730,780
Total Expenses	\$463,317,893	\$396,581,165	\$213,769,343	\$153,973,101

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

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM'S FUNDS

The School System's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$466.9 million and total expenditures of \$518.6 million. Included in the expenditures of \$518.6 million were approximately \$47.6 million of debt service expenditures.

Major Funds:

General Fund

The General Fund is the operating fund of the School System. Revenue from state and federal sources accounted for 63% of the School System's revenue. The other 37% is from local sources, primarily ad valorem taxes. In fiscal year 2017, state and federal funding increased by \$1.9 million. This was the result of a smaller state "austerity" cut and student enrollment growth. Local revenues increased by \$9.9 million. This was the result of growth in the property tax digest. The School System's maintenance and operation millage is 20.00 mills.

Capital Projects Fund

The Capital Projects Fund is used to account for school construction and improvement projects.

The Capital Projects Fund expenditures were made primarily with funds from a \$214.3 million General Obligation Bond Referendum in 2016. The School System purchased school buses and land, improved technology, began construction on a new middle school and a new high school, renovated, repaired, and improved existing facilities in 2017. Those expenditures totaled \$65.6 million.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payments of principal and interest for general obligation bond issues of the School System. Special Purpose Local Option Sales Tax (SPLOST) collections accounted for 60% of the Debt Service Fund revenue. The other 40% is from ad valorem taxes. For fiscal year 2017, the debt service millage rate was 3.628 mills.

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

General Fund Budgeting Highlights

The School System's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund.

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

For the General Fund, actual revenues of \$353.9 million were 100.7% of the final budgeted amount of \$351.5 million. The final actual expenditures of \$359.7 were 99.3% of the final budgeted amount of \$362.2 million. The School System's actual results for the General Fund for the fiscal year show that expenditures exceeded revenues by \$5.8 million. The School System had planned to use \$10.8 million of reserves to balance the 2017 budget. However, revenues exceeded projections and expenditures were less than projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2017, the School System had \$731.6 million invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation as compared to the prior fiscal year.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
Land	\$42,194,009	\$34,468,856
Construction in Progress	33,593,649	23,297,565
Buildings and Improvements	638,797,706	630,299,471
Land Improvements	5,605,036	6,422,644
Infrastructure	2,616,396	2,703,850
Equipment	8,766,576	8,109,506
Total	\$731,573,372	\$705,301,892

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

Debt

At fiscal year ended June 30, 2017, the School System had \$750.5 million in long-term liabilities outstanding. Table 5 summarizes the School System’s liabilities as compared to the prior fiscal year.

Table 5
Long-Term Liabilities at June 30

	Governmental Activities	
	Fiscal Year 2017	Fiscal Year 2016
Bonds Payable	\$370,826,723	\$409,846,712
Compensated Absences	1,395,378	1,257,396
Workers Compensation Claims Payable	1,563,128	2,336,493
Net Pension Liability	376,752,750	271,801,888
Total	\$750,537,979	\$685,242,489

At June 30, 2017, the School System’s assigned bond ratings were ‘Aa2’ and ‘AA’ as determined by Moody’s Investor Services, Inc. and Standard and Poor’s Rating Services.

ECONOMIC CONDITIONS AFFECTING THE SCHOOL SYSTEM

The fiscal year 2018 budget was presented to the public and tentatively adopted by the Board of Education on May 8, 2017, with the final adoption on June 12, 2017. The budget represents an investment plan for the School System, its students, employees, and the community as a whole. The budget is tied directly to the strategic vision and direction of the Board of Education.

The budget for the General Fund for FY2018 is \$379.9 million, representing an increase of 4.87% from the FY2017 General Fund budget.

State revenue budget includes the continuation of state revenue cuts made to the Quality Basic Education (QBE) funding formula – cuts that began in FY2003. The “temporary QBE reduction” for the School System in FY2018 is \$4.1 million. The projected reduction for FY2019 is \$4.1 million. The cumulative effect of these reductions on the School System over the 16-year period is the loss of approximately \$220.9 million. The persistent state cuts have presented a formidable challenge in meeting the needs of Henry’s growing school system.

The millage rate to support the School System’s operating budget is projected to remain unchanged from the previous year rate of 20.00 mills. Also, positively impacting revenue estimates is projected growth in the local property tax digest. The value of the ad valorem tax digest increased by 8.69% in FY17 and 6.07% in FY18. The tax digest is projected to increase by 5% in FY19. This indicates that existing property values have stabilized and new construction is being added to the digest.

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

With property tax revenue stabilizing and continuing to grow, and austerity cuts in state funding declining, the School System was able to address some needed and well-deserved salary improvements for employees for the fourth time in the past nine years (no salary increases and furlough days for employees during fiscal years 2010 – 2014). Most employees received a 3% salary increase in FY18. In an effort to be more competitive, certain salary schedules were increased up to 25%.

The School System plans capital improvements as future capital needs arise due to increased student population, facility repair, and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues, collections from Education Special Purpose Local Option Sales Tax (ESPLOST), and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. The School System regularly monitors anticipated capital outlay needs.

Education Special Purpose Local Option Sales Tax (ESPLOST) collections in calendar year 2017 were \$34 million (2.3% increase compared to 2016). On March 1, 2016, the citizens of Henry County approved a referendum to continue collecting the sales tax for education for another five years beginning January 1, 2018 and ending on December 31, 2022.

On May 19, 2016, the School System issued \$214,255,000 General Obligation Bonds, Series 2016. Collections from the ESPLOST beginning January 1, 2018, and bond millage tax revenue will be used to retire the 15-year bond debt. The funds will be used to construct a new high school, middle school, and performing arts center, renovate and repair existing facilities, improve technology, purchase buses and land. Expenditure of the funds began in FY18.

CONTACTING THE SCHOOL SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's taxpayers, investors and creditors with a general overview of the School System's finances and to show the System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Jeff Allie, Assistant Superintendent of Finance, Henry County Board of Education, 33 North Zack Hinton Parkway, McDonough, Georgia 30253. You may also email your questions to Mr. Allie at jeff.allie@henry.k12.ga.us.

