

CITY OF BUFORD BOARD OF EDUCATION

A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Buford City Schools** (the "School District"), a component unit of the City of Buford, Georgia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also 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 School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2021 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 2, 2021

BUFORD CITY SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

INTRODUCTION

The discussion and analysis of the City of Buford Board of Education's (the "School District") financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2019 and June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal years 2019 and 2018 are as follows:

Examples of financial highlights are included below:

- On the government-wide financial statements, the assets and deferred outflow of resources of the School District exceeded liabilities and deferred inflow of resources by \$22,392,431 and \$9,918,414, respectively, for the fiscal years ended June 30, 2019 and 2018.
- The School District had \$61,997,274 and \$60,496,608 million in expenses relating to governmental activities for the fiscal years ended June 30, 2019 and June 30, 2018, respectively. Only \$48,767,725 and \$29,774,445 of the above mentioned expenses for 2019 and 2018 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$25,703,566 and \$33,882,143, respectively, for 2019 and 2018 were adequate to provide for these programs.
- General revenues account for \$25,703,566 in revenue or 34.5% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$48,767,725 or 65.5% of total revenues of \$74,471,291.
- The School District had \$61,997,274 in expenses related to governmental activities; however, \$48,767,725 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$25,703,566 were adequate to provide for these programs.
- Long-term debt decreased by \$15,479,162 for 2019 and increased by \$37,716,981 for 2018. This decrease for 2019 was due primarily to the principal payments on outstanding debt.
- The General Fund (the primary operating fund), presented on a current financial resource basis, ended the fiscal year with a fund balance of \$7,180,843, an increase of \$366,964 from the June 30, 2018 fund balance of \$6,813,879.
- Among major funds, the General Fund had \$ 59,471,912 in revenues and \$ 58,734,593 in expenditures. The fund balance for the General Fund increased from \$ 6,813,879 to approximately \$7,180,843. An increase in local revenue accounted for the increase.

BUFORD CITY SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the government-wide and fund financial statements.

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

The fund financial statements focus on individual parts, reporting the School District's operation in more detail. The Governmental Funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

The fund financial statements reflect the School District's most significant funds. For the years ending June 30, 2019 and 2018, the General Fund, the Capital Projects Fund, and the Debt Service fund represent the major funds.

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

Government-wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of net position includes all of the School District'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 District's net position and how it has changed. Net position, the difference between the School District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, are one way to measure the School District's overall financial health or position. Over time, increases or decreases in net position are an indication of whether its financial health is improving or deteriorating. Changes may be the result of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has one distinct type of activity:

- **Governmental Activities** – All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, student activity accounts and various others.

BUFORD CITY SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required by State law and some by bond requirements. The School District's major governmental funds are the general fund, the capital projects fund, and the debt service fund.

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled to the financial statements.

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

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BUFORD CITY SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2019 and 2018.

Table I
Statement of Net Position

	Governmental Activities	
	June 30, 2019	June 30, 2018
Assets		
Current and other assets	\$ 37,672,875	\$ 63,661,975
Capital assets, net	151,215,770	123,391,580
Total Assets	<u>188,888,645</u>	<u>187,053,555</u>
Deferred Outflows of Resources	<u>14,616,028</u>	<u>10,853,950</u>
Liabilities		
Current and other liabilities	23,159,357	17,985,309
Long-term liabilities	150,133,016	166,585,235
Total Liabilities	<u>173,292,373</u>	<u>184,570,544</u>
Deferred Inflows of Resources	<u>7,819,869</u>	<u>3,418,547</u>
Net Position		
Net investment in capital assets	77,028,636	71,430,404
Restricted	1,189,537	800,364
Unrestricted	(55,825,742)	(62,312,354)
Total Net Position	<u>\$ 22,392,431</u>	<u>\$ 9,918,414</u>

BUFORD CITY SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Table 2 shows the changes in net position for fiscal years ending June 30, 2019 and June 30, 2018.

Table 2
Change in Net Position

	Governmental Activities	
	June 30, 2019	June 30, 2018
Revenues		
Program revenues		
Charges for services	\$ 2,690,486	\$ 3,385,210
Operating grants and contributions	35,718,592	26,188,828
Capital grants and contributions	10,358,647	200,407
Total Program Revenues	<u>48,767,725</u>	<u>29,774,445</u>
General revenues		
Taxes		
Property taxes	17,666,565	14,726,590
Sales taxes	4,187,690	7,410,367
Interest earnings	3,176	554,039
Miscellaneous	3,846,135	11,191,147
Total General Revenues	<u>25,703,566</u>	<u>33,882,143</u>
Total Revenues	<u>74,471,291</u>	<u>63,656,588</u>
Program Expenses		
Instruction	39,406,294	39,105,713
Support services		
Pupil services	2,924,107	2,685,164
Improvement of instructional services	407,542	296,882
Education media services	656,675	661,825
General administration	2,940,095	3,247,081
School administration	3,481,544	3,509,861
Business administration	588,201	1,148,944
Maintenance and operation of plant	3,785,342	3,019,082
Student transportation services	1,905,721	1,691,837
Other support services	38,338	-
Operations of non-instructional services		
Enterprise operations	987,565	883,986
Food service operations	2,194,804	474,300
Community service operations	538,297	2,150,704
Interest expense	2,142,749	1,621,229
Total Expenses	<u>61,997,274</u>	<u>60,496,608</u>
Change in Net Position	<u>\$ 12,474,017</u>	<u>\$ 3,159,980</u>

**BUFORD CITY SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions increased \$18,993,280 for governmental activities. This increase is largely due to an increase in funds earned through the State Quality Basic Education (QBE) Fund Formula, capital grants received from the Georgia State Financing and Investment Commission (GSFIC) to offset certain construction projects, decrease in QBE Austerity Reduction from one fiscal period to the next.