BASIC FINANCIAL STATEMENTS

HENRY COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 37,133,541
Investments	257,808,858
Intergovernmental receivables	38,771,296
Inventories	544,019
Capital assets, nondepreciable	75,787,658
Capital assets, depreciable (net of accumulated depreciation)	655,785,714
Total assets	1,065,831,086
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	100,200,721
Deferred charge on refunding	584,370
Total deferred outflows of resources	100,785,091
LIABILITIES	
Accounts payable	10,759,168
Accrued interest	5,507,750
Accrued payroll and payroll withholdings	45,834,545
Contracts payable	3,332,690
Retainage payable	1,767,881
Workers' compensation claims payable due within one year	1,479,053
Workers' compensation claims payable due in more than one year	84,075
Compensated absences due within one year	827,186
Compensated absences due in more than one year	568,192
Net pension liability, due in more than one year	376,752,750
General obligation bonds due within one year	37,541,000
General obligation bonds due in more than one year, net of unamortized premium	333,285,723
Total liabilities	817,740,013
DEFERRED INFLOWS OF RESOURCES	
Pensions	7,115,650
Total deferred inflows of resources	7,115,650
NET POSITION	
Net investment in capital assets	367,403,517
Restricted for debt service	21,862,992
Restricted for program activities	4,426,865
Unrestricted	(51,932,860)
Total net position	\$ 341,760,514

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

HENRY COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenues and Changes</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>in Net Position</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Instruction	\$ 307,664,772	\$ 1,272,719	\$ 194,413,857	\$ 5,780,489	\$ (106,197,707)
Pupil services	13,492,979	-	2,226,974	-	(11,266,005)
Improvement of instructional services	17,055,138	-	4,787,259	-	(12,267,879)
Educational media services	5,622,143	-	-	-	(5,622,143)
General administration	3,111,558	-	4,117,064	-	1,005,506
School administration	25,081,905	-	-	-	(25,081,905)
Business services	1,583,474	-	6,676	-	(1,576,798)
Maintenance and operations	32,813,239	-	11,010,282	-	(21,802,957)
Student transportation	20,448,447	-	2,214,178	308,865	(17,925,404)
Central support services	1,939,365	-	24,071	-	(1,915,294)
Other support services	3,257,887	-	103,641	-	(3,154,246)
School nutrition	17,694,856	3,672,800	14,182,491	-	160,435
Enterprise operations	-	148,173	-	-	148,173
Community services	2,924,070	5,279,011	-	-	2,354,941
Interest on long-term debt	10,628,060	-	-	-	(10,628,060)
Total governmental activities	463,317,893	10,372,703	233,086,493	6,089,354	(213,769,343)
General revenues:					
Property taxes					148,479,274
Sales taxes					33,741,025
Other taxes					4,477,930
Grants and contributions not restricted to specific programs					18,576,312
Local school activity					10,089,191
Unrestricted investment earnings					1,598,608
Total general revenues					216,962,340
Change in net position					3,192,997
Net position, beginning of year					338,567,517
Net position, end of year					\$ 341,760,514

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

HENRY COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2017

ASSETS	General	Debt Service	Special Revenue	Nonmajor Capital Projects	Total Governmental Funds
Cash	\$ 26,447,464	\$ 267,640	\$ 5,471,221	\$ 4,947,216	\$ 37,133,541
Investments	40,887,049	18,637,801	-	198,284,008	257,808,858
Due from other governments	32,419,603	3,211,318	3,140,375	-	38,771,296
Due from other funds	645,190	-	1,337,469	-	1,982,659
Inventories	-	-	544,019	-	544,019
Total assets	<u>\$ 100,399,306</u>	<u>\$ 22,116,759</u>	<u>\$ 10,493,084</u>	<u>\$ 203,231,224</u>	<u>\$ 336,240,373</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 10,020,146	\$ -	\$ 277,281	\$ 461,741	\$ 10,759,168
Contracts payable	-	-	-	3,332,690	3,332,690
Retainage payable	-	-	-	1,767,881	1,767,881
Due to other funds	1,337,469	-	645,190	-	1,982,659
Accrued payroll and payroll withholdings	43,220,784	-	2,613,761	-	45,834,545
Total liabilities	<u>54,578,399</u>	<u>-</u>	<u>3,536,232</u>	<u>5,562,312</u>	<u>63,676,943</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,383,307	253,767	-	-	1,637,074
Total deferred inflows of resources	<u>1,383,307</u>	<u>253,767</u>	<u>-</u>	<u>-</u>	<u>1,637,074</u>
FUND BALANCES					
Fund balances:					
Nonspendable for inventories	-	-	544,019	-	544,019
Restricted for:					
Program activities	-	-	3,882,846	-	3,882,846
Debt service	-	21,862,992	-	-	21,862,992
Capital projects	-	-	-	197,668,912	197,668,912
Committed to school activity funds	-	-	2,529,987	-	2,529,987
Assigned:					
For subsequent year's budget	11,959,479	-	-	-	11,959,479
Unassigned	32,478,121	-	-	-	32,478,121
Total fund balances	<u>44,437,600</u>	<u>21,862,992</u>	<u>6,956,852</u>	<u>197,668,912</u>	<u>270,926,356</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 100,399,306</u>	<u>\$ 22,116,759</u>	<u>\$ 10,493,084</u>	<u>\$ 203,231,224</u>	<u>\$ 336,240,373</u>

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

HENRY COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different from amounts reported in the balance sheet of governmental funds due to the following:

Fund balances - total governmental funds	\$ 270,926,356
Capital assets	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of the assets	958,921,872
Accumulated depreciation	(227,348,500)
Revenues	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,637,074
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. Long-term liabilities at year-end consist of the following:	
Bonds payable	(331,544,000)
Accrued interest payable	(5,507,750)
Unamortized premium	(39,282,723)
Unamortized deferred charge on refunding	584,370
Compensated absences	(1,395,378)
Workers' compensation claims payable	(1,563,128)
Net pension liability	(376,752,750)
Deferred outflows of resources - pensions	100,200,721
Deferred inflows of resources - pensions	(7,115,650)
Net position - governmental activities.	<u>\$ 341,760,514</u>

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

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

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources	\$ 132,619,489	\$ 56,051,106	\$ 19,041,002	\$ 66	\$ 207,711,663
State sources	220,645,681	-	729,983	5,780,423	227,156,087
Federal sources	1,938,969	-	28,501,869	-	30,440,838
Interest income	270,675	61,129	205	1,266,599	1,598,608
Total revenues	<u>355,474,814</u>	<u>56,112,235</u>	<u>48,273,059</u>	<u>7,047,088</u>	<u>466,907,196</u>
EXPENDITURES					
Current:					
Instruction	251,473,962	-	18,956,030	-	270,429,992
Pupil services	10,949,754	-	2,233,886	-	13,183,640
Improvement of instructional services	10,390,296	-	6,278,053	-	16,668,349
Educational media services	5,480,716	-	-	-	5,480,716
General administration	2,902,015	-	160,971	-	3,062,986
School administration	24,422,904	-	-	-	24,422,904
Business services	1,598,762	2,963	-	-	1,601,725
Maintenance and operations	32,662,663	-	-	-	32,662,663
Student transportation	18,737,415	-	94,611	-	18,832,026
Central support services	1,869,893	-	13,417	-	1,883,310
Other support services	3,147,317	-	104,336	-	3,251,653
School nutrition	141,678	-	17,347,021	-	17,488,699
Community service	-	-	2,919,103	-	2,919,103
Capital outlay	-	-	-	59,168,274	59,168,274
Debt service:					
Principal retirement	-	35,316,000	-	-	35,316,000
Interest and fiscal charges	-	5,829,508	-	6,414,030	12,243,538
Total expenditures	<u>363,777,375</u>	<u>41,148,471</u>	<u>48,107,428</u>	<u>65,582,304</u>	<u>518,615,578</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,302,561)</u>	<u>14,963,764</u>	<u>165,631</u>	<u>(58,535,216)</u>	<u>(51,708,382)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	5,000,000	5,000,000
Transfers out	-	(5,000,000)	-	-	(5,000,000)
Total other financing sources (uses)	<u>-</u>	<u>(5,000,000)</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>
Net change in fund balances	(8,302,561)	9,963,764	165,631	(53,535,216)	(51,708,382)
FUND BALANCE, beginning of year	<u>52,740,161</u>	<u>11,899,228</u>	<u>6,791,221</u>	<u>251,204,128</u>	<u>322,634,738</u>
FUND BALANCE, end of year	<u>\$ 44,437,600</u>	<u>\$ 21,862,992</u>	<u>\$ 6,956,852</u>	<u>\$ 197,668,912</u>	<u>\$ 270,926,356</u>

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

HENRY 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, 2017

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

Net change in fund balances - total governmental funds. \$ (51,708,382)

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. This is the amount by which capital outlay exceeded depreciation in the current period.

Total capital outlay	46,648,871
Total depreciation	(19,804,617)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (572,774)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (336,792)

The issuance of long-term debt provides current financial resources to governmental funds, and thus contributes to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position. The amount of the items that make up these differences in the treatment of long-term debt and related items are as follows:

Principal repayments on general obligation bonds	35,316,000
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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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The adjustments for these items are as follows:

Change in compensated absences	(137,982)
Change in accrued interest on general obligation bonds	(2,008,186)
Change in workers' compensation claim liability	773,365
Adjustment to record pension expense and related revenue for pension special funding situation, net of fund level amounts	(59,514)
Change in net pension liability and deferred inflows and outflows related to pension activity	(8,540,656)
Amortization of premium on general obligation bonds	3,703,989
Amortization of deferred loss on refunding	(80,325)
	(80,325)

Change in net position - governmental activities.	\$ 3,192,997
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The accompanying notes are an integral part of these financial statements.

HENRY COUNTY BOARD OF EDUCATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 128,944,000	\$ 128,944,000	\$ 132,619,489	\$ 3,675,489
State sources	220,337,444	220,337,444	219,096,971	(1,240,473)
Federal sources	2,106,000	2,106,000	1,938,969	(167,031)
Interest income	75,000	75,000	270,675	195,675
Total revenues	<u>351,462,444</u>	<u>351,462,444</u>	<u>353,926,104</u>	<u>2,463,660</u>
EXPENDITURES				
Current:				
Instruction	252,796,150	252,796,150	248,636,583	4,159,567
Pupil services	10,651,991	10,651,991	10,826,208	(174,217)
Improvement of instructional services	9,949,644	9,949,644	10,390,296	(440,652)
Educational media services	5,640,125	5,640,125	5,418,877	221,248
General administration	2,723,520	2,723,520	2,897,318	(173,798)
School administration	23,924,046	23,924,046	24,147,340	(223,294)
Business services	1,615,524	1,615,524	1,591,337	24,187
Maintenance and operations	32,886,930	32,886,930	32,489,598	397,332
Student transportation	17,221,367	17,221,367	18,274,624	(1,053,257)
Central support services	1,792,232	1,792,232	1,858,044	(65,812)
Other support services	3,019,508	3,019,508	3,147,197	(127,689)
Total expenditures	<u>362,221,037</u>	<u>362,221,037</u>	<u>359,677,422</u>	<u>2,543,615</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,758,593)</u>	<u>(10,758,593)</u>	<u>(5,751,318)</u>	<u>5,007,275</u>
Net change in fund balances	<u>\$ (10,758,593)</u>	<u>\$ (10,758,593)</u>	<u>\$ (5,751,318)</u>	<u>\$ 5,007,275</u>

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

HENRY COUNTY BOARD OF EDUCATION
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 54,665,910	\$ 54,665,910	\$ 56,051,106	\$ 1,385,196
Interest income	-	-	61,129	61,129
Total revenues	<u>54,665,910</u>	<u>54,665,910</u>	<u>56,112,235</u>	<u>1,446,325</u>
EXPENDITURES				
Current:				
Business services	-	-	2,963	(2,963)
Debt service:				
Principal retirement	-	-	35,316,000	(35,316,000)
Interest and fiscal charges	47,556,178	47,556,178	5,829,508	41,726,670
Total expenditures	<u>47,556,178</u>	<u>47,556,178</u>	<u>41,148,471</u>	<u>6,407,707</u>
Excess of revenues over expenditures	<u>7,109,732</u>	<u>7,109,732</u>	<u>14,963,764</u>	<u>7,854,032</u>
OTHER FINANCING USES				
Transfers out	-	-	(5,000,000)	(5,000,000)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>	<u>(5,000,000)</u>
Net change in fund balances	<u>\$ 7,109,732</u>	<u>\$ 7,109,732</u>	<u>\$ 9,963,764</u>	<u>\$ 2,854,032</u>

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

HENRY COUNTY BOARD OF EDUCATION
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 16,888,788	\$ 16,888,788	\$ 19,041,002	\$ 2,152,214
State sources	766,630	766,630	729,983	(36,647)
Federal sources	33,739,000	33,739,000	28,501,869	(5,237,131)
Interest income	-	-	205	205
Total revenues	<u>51,394,418</u>	<u>51,394,418</u>	<u>48,273,059</u>	<u>(3,121,359)</u>
EXPENDITURES				
Current:				
Instruction	19,687,934	19,687,934	18,824,761	863,173
Pupil services	1,726,002	1,726,002	2,218,417	(492,415)
Improvement of instructional services	6,731,976	6,731,976	6,234,578	497,398
General administration	82,088	82,088	160,971	(78,883)
Student transportation	55,101	55,101	94,611	(39,510)
Central support services	1,604	1,604	13,417	(11,813)
Other support services	702,320	702,320	104,336	597,984
School nutrition	19,031,630	19,031,630	17,226,895	1,804,735
Community service	3,166,003	3,166,003	2,919,103	246,900
Total expenditures	<u>51,184,658</u>	<u>51,184,658</u>	<u>47,797,089</u>	<u>3,387,569</u>
Excess of revenues over expenditures	<u>209,760</u>	<u>209,760</u>	<u>475,970</u>	<u>266,210</u>
Net change in fund balances	<u>\$ 209,760</u>	<u>\$ 209,760</u>	<u>\$ 475,970</u>	<u>\$ 266,210</u>