Governmental Activities

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

**Table 3
Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Instruction	\$ 39,406,294	\$ 39,105,713	\$ (3,131,151)	\$ (16,522,089)
Support services				
Pupil services	2,924,107	2,685,164	(651,834)	(2,566,939)
Improvement of instructional services	407,542	296,882	(140,266)	(27,075)
Education media services	656,675	661,825	49,313	(9,195)
General administration	2,940,095	3,247,081	(1,921,823)	(2,358,592)
School administration	3,481,544	3,509,861	(2,312,633)	(2,436,733)
Business administration	588,201	1,148,944	(588,201)	(1,148,944)
Maintenance and operation of plant	3,785,342	3,019,082	(1,064,744)	(1,334,221)
Student transportation services	1,905,721	1,691,837	(631,456)	(1,532,127)
Other support services	38,338	-	(35,732)	-
Operations of non-instructional services				
Enterprise operations	987,565	883,986	(984,468)	(883,986)
Food service operations	2,194,804	474,300	284,991	(155,799)
Community service operations	538,297	2,150,704	41,204	(125,234)
Interest expense	2,142,749	1,621,229	(2,142,749)	(1,621,229)
Total Expenses	\$ 61,997,274	\$ 60,496,608	\$ (13,229,549)	\$ (30,722,163)

Although program revenues make up a majority of the funding, the School District is still dependent upon tax revenues for governmental activities. For 2019, 34.5% of instruction and support activities were supplemented by taxes and other general revenues compared to 50.8% in 2018.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$88,303,274 and expenditures and other financing uses of \$121,529,081. The Capital Projects Fund had an overall decrease of fund balance \$32,091,376 due to the Buford High School Building Project. The General Fund had an overall increase of \$366,964. The increase in the General Fund for the year is due mostly to a slight reduction in austerity.

BUFORD CITY SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the general fund, funded primarily through state revenue and local property tax revenue. During the course of fiscal years 2019 and 2018, the School District amended its General Fund budget as needed.

During fiscal year 2019 the General Fund had final actual revenues and other financing sources totaling \$60,844,164, which represented an increase from the original budgeted amount of \$57,148,363 by \$3,695,801. This difference (final actual vs. original budget) was due to an increase in state funds from the mid-term adjustment to QBE, an increase in tuition collected, and an increase in federal grants.

Final actual expenditures during fiscal year 2019 totaling \$58,734,593 represented a decrease from the original budgeted amount of \$59,157,293 by \$422,700. The decrease in actual expenditures versus original budget expenditures was due primarily to cost of instructional services less than expected.

CAPITAL ASSETS

At the fiscal years ended June 30, 2019 and June 30, 2018, the School District had \$151,215,770 and \$123,391,580, respectively, invested in capital assets, net of accumulated depreciation. These assets are made up of a broad range of capital assets, including land; buildings; transportation, food service and maintenance equipment. Table 4 reflects a summary of these balances, by class, net of accumulated depreciation.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	June 30, 2019	June 30, 2018
Land	\$ 1,050,210	\$ 1,050,210
Construction in progress	81,759,747	52,785,384
Buildings and improvements	65,736,418	67,070,620
Equipment	1,260,217	1,169,424
Land improvements	1,409,178	1,315,942
Total	\$ 151,215,770	\$ 123,391,580

The overall capital assets increased in fiscal year 2019 by \$27,824,190 due to the New Buford High School building project nearing completion.

**BUFORD CITY SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

DEBT ADMINISTRATION

At June 30, 2019, the School District had \$74,429,203 in total debt outstanding with \$4,416,557 due within one year. As of June 30, 2019 the School District reported all \$74,429,203 in outstanding intergovernmental contracts payable as compared to \$83,853,353 of outstanding intergovernmental contracts as of June 30, 2018,

CURRENT ISSUES

In fiscal year 2020, the cost of the employer portion of TRS pension will increase approximately \$75,000. Salaries for all certified positions will increase \$3,000 based on the governor's recommended budget at a district cost of \$1,080,000. The district will increase the classified salaries by 2% for an approximate cost of \$565,000. In addition, the district will add numerous teaching positions to maintain class sizes set forth by the Georgia Department of Education. The School District will open an upper elementary school and redistrict grades K-5. The new Buford High School will open its doors in August 2019 and the old Buford High School building rebranded as Buford Middle School will undergo a \$1.3 million roof project in the Summer of 2020.

Approximately 87% of general fund expenses, the main operating fund for the School District, were related to salaries and employee benefits for the year ended June 30, 2019. More than a third of certified personnel in the School District have 21 years or more of experience resulting in salaries at the highest possible state pay level. With such personnel heavy expenses, it is difficult to offset mandated expense increases such as TRS. The School District consistently evaluates how funds can be spent smarter and more effectively to ensure that students receive a quality education from effective personnel.

The School District's millage rate for fiscal year 2019 was 12.75. The net digest has steadily increased. The City of Buford has grown the digest with new business and housing over the past few years. As shown in Table 3, property tax and sales tax are responsible for covering 21% of the School District's costs. It is anticipated that this pressure to provide local monies to meet mandated educational requirements and operational costs will continue.

The most significant challenge facing the School District is the relative uncertainty regarding how School Districts will be funded moving forward. The General Assembly is in the process of exploring new funding formulas that would likely cement the austerity reductions received annually and change the way personnel salaries are calculated. It is uncertain at this point what type of financial impact these changes might have on the School District's finances.

Another matter which is of concern to the School District is the impact of GASB 68 on the financial statements for fiscal year 2019 and beyond. At this time, the actual amount required to be reported is \$32,449,753, and has a significant impact on net position in financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Adams at the Buford City Board of Education, 2625 Sawnee Avenue, Buford, Georgia 30518. You may also email your questions to angela.adams@bufordcityschools.org.