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

HENRY COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2017

	<u>Agency Fund</u> <u>Student</u> <u>Activities</u>
ASSETS	
Cash	\$ <u>506,604</u>
LIABILITIES	
Due to others	\$ <u>506,604</u>

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

HENRY COUNTY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Henry County Board of Education (the "School System") operates under a Board/Superintendent form of government. The five-member Board is elected by the public and the Board appoints the superintendent. These five elected members have decision making authority, the power to designate management, and the ability to significantly influence operations. The Board determines the millage rate at which school taxes are levied and may incur bonded indebtedness with voter approval.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School System. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the School System considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School System.

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 System must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School System 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 12-month contract period, typically, 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 System over the same 12-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 System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The School System reports the following major governmental funds:

The **General Fund** is the School System's primary operating fund. It accounts for all financial resources of the School System, except those required to be accounted for in another fund.

The **Special Revenue Fund** accounts for Federal and state funded programs. These grants are awarded to the School System for the purpose of accomplishing specific educational tasks as defined in the grant agreements. These funds also contain several locally funded programs whose expenditures are limited to specific purposes. School Activity Funds are also reported as special revenue funds. The School Activity Funds are used to account for funds collected primarily through the fund raising efforts of the individual school. Each school's principal is responsible, under the authority of the Board, for collecting, controlling, disbursing, and accounting for his or her school's funds. All resources of the fund, including earnings on invested resources, may be used to support the schools' activities.

The **Debt Service Fund** is used to account for accumulation of property tax and special purpose local option sales tax proceeds for the payment of debt principal and interest on the various bond issuances of the School System.

Additionally, the School System reports the following fund type:

The **Capital Projects Fund** accounts for the proceeds of a one percent Special Purpose Local Option Sales Tax as well as bond proceeds and revenues from local and state sources to be used for land and building acquisitions and construction and renovations of new educational and administrative facilities.

The **Agency Fund** is used to account for student club and class accounts.

Amounts reported as *program revenues* include: 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the School System's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments

The School System's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the School System to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool (Georgia Fund 1). The investment in Georgia Fund 1, created by O.C.G.A. 36-83-8, represents the School System's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. Treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, banker's acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in Georgia Fund 1 is valued at fair market value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

F. On-Behalf Payments

The State of Georgia makes certain pension plan payments on behalf of the School System for its employees. The School System records these payments as both a revenue and expenditure in the General Fund. The total of the on-behalf payments for the fiscal year ended June 30, 2017, was \$590,211.

G. Inventories

Inventories are stated at cost using the first-in, first-out method. Donated food commodities are recorded at fair value. The School System utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as an expenditure when used rather than when purchased.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Non-Monetary Transactions

The School System received from the United States Department of Agriculture through the Georgia Department of Education approximately \$1,365,395 in donated food commodities for its lunchroom programs. The federally assigned value of these commodities is reflected as a revenue and an expenditure in the financial statements.

I. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of the asset. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capitalization thresholds and estimated useful lives of capital assets are as follows:

<u>Asset</u>	<u>Capitalization Threshold</u>	<u>Years</u>
Land	All	N/A
Infrastructure	All	50
Land improvements	\$10,000	10-20
Buildings and improvements	\$100,000	20-60
Machinery and equipment	\$10,000	5-25

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position/governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to the items related to the changes in the net pension liability, the School System has one other item that qualifies for reporting in this category. That item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position/governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In addition to the items related to the changes in the net pension liability as discussed below, the School System has one other type of item, which arises only 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 one source: property taxes. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

The School System also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the School System's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service life of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the School System to the pension plan before year-end but subsequent to the measurement date of the School System's net pension liability are reported as deferred outflows of resources.

K. 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), the Public School Employees Retirement System (PSERS), and the Employees' Retirement System (ERS); and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by each plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Compensated Absences

It is the School System's policy to permit employees to accumulate unused vacation and sick pay benefits. Accumulated unpaid sick leave benefits do not vest and therefore are not accrued in any fund, but are recognized as expenditures or expenses when incurred. Accumulated unpaid vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

N. Fund Equity

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

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Board of Education 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 that are not in spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

Restricted: Fund balances that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity (Continued)

Committed: Fund balances that can be used only for the specific purposes determined by an approved resolution of the Henry County Board of Education. Commitments may be changed or lifted only by referring to formal action that imposed the original constraint on the fund (e.g., the School System's commitment in connection with future construction projects).

Assigned: Fund balances intended to be used by the School System for specific purposes. Intent can be expressed by the Henry County Board of Education or by a designee to whom the Henry County Board of Education delegates authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned: Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The School System reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

The responsibility for designating funds to specific classifications shall be as follows:

Committed: The Henry County Board of Education is the School System's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

Assigned: The Henry County Board of Education has authorized the Superintendent and the Assistant Superintendent for Financial Services as officials authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity (Continued)

When multiple categories of fund balance are available for expenditures (e.g., a project is being funded partly by a grant, funds set aside by the Henry County Board of Education, and unassigned fund balance), the School System will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Net position represents the difference between assets and liabilities 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 balance of any borrowing used (i.e., the amount that the School System 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.

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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/expenditures during the reporting period. Actual results could differ from those estimates.

P. Tax Abatement Agreements

During the year ended June 30, 2017, the School System implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures. This statement requires the School System to disclose information for any tax abatement agreements either entered into by the School System, or agreements entered into by other governments that reduce the School System's tax revenues. As of June 30, 2017, the School System did not have any such agreements, either entered into by the School System or by other governments that exceeded the quantitative threshold for disclosure.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The School System adopts annual budgets for its General Fund, Debt Service Fund, and Special Revenue Fund. The School System does not employ encumbrance accounting and, accordingly, all appropriations lapse at year-end. After the School System has tentatively adopted a budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board members after the advertisement, the budget is revised as necessary and adopted as the final budget. This final budget is then submitted to the Georgia Department of Education in accordance with provisions of the Quality Basic Education Act (QBE). The level of budgetary control (the level at which expenditures may not exceed appropriations) is at the function level.

The Statements of Revenues and Expenditures – Budget (Non-GAAP) to Actual present actual and budget data for the General Fund, Special Revenue Fund and Debt Service Fund. To facilitate comparison with the budget, adjustments have been made to actual revenues and expenditures to reflect actual amounts on the budget basis. The primary differences between the budget basis and accounting principles generally accepted in the United States of America (“GAAP”) are:

- a. State QBE revenue is recorded when received (budget) rather than when susceptible to accrual (GAAP).
- b. Salaries and employee benefits paid to teachers under contract are recorded when paid (budget) rather than when the liability is incurred (GAAP).
- c. Payments made by the State of Georgia for School System employee benefits are recognized as revenues and expenditures under GAAP and are not recognized on the budget basis.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Adjustments necessary to convert the General Fund's net change in fund balance from the GAAP basis to the budgetary basis are as follows:

GAAP basis net change in fund balance	\$ (8,302,561)
Adjustments for:	
State QBE revenue	(958,499)
Salaries and employee benefits	3,509,742
State paid employee benefit revenue	(590,211)
State paid employee benefit expenditures	<u>590,211</u>
Budget basis net change in fund balance	<u>\$ (5,751,318)</u>

Adjustments necessary to convert the Special Revenue Fund's net change in fund balance from the GAAP basis to the budgetary basis are as follows:

GAAP basis net change in fund balance	\$ 165,631
Adjustments for salaries and employee benefits	<u>310,339</u>
Budget basis net change in fund balance	<u>\$ 475,970</u>

NOTE 3. DEPOSITS AND INVESTMENTS

Credit Risk. State statutes authorize the School System to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool (Georgia Fund 1). The investment in Georgia Fund 1, created by O.C.G.A. 36-83-8, represents the School System's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. Treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, banker's acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in Georgia Fund 1 is valued at fair market value.

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

Investment	Maturities	Fair Value
Georgia Fund 1	26 day weighted average	\$ 257,808,858

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk. The School System 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.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government 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 and 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, 2017, all of the School System's deposits were properly collateralized in accordance with state law and applicable GASB pronouncements.

NOTE 4. RECEIVABLES

Receivables at June 30, 2017, for the School System's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	Special Revenue Fund	Total
Due from other governments	\$ 32,632,509	\$ 3,250,007	\$ 3,140,375	\$ 39,022,891
Less allowance for uncollectible	(212,906)	(38,689)	-	(251,595)
Net total receivable	<u>\$ 32,419,603</u>	<u>\$ 3,211,318</u>	<u>\$ 3,140,375</u>	<u>\$ 38,771,296</u>

Due from other governments consists of grant reimbursements due primarily from the Georgia Department of Education, sales taxes which are collected by the state on the School System's behalf, and property taxes collected by the Henry County Tax Commissioner on the School System's behalf.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PROPERTY TAXES

Henry County bills and collects property taxes for the School System. Property taxes are levied (assessed) on all taxable real, public utility and personal property (including vehicles) located within the County as of January 1st of each year. State law limits the School System's tax levy for operations to 20 mills (one mill equals \$1 per thousand dollars of assessed value). Assessed values for property tax purposes are determined by the Henry County Board of Tax Assessors for all property except public utilities and motor vehicles. Assessed value is set at 40% of market value. The State of Georgia establishes values for public utilities and motor vehicles.

Real property taxes were levied on September 9, 2016, billed on September 13, 2016, and payable on or before November 16, 2016. Henry County may place liens on property once the related tax payments become delinquent. The property tax receivable allowance is equal to 10% of outstanding property taxes at June 30, 2017, net of amounts collected within 60 days of year-end.

Vehicle personal property taxes are due upon each respective payor's date of birth on an annual basis. Beginning in April 2013, a title ad valorem tax is assessed upon sale of a vehicle, which replaces the personal property tax due annually on the payor's date of birth.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 34,468,856	\$ 8,290,740	\$ (565,587)	\$ -	\$ 42,194,009
Construction in progress	23,297,565	36,094,346	-	(25,798,262)	33,593,649
Total	<u>57,766,421</u>	<u>44,385,086</u>	<u>(565,587)</u>	<u>(25,798,262)</u>	<u>75,787,658</u>
Capital assets, being depreciated:					
Buildings and improvements	795,665,159	-	-	25,798,262	821,463,421
Land improvements	22,410,946	-	-	-	22,410,946
Infrastructure	3,484,220	-	-	-	3,484,220
Machinery and equipment	33,651,775	2,263,785	(139,933)	-	35,775,627
Total	<u>855,212,100</u>	<u>2,263,785</u>	<u>(139,933)</u>	<u>25,798,262</u>	<u>883,134,214</u>
Less accumulated depreciation for:					
Buildings and improvements	(165,365,688)	(17,300,027)	-	-	(182,665,715)
Land improvements	(15,988,302)	(817,608)	-	-	(16,805,910)
Infrastructure	(780,370)	(87,454)	-	-	(867,824)
Machinery and equipment	(25,542,269)	(1,599,528)	132,746	-	(27,009,051)
Total	<u>(207,676,629)</u>	<u>(19,804,617)</u>	<u>132,746</u>	<u>-</u>	<u>(227,348,500)</u>
Total capital assets, being depreciated, net	<u>647,535,471</u>	<u>(17,540,832)</u>	<u>(7,187)</u>	<u>25,798,262</u>	<u>655,785,714</u>
Governmental activities capital assets, net	<u>\$ 705,301,892</u>	<u>\$ 26,844,254</u>	<u>\$ (572,774)</u>	<u>\$ -</u>	<u>\$ 731,573,372</u>

Depreciation expense was charged to functions/programs of the School System as follows:

Governmental activities:	
Instruction	\$ 18,292,978
Educational media services	4,104
School administration	80,247
Maintenance and operations	93,977
Student transportation	1,153,573
Other support services	5,366
School nutrition	174,372
Total depreciation expense - governmental activities	<u>\$ 19,804,617</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

General Obligation Bonds. The School System issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School System.