BASIC FINANCIAL STATEMENTS

CITY OF BUFORD BOARD OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2019

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 11,073,096
Receivables:	
Taxes	1,453,141
Intergovernmental:	
State	3,846,590
Federal	907,443
Other	11
Inventory	11,720
Prepaid items	213,714
Restricted assets:	
Cash and investments with fiscal agent or trustee - bond funds	8,804,338
Cash and investments with fiscal agent or trustee - SPLOST funds	11,362,822
Capital assets (nondepreciable)	82,809,957
Capital assets (depreciable, net of accumulated depreciation)	68,405,813
Total assets	<u>188,888,645</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	11,941,645
OPEB related items	2,674,383
Total deferred outflows of resources	<u>14,616,028</u>
 LIABILITIES	
Accounts payable	2,723,416
Salaries and benefits payable	6,506,219
Due to primary government	6,199,970
Interest payable	1,209,772
Contracts payable	388,454
Retainage payable	5,971,070
Unearned revenues	160,456
Intergovernmental payable, due within one year	4,416,557
Intergovernmental payable, due in more than one year	70,012,646
Net pension liability	43,254,060
Net OPEB liability	32,449,753
Total liabilities	<u>173,292,373</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred credit on debt refunding	312,822
Pension related items	1,271,798
OPEB related items	6,235,249
Total deferred outflows of resources	<u>7,819,869</u>
 NET POSITION	
Net investment in capital assets	77,028,636
Restricted for:	
Federal programs	115,950
Capital projects	753,863
Debt service	319,724
Unrestricted (deficit)	(55,825,742)
Total net position	<u>\$ 22,392,431</u>

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

CITY OF BUFORD BOARD OF EDUCATION

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental activities:					
Instruction	\$ 39,406,294	\$ 1,284,989	\$ 29,309,408	\$ 5,680,746	\$ (3,131,151)
Support services:					
Pupil services	2,924,107	-	110,391	2,161,882	(651,834)
Improvement of instructional services	407,542	-	267,276	-	(140,266)
Educational media services	656,675	-	705,988	-	49,313
General administration	2,940,095	-	1,015,280	2,992	(1,921,823)
School administration	3,481,544	-	1,137,063	31,848	(2,312,633)
Business administration	588,201	-	-	-	(588,201)
Maintenance and operation of plant	3,785,342	-	1,537,864	1,182,734	(1,064,744)
Student transportation services	1,905,721	-	158,522	1,115,743	(631,456)
Other support services	38,338	-	2,482	124	(35,732)
Operations of non-instructional services:					
Enterprise operation	987,565	-	-	3,097	(984,468)
Food services operation	2,194,804	825,996	1,474,318	179,481	284,991
Community service operation	538,297	579,501	-	-	41,204
Interest on long-term debt	2,142,749	-	-	-	(2,142,749)
Total governmental activities	<u>\$ 61,997,274</u>	<u>\$ 2,690,486</u>	<u>\$ 35,718,592</u>	<u>\$ 10,358,647</u>	<u>(13,229,549)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					17,666,565
Sales taxes					4,187,690
Unrestricted investment earnings					3,176
Miscellaneous					3,846,135
Total general revenues					<u>25,703,566</u>
Change in net position					12,474,017
Net position, beginning of year					9,918,414
Net position, end of year					<u>\$ 22,392,431</u>

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

CITY OF BUFORD BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2019

ASSETS	General	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Cash and cash equivalents	\$ 11,073,096	\$ -	\$ -	\$ 11,073,096
Receivables:				
Taxes	1,095,720	357,421	-	1,453,141
Intergovernmental:				
State	3,846,590	-	-	3,846,590
Federal	907,443	-	-	907,443
Other	-	11	-	11
Prepaid items	213,714	-	-	213,714
Inventory	11,720	-	-	11,720
Restricted				
Cash and Investments with Fiscal Agent or Trustee - Bond Funds	-	8,484,614	319,724	8,804,338
Cash and Investments with Fiscal Agent or Trustee - SPLOST Funds	-	11,362,822	-	11,362,822
Total assets	<u>\$ 17,148,283</u>	<u>\$ 20,204,868</u>	<u>\$ 319,724</u>	<u>\$ 37,672,875</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,357,866	\$ 365,550	\$ -	\$ 2,723,416
Contracts payable	-	388,454	-	388,454
Retainage payable	-	5,971,070	-	5,971,070
Salaries and benefits payable	6,506,219	-	-	6,506,219
Due to other governments	-	6,199,970	-	6,199,970
Unearned revenue - charges for services	160,456	-	-	160,456
Total liabilities	<u>9,024,541</u>	<u>12,925,044</u>	<u>-</u>	<u>21,949,585</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	942,899	-	-	942,899
Total deferred inflows of resources	<u>942,899</u>	<u>-</u>	<u>-</u>	<u>942,899</u>
FUND BALANCES				
Nonspendable:				
Inventory	11,720	-	-	11,720
Prepaid items	213,714	-	-	213,714
Restricted for:				
Capital projects	-	7,279,824	-	7,279,824
Continuation of federal programs	115,950	-	-	115,950
Debt service	-	-	319,724	319,724
Assigned for:				
Local school accounts	1,135,662	-	-	1,135,662
Appropriation for next year's budget	1,539,880	-	-	1,539,880
Unassigned	4,163,917	-	-	4,163,917
Total fund balances	<u>7,180,843</u>	<u>7,279,824</u>	<u>319,724</u>	<u>14,780,391</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,148,283</u>	<u>\$ 20,204,868</u>	<u>\$ 319,724</u>	<u>\$ 37,672,875</u>