General obligation bonds at June 30, 2017, consisted of the following:

Series	Coupon Rate	Maturities	Balance
2011	2.00% - 5.00%	2013 to 2024	\$ 75,390,000
2012	1.00% - 5.00%	2013 to 2018	22,000,000
2013	2.00% - 5.00%	2015 to 2018	6,000,000
2015	2.34%	2017 to 2025	13,899,000
2016	3.00% - 5.00%	2024 to 2034	214,255,000
			<u>\$ 331,544,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 37,541,000	\$ 13,369,201	\$ 50,910,201
2019	9,914,000	12,336,769	22,250,769
2020	10,371,000	11,875,554	22,246,554
2021	10,789,000	11,393,781	22,182,781
2022	11,301,000	10,870,499	22,171,499
2023-2027	96,348,000	42,471,307	138,819,307
2028-2032	106,440,000	20,818,900	127,258,900
2033-2034	48,840,000	1,972,800	50,812,800
Total	<u>\$ 331,544,000</u>	<u>\$ 125,108,811</u>	<u>\$ 456,652,811</u>

Changes in long-term debt related to governmental activities for the year ended June 30, 2017, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 366,860,000	\$ -	\$ (35,316,000)	\$ 331,544,000	\$ 37,541,000
Plus unamortized premium	42,986,712	-	(3,703,989)	39,282,723	-
Bonds payable, net	409,846,712	-	(39,019,989)	370,826,723	37,541,000
Workers' compensation					
claims payable	2,336,493	454,287	(1,227,652)	1,563,128	1,479,053
Compensated absences	1,257,396	965,168	(827,186)	1,395,378	827,186
Net pension liability	271,801,888	134,134,125	(29,183,263)	376,752,750	-
Governmental activities Long-term liabilities	<u>\$ 685,242,489</u>	<u>\$ 135,553,580</u>	<u>\$ (70,258,090)</u>	<u>\$ 750,537,979</u>	<u>\$ 39,847,239</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Restricted fund balance of \$21,862,992 is available in the Debt Service Fund to service the general obligation bonds.

Compensated absences and workers' compensation claims payable are liquidated primarily by the General Fund.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017, is as follows:

Due to/from other funds:

Due To	Due From		Total
	Special Revenue Fund	General Fund	
General Fund	\$ 645,190	\$ -	\$ 645,190
Special Revenue Fund	-	1,337,469	1,337,469
	\$ 645,190	\$ 1,337,469	\$ 1,982,659

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Transfers In	Transfers Out Debt Service Fund
Capital Projects Fund	\$ 5,000,000
	\$ 5,000,000

Transfers are used to: (1) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Capital Projects Fund once annual debt service payments are made, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS

Teachers Retirement System (TRS)

Plan Description

All teachers of the School System 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 2017.

The School System's contractually required contribution rate for the year ended June 30, 2017, was 14.27% of annual School System payroll. School System contributions to TRS were \$31,023,290 for the year ended June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (TRS) (Continued)

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

At June 30, 2017, the School System reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the School System by the State of Georgia for certain public school support personnel. The amounts recognized by the School System as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School System were as follows:

School System's proportionate share of the net pension liability	\$ 376,415,518
State of Georgia's proportionate share of the net pension liability associated with the School System	<u>2,663,064</u>
Total	<u><u>\$ 379,078,582</u></u>

The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016, was determined using standard roll-forward techniques. The School System's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2016. At June 30, 2016, the School System's proportion was 1.824504%, which was an increase of 0.041688% from its proportion measured as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (TRS) (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, 2017, the School System recognized pension expense of \$39,558,193 and revenue of \$19,248 for support provided by the State of Georgia for certain support personnel. At June 30, 2017, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,607,577	\$ 1,861,377
Changes of assumptions	9,756,170	-
Net difference between projected and actual earnings on pension plan investments	47,618,113	-
Changes in proportion and differences between School System contributions and proportionate share of contributions	6,118,270	5,172,324
School System contributions subsequent to the measurement date	31,023,290	-
Total	\$ 100,123,420	\$ 7,033,701

School System contributions, subsequent to the measurement date, of \$31,023,290 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 6,578,467
2019	6,578,448
2020	27,961,015
2021	19,950,072
2022	998,427

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (TRS) (Continued)

Actuarial Assumptions

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

Inflation	2.75%
Salary increase	3.75% - 9.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on 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 rate of return (%)*</u>
Fixed income	30.00	(0.50)
Domestic large equities	39.80	9.00
Domestic mid equities	3.70	12.00
Domestic small equities	1.50	13.50
International developed market equities	19.40	8.00
International emerging market equities	5.60	12.00
Total	100.00	

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (TRS) (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 School System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School System's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School System'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:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
School System's proportionate share of the net pension liability	\$ 585,895,398	\$ 376,415,518	\$ 203,943,367

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Public School Employees Retirement System (PSERS)

Plan Description

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

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Public School Employees Retirement System (PSERS) (Continued)

Pension Liabilities and Pension Expense

At June 30, 2017, the School System did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the School System is as follows:

State of Georgia's proportionate share of the Net Pension Liability associated with the School System	<u>\$ 3,119,781</u>
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The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2015, was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School System was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2016.

For the year ended June 30, 2017, the School System recognized pension expense and revenue of \$511,449 for support provided by the State of Georgia.

Actuarial Assumptions

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Public School Employees Retirement System (PSERS) (Continued)

Actuarial Assumptions (Continued)

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

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

Asset class	Target allocation (%)	Long-term expected real rate of return (%)*
Fixed income	30.00	(0.50)
Domestic large equities	37.20	9.00
Domestic mid equities	3.40	12.00
Domestic small equities	1.40	13.50
International developed market equities	17.80	8.00
International emerging market equities	5.20	12.00
Alternatives	5.00	10.50
Total	100.00	

* Rates shown are net of the 2.75% 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Employees Retirement System (ERS)

Plan Description

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

Benefits Provided

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Employees Retirement System (ERS) (Continued)

Contributions

Member contributions under the Old Plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the New Plan and GSEPS are 1.25% of annual compensation. The School System's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2017, was 24.69% of annual covered payroll for Old and New Plan members and 21.69% for GSEPS members. The School System's contributions to ERS totaled \$40,976 for the year ended June 30, 2017. 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.

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

At June 30, 2017, the School System reported a liability for its proportionate share of the net pension liability in the amount of \$337,232. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016, was determined using standard roll-forward techniques. The School System's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2016. At June 30, 2016, the Employer's proportion was 0.007129%, which was a decrease of 0.002395% from its proportion measured as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Employees Retirement System (ERS) (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, 2017, the School System recognized pension expense of (\$129,130). At June 30, 2017, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 779
Changes of assumptions	2,856	-
Net difference between projected and actual earnings on pension plan investments	34,287	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	81,170
Employer contributions subsequent to the measurement date	40,158	-
Total	\$ 77,301	\$ 81,949

School System contributions subsequent to the measurement date of \$40,158 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	(63,907)
2019		(10,843)
2020		18,486
2021		11,458

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Employees Retirement System (ERS) (Continued)

Actuarial Assumptions (Continued)

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Employees Retirement System (ERS) (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation (%)	Long-term expected real rate of return (%)*
Fixed income	30.00	(0.50)
Domestic large equities	37.20	9.00
Domestic mid equities	3.40	12.00
Domestic small equities	1.40	13.50
International developed market equities	17.80	8.00
International emerging market equities	5.20	12.00
Alternatives	5.00	10.50
Total	100.00	

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

Discount Rate

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

Sensitivity of the School System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School System's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School System'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:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 457,011	\$ 337,232	\$ 235,155

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

Employees Retirement System (ERS) (Continued)

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report which is publically available at www.ers.ga.gov/formspubs/forms_pubs.html.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

Georgia Retiree Health Benefit Fund

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

Funding Policy. The contribution requirements of plan members and participating employers are established and may be amended by the Board of the State of Georgia Department of Community Health. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election.

Participating state employers, including local Boards of Education, are statutorily required to contribute in accordance with the employer contribution rate established by the Board. The contribution rate is established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. The combined rate for the active and retiree plans (pay-as-you-go basis) for the fiscal year ended June 30, 2017, were as follows:

For certified personnel:

<u>Period</u>	<u>Contribution</u>
July 2016 - June 2017	\$945.00 per member per month

For non-certified school personnel:

<u>Period</u>	<u>Contribution</u>
July 2016 - December 2016	\$746.20 per member per month
January 2017 - June 2017	\$846.20 per member per month

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Currently, the state is requiring that local Boards of Education pay only on active employees. The School System's contribution to the health insurance plans for the fiscal years ended June 30, 2017, 2016, and 2015 were \$39,350,027, \$36,026,371, and \$33,110,283, respectively, which equaled the required contribution. Currently, the State of Georgia has been making the remaining contributions to fund the pay-as-you-go financing on behalf of all local Boards of Education (see Note 1 for discussion of on-behalf payments).

NOTE 11. RISK MANAGEMENT

The School System is exposed to various risks of loss for claims associated with torts; theft of, damage to and destruction of assets; errors and omissions; natural disaster; workers' compensation; unemployment compensation; and dental benefits. The School System is self-insured for workers' compensation and unemployment compensation. The School System purchases commercial insurance for all other risks of loss. The School System has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three years.

Workers' Compensation

The School System is partially self-insured for workers' compensation claims of its employees. Claims exceeding \$450,000 per occurrence are covered through a private insurance carrier. The School System is liable for any other claims filed. The School System has entered into a contract with a third party to administer the program. Activity is accounted for in the General Fund.

Unemployment Compensation

The School System is self-insured for unemployment compensation claims of its employees. Activity is accounted for in the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

Changes in the balances of claims liabilities for the years ended June 30, 2016 and June 30, 2017 for which the School System is self-insured are as follows:

<u>Workers' Compensation</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Unpaid claims, beginning of fiscal year	\$ 2,336,493	\$ 3,275,168
Incurred claims (including IBNRs)	454,287	777,476
Claim payments and changes in estimates	<u>(1,227,652)</u>	<u>(1,716,151)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,563,128</u>	<u>\$ 2,336,493</u>
<u>Unemployment Compensation</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	(15,810)	(14,673)
Claim payments and changes in estimates	<u>15,810</u>	<u>14,673</u>
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

NOTE 12. COMMITMENTS AND CONTINGENCIES

In addition to the liabilities enumerated in the balance, at June 30, 2017, the School System has contractual commitments on uncompleted contracts of approximately \$74,989,525.

The School System is involved in a number of legal matters which either have or could result in litigation. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School System's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School System.

The School System participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School System has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017, may be impaired. In the opinion of the School System, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

REQUIRED SUPPLEMENTARY INFORMATION

**HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	1.824504%	1.782816%	1.777907%
School System's proportionate share of the net pension liability	\$ 376,415,518	\$ 271,416,033	\$ 224,615,099
State of Georgia's proportionate share of the net pension liability associated with the School System	<u>2,663,064</u>	<u>2,226,359</u>	<u>2,054,616</u>
Total	<u>\$ 379,078,582</u>	<u>\$ 273,642,392</u>	<u>\$ 226,669,715</u>
School System's covered-employee payroll	\$ 201,773,455	\$ 188,247,437	\$ 181,381,743
School System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.55%	144.18%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	76.06%	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.

**HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 31,023,290	\$ 28,793,072	\$ 24,754,538
Contributions in relation to the contractually required contribution	<u>31,023,290</u>	<u>28,793,072</u>	<u>24,754,538</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered-employee payroll	\$ 217,402,172	\$ 201,773,455	\$ 188,247,437
Contributions as a percentage of covered-employee payroll	14.27%	14.27%	13.15%

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

HENRY COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION TEACHERS RETIREMENT SYSTEM OF GEORGIA FOR THE YEAR ENDED JUNE 30, 2017

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 increases were adjusted to more closely reflect actual and anticipated experience.

On November 15, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to the rates of mortality, retirement, disability, withdrawal, and salary increases. The expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

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 the year ended June 30, 2017 reported in that schedule:

Valuation date	June 30, 2014
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

**HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	0.00%	0.00%	0.00%
School System's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net position liability associated with the School System	<u>3,119,781</u>	<u>2,035,518</u>	<u>1,788,211</u>
Total	<u>\$ 3,119,781</u>	<u>\$ 2,035,518</u>	<u>\$ 1,788,211</u>
School System's covered-employee payroll	\$ 9,265,258	\$ 8,366,835	\$ 7,272,459
School System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	81.00%	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.

HENRY COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2017

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.