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

CITY OF BUFORD BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances - governmental funds	\$	14,780,391
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Cost	\$ 172,957,598	
Less accumulated depreciation	<u>(21,741,828)</u>	151,215,770
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.		
Property taxes		942,899
The net pension liability is not a financial liability in governmental fund activities and, therefore, not reported in governmental funds.		
Net pension liability	\$ (43,254,060)	
Pension related deferred outflows of resources	11,941,645	
Pension related deferred inflows of resources	<u>(1,271,798)</u>	(32,584,213)
Deferred charges or credits on debt refundings are applicable to future periods and are therefore not reported in governmental funds and are amortized of the life of the new debt.		
		(312,822)
The net OPEB liability is not a financial liability in governmental fund activities and, therefore, not reported in governmental funds.		
Total OPEB liability	\$ (32,449,753)	
OPEB related deferred outflows of resources	2,674,383	
OPEB related deferred inflows of resources	<u>(6,235,249)</u>	(36,010,619)
Long-term liabilities and related items are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Intergovernmental contracts	\$ (68,909,268)	
Accrued interest payable	(1,209,772)	
Unamortized bond premiums	<u>(5,519,935)</u>	(75,638,975)
Net position of governmental activities	\$	<u>22,392,431</u>

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

CITY OF BUFORD BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 17,607,897	\$ -	\$ -	\$ 17,607,897
Sales taxes	-	4,187,690	-	4,187,690
Local contribution	7,192,103	63,691	-	7,255,794
State funds	25,099,591	10,358,647	-	35,458,238
Federal funds	3,034,118	-	-	3,034,118
Charges for services	2,690,486	-	-	2,690,486
Investment earnings	1,582	252,079	1,594	255,255
Miscellaneous	3,846,135	-	-	3,846,135
Total revenues	<u>59,471,912</u>	<u>14,862,107</u>	<u>1,594</u>	<u>74,335,613</u>
EXPENDITURES				
Current:				
Instruction	38,493,132	-	-	38,493,132
Support services:				
Pupil services	2,540,725	-	-	2,540,725
Improvement of instructional services	409,795	-	-	409,795
Educational media services	660,304	-	-	660,304
General administration	2,949,759	-	-	2,949,759
School administration	3,501,896	-	-	3,501,896
Business administration	591,452	-	-	591,452
Maintenance and operation of plant	3,889,619	-	-	3,889,619
Student transportation services	1,946,766	-	-	1,946,766
Other support services	9,915	-	-	9,915
Enterprise operations	993,023	-	-	993,023
Food services operation	2,206,935	-	-	2,206,935
Community services operation	541,272	-	-	541,272
Capital outlay	-	30,924,699	-	30,924,699
Debt service:				
Principal retirement	-	4,174,085	10,770,000	14,944,085
Interest	-	-	2,958,043	2,958,043
Total expenditures	<u>58,734,593</u>	<u>35,098,784</u>	<u>13,728,043</u>	<u>107,561,420</u>
Excess (deficiency) of revenues over (under) expenditures	737,319	(20,236,677)	(13,726,449)	(33,225,807)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,372,252	370,355	12,225,054	13,967,661
Transfers out	(1,742,607)	(12,225,054)	-	(13,967,661)
Total other financing sources (uses)	<u>(370,355)</u>	<u>(11,854,699)</u>	<u>12,225,054</u>	<u>-</u>
Net change in fund balances	366,964	(32,091,376)	(1,501,395)	(33,225,807)
FUND BALANCE, beginning of fiscal year, as restated	<u>6,813,879</u>	<u>39,371,200</u>	<u>1,821,119</u>	<u>48,006,198</u>
FUND BALANCE, end of fiscal year	<u>\$ 7,180,843</u>	<u>\$ 7,279,824</u>	<u>\$ 319,724</u>	<u>\$ 14,780,391</u>

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

CITY OF BUFORD BOARD OF EDUCATION

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Net change in fund balances - total governmental funds	\$	(33,225,807)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is as follows:

Capital outlay	\$ 31,465,553		
Depreciation expense	<u>(1,903,028)</u>		29,562,525

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

Property taxes	\$ 58,668		
Intergovernmental revenues	<u>(3,594)</u>		55,074

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

Principal payments - intergovernmental note payable		14,944,085
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In the governmental funds, current year expenditures related to pensions are comprised solely of amounts contributed to the plan for the current year. However, in the statement of activities, expenses related to pensions include amounts that do not require the use of current financial resources. This amount represents the difference in the required accounting treatment of pensions and related items.

565,345

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

(242,499)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of bond premium	\$ 535,077		
Amortization of gain on advance of bond refunding	10,967		
Change in accrued interest	<u>269,250</u>		<u>815,294</u>

Change in net position of governmental activities	\$	<u><u>12,474,017</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BUFORD BOARD OF EDUCATION

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
JUNE 30, 2019**

	Agency Fund
ASSETS	
Cash	<u>\$ 35,850</u>
LIABILITIES	
Funds held for others	<u>\$ 35,850</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 1: DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The City of Buford Board of Education (the "School District") was established under the laws of the State of Georgia and operates under the guidance of a five (5) member board, four (4) of which are elected by the voters of the City of Buford with the fifth member being the chairman of the board of commissioners of the City of Buford and a Superintendent appointed by the Board. The School District does not have the power to levy taxes or issue bonds. Its budget is subject to approval by the City of Buford, Georgia. Accordingly, the School District is determined to be a component unit of the City of Buford, Georgia (City).

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Government-wide Statements:

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

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

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

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

Fund Financial Statements:

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

The School District reports the following major governmental funds:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

- *Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (ESPLOST) and intergovernmental contract proceeds that are restricted, committed or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and Cash Equivalents

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

Receivables

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

Property Taxes

The City of Buford fixed the 2018 tax digest, for fiscal year 2019, on August 7, 2018. Taxes were due on November 20, 2018. Taxes collected within the current fiscal year or within 60 days after year-end are reported as revenue in the governmental funds for fiscal year 2019. The City of Buford City Clerk bills and collects the property taxes for the School District and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2019, for maintenance and operations amounted to \$17,607,897.

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The School District is in compliance with this law. Tax millage rates levied for the 2018 tax year for the City of Buford Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Maintenance & Operations	12.75 mills
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**CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales Taxes

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$4,187,690 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years. The current sales tax rate is effective through fiscal year 2019.

Inventories

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

Interfund Receivables and Payables

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

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

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to June 30, 2019, are recorded as prepaid items. The School District accounts for the prepaid items on the consumption basis.

Capital Assets

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land improvements	\$ 5,000	15 years
Buildings and improvements	5,000	15-60 years
Equipment	5,000	5-12 years
Intangible assets	5,000	Individually Determined

Compensated Absences

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

Long-Term Debt Liabilities and Premiums

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

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

Use of Estimates

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

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

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

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

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at the end of the fiscal year of not less than 8.3% and not to exceed 15% of expenditures of the total subsequent fiscal year’s budget. If the unassigned fund balance at the fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance. As of June 30, 2019, the School District’s general fund was reporting a committed, assigned, and unassigned fund balance of \$6,839,459 or 11.6% of the School District’s general fund budgeted expenditures for the year ended June 30, 2019.

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

- Committed
- Assigned
- Unassigned

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has seven (7) items that qualify for reporting in this category which occurs only in the governmental activities. Governmental Activities report (1) a deferred outflow of resources for the District's actual contributions to the pension plan during the fiscal year ended June 30, 2019 which are subsequent to the measurement date of the net pension liability and will be recognized in fiscal year 2020; (2) a deferred outflow of resources for experience gains or losses related to the pension plan which will be amortized over the remaining service period; (3) a deferred outflow of resources for the changes in actuarial assumptions which will be amortized over the remaining service period; (4) a deferred outflow of resources for difference between School District's contributions and the proportionate share of contributions, which adjust the net pension liability and net OPEB liability, (5) a deferred outflow of resources for the District's actual contributions to the OPEB plan during the fiscal year ended June 30, 2019 which are subsequent to the measurement date of the net OPEB liability and will be recognized in fiscal year 2020; (6) a deferred outflow of resources for the net difference between projected and actual investment earnings on the OPEB assets, which will be amortized over a five year period; and (7) a deferred outflow of resources for difference between School District's contributions and the proportionate share of contributions, which adjust the net pension liability and net OPEB liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of deferred inflow under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The District has five (5) items that qualify for reporting in this category which occurs only in the governmental activities. Governmental Activities report (1) a deferred inflow of resources for the net difference between projected and actual investment earnings on the pension assets, which will be amortized over a five year period; (2) a deferred inflow of resources for experience gains or losses from periodic studies by the pension and OPEB actuary, which will be amortized over the remaining service period; (3) a deferred inflow of resources for resources for experience gains or losses related to the OPEB assets which will be amortized over the remaining service period; (4) a deferred inflow of resources for the changes in actuarial assumptions in relation to the OPEB plan which will be amortized over the remaining service period; and (5) deferred charges from debt refunding which will be amortized over the remaining life of the debt.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees Postemployment Benefit Fund (School OPEB Fund) and additions to/deductions from the School OPEB Fund's fiduciary net position have been determined on the same basis as they are reported by the School OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2019:

General Fund:		
Support services:		
Pupil services	\$	348,838
Improvement of instructional services		141,775
School administration		108,071
Business administration		43,900
Maintenance and operation of plant		11,668
Student transportation services		224,833
Other support services		9,915
Enterprise operations		237,354
Food and service operation		198,474

These over expended functions were offset by other functions of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 4: DEPOSITS AND INVESTMENTS

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

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. As of June 30, 2019, the School District had deposits at a local financial institution in the amount of \$9,292,241 that were under-collateralized. The collateral pledged to secure these deposits was insufficient by \$286,906 as defined by State statutes.

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

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

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their federally assigned value of \$163,972.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 6: RESTRICTED ASSETS

The restricted assets represent the cash balance and investment totaling \$20,167,160 for the funds held by the City to be used for capital outlay projects and pay debt requirements.

Note 7: CAPITAL ASSETS

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

	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases and transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,050,210	\$ -	\$ -	\$ 1,050,210
Construction in Progress	<u>51,047,049</u>	<u>30,945,321</u>	<u>(232,623)</u>	<u>81,759,747</u>
Total non-depreciable assets	<u>52,097,259</u>	<u>30,945,321</u>	<u>(232,623)</u>	<u>82,809,957</u>
Capital assets, being depreciated:				
Buildings and improvements	82,091,066	115,086	-	82,206,152
Equipment	4,868,203	387,171	(32,436)	5,222,938
Land improvements	<u>2,475,421</u>	<u>250,598</u>	<u>(7,468)</u>	<u>2,718,551</u>
Total depreciable assets	<u>89,434,690</u>	<u>752,855</u>	<u>(39,904)</u>	<u>90,147,641</u>
Less accumulated depreciation for:				
Buildings and improvements	15,020,446	1,449,288	-	16,469,734
Equipment	3,698,779	296,378	(32,436)	3,962,721
Land improvements	<u>1,159,479</u>	<u>157,362</u>	<u>(7,468)</u>	<u>1,309,373</u>
Total accumulated depreciation	<u>19,878,704</u>	<u>1,903,028</u>	<u>(39,904)</u>	<u>21,741,828</u>
Total capital assets, being depreciated, net	<u>69,555,986</u>	<u>(1,150,173)</u>	<u>-</u>	<u>68,405,813</u>
Governmental activities capital assets, net	<u>\$ 121,653,245</u>	<u>\$ 29,795,148</u>	<u>\$ (232,623)</u>	<u>\$ 151,215,770</u>

Beginning construction in progress balances were restated by \$1,738,335 due to the overstatement of capital asset addition in a prior fiscal year. See Note 15.