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

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 the year ended June 30, 2017 reported in that schedule:

Valuation date	June 30, 2014
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

**HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	0.007129%	0.009524%	0.011874%
School System's proportionate share of the net pension liability	\$ 337,232	\$ 385,855	\$ 445,348
School System's covered-employee payroll	\$ 165,761	\$ 233,297	\$ 267,378
School System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	203.45%	165.39%	166.56%
Plan fiduciary net position as a percentage of the total pension liability	72.34%	76.20%	77.99%

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

**HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 40,158	\$ 40,976	\$ 51,232
Contributions in relation to the contractually required contribution	<u>40,158</u>	<u>40,976</u>	<u>51,232</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered-employee payroll	\$ 162,649	\$ 165,761	\$ 233,297
Contributions as a percentage of covered-employee payroll	24.69%	24.72%	21.96%

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

HENRY COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2017

Changes of assumptions

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

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 the year ended June 30, 2017 reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	2.75%
Salary increases	3.25% - 7.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2011 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Estimated Cost	Current Estimated Cost	Prior Years ¹	Current Year ^{1,2}	Total
<p>Acquisition, construction, and equipping of a new Hampton High School; acquiring school buses and related transportation equipment and acquiring instructional and administrative technology improvements; adding to, renovating, replacing, repairing, improving, and equipping existing school buildings and other buildings and facilities useful or desirable in connection therewith; and acquiring any necessary property therefore, both real and personal, and to the extent funds are available, acquiring, constructing, and equipping one new elementary school and one replacement middle school and acquiring any necessary property therefore, both real and personal; all at a maximum cost of \$225,000,000.</p>	\$ 225,000,000	\$ 225,000,000	\$ 184,628,863	\$ 65,582,304	\$ 250,211,167
<p>Retirement of a portion of the Series 2007A Bonds by paying or making provision for the payment of principal of and interest on such bonds coming due April 1, 2012, in the maximum amount of \$14,000,000.</p>	14,000,000	14,000,000	14,000,000	-	14,000,000
	\$ 239,000,000	\$ 239,000,000	\$ 198,628,863	\$ 65,582,304	\$ 264,211,167

- 1 Included in the expenditures shown above are expenditures which were funded by grant funds in the amount of \$8,119,794 in 2015, \$3,925,503 in 2016, and \$5,780,423 in 2017.
- 2 Included in the expenditures shown above, the District has incurred interest to provide advanced funding for the above projects. Current year interest is \$6,414,030.

COMPLIANCE SECTION



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

**To the Superintendent and Members of the
Henry County Board of Education
McDonough, 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 Henry County Board of Education as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Henry County Board of Education's basic financial statements and have issued our report thereon dated February 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Henry 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 Henry County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Henry 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described as 2017-001 in the accompanying schedule of findings and questioned costs that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Henry 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*.

Henry County Board of Education's Response to Finding

The Henry County Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Henry County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

Macon, Georgia
February 7, 2018



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

**To the Superintendent and Members of the
Henry County Board of Education
McDonough, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the Henry 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 Henry County Board of Education's major federal programs for the year ended June 30, 2017. The Henry 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 the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Henry 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 Henry 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 Henry County Board of Education's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Henry 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 Henry 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 Henry 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 the 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. 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

Macon, Georgia
February 7, 2018

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Award ID Number	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through Georgia Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	16165GA324N1099	\$ 3,102,753
National School Lunch Program	10.555	16165GA324N1099	10,491,496
			13,594,249
Total U.S Department of Agriculture			13,594,249
U.S. DEPARTMENT OF DEFENSE:			
Direct Federal Award			
Junior ROTC	12.unknown	N/A	768,325
U.S. DEPARTMENT OF EDUCATION:			
Passed through Georgia Department of Education:			
Title I, Part A Cluster	84.010	S010A150010	7,387,271
Title II, Part A - Improving Teacher Quality	84.367	S367A150001	531,183
Title III - Limited English Proficient	84.365	S365A150010	110,193
Special Education Cluster:			
IDEA Flowthrough	84.027	H027A150073	6,425,105
IDEA Preschool	84.173	H173A150081	104,800
Total Special Education Cluster			6,529,905
Vocational Education - Basic Grants to States	84.048	V048A150010	303,580
Education for Homeless Children and Youth Cluster	84.196	S196A150011	45,488
Total U.S. Department of Education			14,907,620
Total Expenditures of Federal Awards			\$ 29,270,194

HENRY COUNTY BOARD OF EDUCATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

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

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2. DE MINIMIS COST RATE

The School System elected not to use the ten percent de minimis cost rate for the year ended June 30, 2017.

NOTE 3. NON-CASH AWARDS

The School System Received non-cash awards under the National School Lunch Program, CFDA 10.555, in the amount of \$1,365,395 for the year ended June 30, 2017.

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

Yes No

Significant deficiencies identified not considered
to be material weaknesses?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal Control over major programs:
Material weaknesses identified?

Yes No

Significant deficiencies identified not considered
to be material weaknesses?

Yes None Reported

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

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the Uniform Guidance?

Yes No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

10.553

U.S. Department of Agriculture:

School Nutrition Cluster:

School Breakfast Program

10.555

National School Lunch Program

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

\$878,106

Auditee qualified as low-risk auditee?

Yes No

HENRY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

B. FINDINGS: FINANCIAL STATEMENT AUDIT

2017-001. Recording of Special Revenue and General Fund Accounts Receivable and Revenue

Criteria: Generally accepted accounting principles require revenues to be recognized in the account period in which they become both measurable and available to finance expenditures of the current period.

Condition: At June 30, 2017, operating losses were noted in the Title I, Part A and Title VI- B funds, which are both reimbursable grants and carry a zero fund balance. Adjustments to accounts receivable and revenue were made to clear the operating losses in the Title I, Part A and Title VI-B funds. The School Nutrition Service fund's accounts receivable and revenue did not agree to the Georgia Department of Education's FY 2017 payment advice report. An adjustment was made to agree the School Nutrition Service fund accounts receivable and revenue balances to the payment advice report. The General Fund accounts receivable and revenue did not agree to the Georgia Department of Education's DE147's. An adjustment was made to accrue accounts receivable and revenue relating to the Preschool Disability Services/Preschool Handicapped State grant.

Context: We addressed this matter with School System officials, who agreed that the accounts receivable and revenue balances for Title I, Part A, Title VI-B, School Food Service, and General Fund needed adjustments as of June 30, 2017.

Effect: Audit adjustments were required resulting in an increase in accounts receivable and an increase in revenue in the amounts of \$764,590, \$709,031, \$39,265, and \$259,909 for Title I, Part A, Title VI-B, School Nutrition Service, and General Fund, respectively.

Recommendation: We recommend the School System strengthen internal controls in the area of revenue recognition, to ensure revenue is reported in the proper period.

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. Management will review all revenue transactions after year-end to determine reporting in the proper period.

C. FINDINGS: FEDERAL PROGRAMS AUDIT

None reported.

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

No prior year findings.

HENRY COUNTY BOARD OF EDUCATION

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2017

2017-001. Recording of Special Revenue Funds Accounts Receivable and Revenue

Name of the Contact Person Responsible for Corrective Action Plan: Christy Willis, Director of Finance

Corrective Action Plan: Management will review all transactions after year-end to ensure all amounts which should be recorded as revenue and a receivable are properly recorded.

Anticipated Completion Date: Fiscal year 2018