Depreciation expense was charged to the functions as follows:

Instruction	\$ 1,086,705
Support services:	
Pupil services	397,348
General administration	6,404
Maintenance and operation	216,522
Student transportation	162,492
Central support services	569
School food services	32,988
Total	<u>\$ 1,903,028</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 8: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 1,372,252
Capital Projects Fund	General Fund	370,355
Debt Service Fund	General Fund	1,372,252
Debt Service Fund	Capital Projects Fund	10,852,802
		<u>\$ 13,967,661</u>

Note 9: RISK MANAGEMENT

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

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

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the general fund with expenses/expenditures and liabilities being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The School District did not have an unemployment compensations claims liability during the last two fiscal years.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 50,000
Assistant Superintendent	50,000
Principals	3,000

Note 10: LONG-TERM LIABILITIES AND OBLIGATIONS

The changes in long-term debt during the fiscal year ended June 30, 2019, were as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Intergovernmental contracts	\$ 83,853,353	\$ -	\$ (14,944,085)	\$ 68,909,268	\$ 4,416,557
Unamortized premium	6,055,012	-	(535,077)	5,519,935	-
Net pension liability	41,898,161	7,181,538	(5,825,639)	43,254,060	-
Net OPEB Liability	34,778,709	2,581,252	(4,910,208)	32,449,753	-
	<u>\$ 166,585,235</u>	<u>\$ 9,762,790</u>	<u>\$ (26,215,009)</u>	<u>\$ 150,133,016</u>	<u>\$ 4,416,557</u>

The net pension liability and net OPEB liability are liquidated by the General Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 10: LONG-TERM LIABILITIES AND OBLIGATIONS (CONTINUED)

Intergovernmental contracts

In fiscal year 2018, the City, on behalf of the School District, issued \$54,270,000, (Series 2017A, \$20,000,000), (Series 2017B, \$10,000,000), and (Refunding Series 2017C, \$24,270,000) in general obligation bonds, with a premium of \$5,116,695 and principal and interest payments beginning January 1, 2018 through January 1, 2048 at interest rates varying from 3.00% to 5.00%. The School District entered into an intergovernmental contract with the City in regard to the issuance, use of proceeds, and payment of the bonds as of November 6, 2017. The contract stipulates that the School District's payment obligations consist of the payments of all amounts coming due as principal and interest on the bonds. The School District will fund the bonds with Special Local Option Sales Tax (SPLOST) revenues and thus the School District has an intergovernmental payable to the City for the outstanding bonds. The bonds were issued to provide funds, together with other available funds of the School District to finance the costs of acquiring, constructing, and equipping certain capital outlay projects of the School District and the costs of issuance of the bonds including capitalized interest. The proceeds of the bonds are retained by the City and will be used to pay capital outlay expenditures as needed.

During fiscal year 2018, Gwinnett County Board of Education advanced \$22,325,000 to the School District. The School District used \$2,035,896 of the proceeds to pay off their portion of the remaining advanced funds from the Series 2012A General Obligation Sales Tax Bonds through an intergovernmental contract. This agreement also requires the School District to remit the monthly sales tax proceeds received from the Georgia Department of Revenue to Gwinnett County Board of Education until the advanced SPLOST funds are repaid. At the conclusion of the sales tax collection, if there is a remaining balance, the School District is ultimately responsible for any shortage in sales tax collections.

During fiscal year 2015, the City, on behalf of the School District, issued \$33,050,000 in general obligation bonds, with a premium of \$4,720,016 and principal and interest payments beginning January 1, 2016 through January 1, 2029 at interest rates varying from 3.625% to 5.250%. The School District entered into an intergovernmental contract with the City in regards to the issuance, use of proceeds, and payment of the bonds as of June 1, 2015. The contract stipulates that the School District's payment obligations consist of the payments of all amounts coming due as principal and interest on the bonds. The School District will fund the bonds with Special Local Option Sales Tax (SPLOST) revenues and thus the School District has an intergovernmental payable to the City for the outstanding bonds. The bonds were issued to provide funds, together with other available funds of the School District to finance the costs of acquiring, constructing, and equipping certain capital outlay projects of the School District and the costs of issuance of the bonds including capitalized interest. The proceeds of the bonds were retained by the City and will be used to pay capital outlay expenditures as needed.

The 2017C series proceeds, reported above, were used to pay for the cost of issuance and for the advance refunding of a portion of the 2015 Series general obligation bonds in the amount of \$22,350,000. The reacquisition price exceeded the net carrying amount of the old debt by \$1,920,000. The refunding of the old notes created a debt service savings of \$323,789 and an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$1,208,414.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 10: LONG-TERM LIABILITIES AND OBLIGATIONS (CONTINUED)

Intergovernmental contracts (Continued)

The intergovernmental payable pertaining to this agreement as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,416,557	\$ 2,419,544	\$ 6,836,101
2021	4,747,798	2,419,544	7,167,342
2022	5,103,883	2,419,544	7,523,427
2023	441,030	2,419,544	2,860,574
2024	9,420,000	2,419,544	11,839,544
2025-2029	20,510,000	9,742,719	30,252,719
2030-2034	4,825,000	4,110,869	8,935,869
2035-2039	5,845,000	3,100,469	8,945,469
2040-2044	7,010,000	1,927,919	8,937,919
2045-2048	6,590,000	565,313	7,155,313
	<u>\$ 68,909,268</u>	<u>\$ 31,545,009</u>	<u>\$ 100,454,277</u>

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and expenditures in the amount of \$58,277 for retirement contributions paid on the School District's behalf by the following State Agency:

Office of the State Treasurer of the State of Georgia	
Paid to Public School Employee Retirement System	
For Public School Employees Retirement (PSERS)	
In the amount of	\$58,277

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 12: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

General Information about the Teachers Retirement System

Plan Description. All teachers of the District as defined in §47-3-60 of the Official Code of Georgia Annotated (O.C.G.A.) 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 2019. The School District's contractually required contribution rate for the year ended June 30, 2019 was 20.90% of annual school district payroll, excluding payroll attributable to those personnel funded on behalf of the District by the State. District contributions to TRS, excluding contributions funded by the State on behalf of the District were \$6,043,035 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$43,254,060 for its proportionate share of the net pension liability for TRS.

The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2018. At June 30 2018, the District's proportion was 0.233023%, which was a decrease of 0.007586% from its proportion measured as of June 30, 2017.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 12: RETIREMENT PLANS (CONTINUED)

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS) (Continued)

For the year ended June 30, 2019, the District recognized pension expense of \$5,477,690 and expense of \$21 for support provided by the State of Georgia for certain support personnel. At June 30, 2019, the District 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	\$ 2,863,480	\$ 89,148
Changes in assumptions	652,688	-
Net difference between projected and actual earnings on pension plan investments	-	1,182,650
Changes in proportion and differences between School District contributions and proportionate share of contributions	2,382,442	-
Board contributions subsequent to the measurement date	6,043,035	-
Total	<u>\$ 11,941,645</u>	<u>\$ 1,271,798</u>

District contributions subsequent to the measurement date of \$6,043,035 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2020	\$ 3,156,175
2021	1,812,686
2022	(671,109)
2023	261,887
2024	67,173
Total	<u>\$ 4,626,812</u>

**CITY OF BUFORD BOARD OF EDUCATION
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 12: RETIREMENT PLANS (CONTINUED)

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS) (Continued)

Actuarial Assumptions. The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25 – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

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

The actuarial assumptions used in the June 30, 2017 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 real 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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 12: RETIREMENT PLANS (CONTINUED)

TEACHERS RETIREMENT SYSTEM OF GEORGIA (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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 72,203,412	\$ 43,254,060	\$ 19,398,321

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

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA (PSERS)

General Information about the Public School Employees Retirement System

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 12: RETIREMENT PLANS (CONTINUED)

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

Upon retirement, the member will receive a monthly benefit of \$15.25, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost of living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

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

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

Pension Liabilities and Pension Expense

At June 30, 2019, the District did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the District is as follows:

State of Georgia's proportionate share of the Net Pension Liability associated with the School District	<u>\$ 348,127</u>
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The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$80,604 and revenue of \$80,604 for support provided by the State of Georgia.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	N/A
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 12: RETIREMENT PLANS (CONTINUED)

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

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

The actuarial assumptions used in the June 30, 2017 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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
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	11.00
Total	<u>100.00%</u>	

* 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 7.30%. This was a decrease from the prior year's discount rate, which was 7.5%. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 13: COMMITMENTS AND CONTINGENCIES

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

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

State of Georgia Intercept Program. In November 2017, the City issued \$20,000,000 of General Obligation Bonds, Series 2017A, \$10,000,000 of General Obligation Bonds, Series 2017B, and \$24,270,000 of General Obligation Refunding Bonds, Series 2017C to provide funds, together with other available funds of the School District, to finance the costs of acquiring, constructing, and equipping certain capital outlay projects of the School District and the costs of issuing the bonds. The obligation to pay the principal of and interest on the bonds is a general obligation debt of the City and constitutes a pledge of the full faith and credit and taxing power of the City. Debt service on the bonds will be paid from the general fund of the City from ad valorem taxes to be levied upon all property in the City which is subject to taxation for bond purposes.

In May 2015, the City issued \$33,050,000 of General Obligation Bonds, Series 2015 to provide funds, together with other available funds of the School District, to finance the costs of acquiring, constructing, and equipping certain capital outlay projects of the School District and the costs of issuing the bonds. The obligation to pay the principal of and interest on the bonds is a general obligation debt of the City and constitutes a pledge of the full faith and credit and taxing power of the City. Debt service on the bonds will be paid from the general fund of the City from ad valorem taxes to be levied upon all property in the City which is subject to taxation for bond purposes. A portion of these bonds were refunded, \$22,350,000, with General Obligation Bonds Series 2017C as mentioned above.

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

For the fiscal year ended June 30, 2019, no such amounts were required to be paid by the Georgia Department of Education for debt service related to the bonds.

Contractual Commitments. The School District has executed contracts with third parties for various construction projects. As of June 30, 2019, the balance of those contracts representing commitments made by the School District for work not yet completed is \$2,973,320.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 14: POSTEMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POSTEMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The District participates in the State of Georgia School Employees Postemployment Benefit Fund (School OPEB Fund), which is an other postemployment benefit (OPEB) plan administered by the State of Georgia Department of Community Health (DCH). Certified teachers and non-certified employees of the District as defined in §20-2-875 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund of the State of Georgia and administered by a Board of Community Health (DCH Board). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the DCH Board. The School OPEB Fund is included in the State of Georgia Comprehensive Annual Financial Report which is publicly available and can be obtained at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

Benefits Provided. The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies, and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Contributions. As established by the Board of Community Health, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions required and made to the School OPEB Fund from the District were \$1,367,774 for the year ended June 30, 2019. Active employees are not required to contribute to the School OPEB Fund.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$32,449,753 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was actuarially determined based on employer contributions to the School OPEB Fund during the fiscal year ended June 30, 2018. At June 30, 2018, the District's proportion was 0.255315%, which was an increase of 0.007779% from its proportion measured as of June 30, 2017.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 14: POSTEMPLOYMENT BENEFITS (CONTINUED)

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,610,273. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 738,105
Changes in plan assumptions	-	5,497,144
Net difference between projected and actual earnings on OPEB plan investments	43,905	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,262,704	-
District contributions subsequent to the measurement date	1,367,774	-
Total	\$ 2,674,383	\$ 6,235,249

District contributions subsequent to the measurement date of \$1,367,774 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2020	\$ (963,469)
2021	(963,469)
2022	(963,469)
2023	(966,092)
2024	(784,694)
Thereafter	(287,447)
Total	\$ (4,928,640)

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 14: POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions:

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.75%
Salary Increases	3.25-9.00%, including inflation
Long-term expected rate of return	7.3%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate:	
Pre-Medicare eligible	7.50%
Medicare eligible	5.50%
Ultimate trend rate	
Pre-Medicare eligible	4.75%
Medicare eligible	4.75%
Year of ultimate trend rate	
Pre-Medicare eligible	2028
Medicare eligible	2022

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For TRS Members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) was used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 2 years for males and 4 years for females) was used for death after disability retirement.
- For PSERS Members: The RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) was used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the pension system, which covered the five-year period ending June 30, 2014.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 14: POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions (Continued):

Additionally, there was a change that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the School OPEB Fund is based on their current or last employer payroll location. Current and former employees of public school districts, libraries, regional educational service agencies, and community colleges are allocated to the School OPEB Fund irrespective of retirement system affiliation.

The long-term expected rate of return on OPEB 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 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. During fiscal year 2018, the School OPEB fund update their investment strategy to a more long-term approach. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Fixed Income	30.00%	(0.50)%
Domestic Stocks – Large Cap	37.20%	9.00%
Domestic Stocks – Mid Cap	3.40%	12.00%
Domestic Stocks – Small Cap	1.40%	13.50%
Int'l Stocks - Developed Mkt	17.80%	8.00%
Int'l Stocks - Emerging Mkt	5.20%	12.00%
Alternatives	5.00%	10.50%
Total	<u>100.00%</u>	

Discount rate:

The discount rate has changed since the prior measurement date from 3.58% to 3.87%. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.87% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.87% per the Bond Buyer Index). The projection of cash flows used to determine the discount rate assumed that the current sharing of costs between the employer and the member will continue and that contributions from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2018. Therefore, the long-term expected rate of return on OPEB plan investments was applied to discount projected benefit payments until 2018. Therefore, the calculated discount rate of 3.87% was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 14: POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate:

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 3.87%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current discount rate (3.87%)	1% Increase (4.87%)
District's proportionate share of the net OPEB liability	\$ 37,891,137	\$ 32,449,753	\$ 28,061,846

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate:

The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

	1% Decrease	Current healthcare cost trend rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 27,280,768	\$ 32,449,753	\$ 39,055,525

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the Annual Comprehensive Financial Report (ACFR) which is publicly available at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

Note 15: PRIOR PERIOD RESTATEMENT

During the fiscal year ended June 30, 2018, the School District erroneously over-accrued \$1,738,335 of expenditures. The error overstated fund expenditures, and the School District is restating beginning fund balance in the Capital Projects Fund as shown below:

	Capital Projects Fund
Fund balance, Capital Projects Fund, as previously reported	\$ 37,632,865
To restate opening balances for expenditures as of June 30, 2018 improperly accrued	1,738,335
Fund balance, beginning of year, as restated	\$ 39,371,200

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BUFORD BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ -	\$ -	\$ 17,607,897	\$ 17,607,897
Local contribution	23,900,000	23,900,000	7,192,103	(16,707,897)
State funds	24,485,253	24,485,253	25,099,591	614,338
Federal funds	1,989,690	2,802,245	3,034,118	231,873
Charges for services	2,324,820	2,324,820	2,690,486	365,666
Investment earnings	8	8	1,582	1,574
Miscellaneous	3,648,803	3,673,803	3,846,135	172,332
Total revenues	<u>56,348,574</u>	<u>57,186,129</u>	<u>59,471,912</u>	<u>2,285,783</u>
EXPENDITURES				
Current:				
Instruction	39,962,503	39,960,502	38,493,132	1,467,370
Support services:				
Pupil services	2,187,887	2,191,887	2,540,725	(348,838)
Improvement of instructional services	270,864	268,020	409,795	(141,775)
Educational media services	670,749	673,594	660,304	13,290
General administration	3,162,007	3,161,692	2,949,759	211,933
School administration	3,395,825	3,393,825	3,501,896	(108,071)
Business administration	547,552	547,552	591,452	(43,900)
Maintenance and operation of plant	3,877,951	3,877,951	3,889,619	(11,668)
Student transportation services	1,721,933	1,721,933	1,946,766	(224,833)
Other support services	-	-	9,915	(9,915)
Enterprise operations	755,669	755,669	993,023	(237,354)
Community service	596,207	596,207	541,272	54,935
Food service operation	2,008,461	2,008,461	2,206,935	(198,474)
Total expenditures	<u>59,157,608</u>	<u>59,157,293</u>	<u>58,734,593</u>	<u>422,700</u>
Excess (deficiency) of revenues over expenditures	(2,809,034)	(1,971,164)	737,319	2,708,483
OTHER FINANCING SOURCES (USES)				
Transfers in	799,789	774,789	1,372,252	597,463
Transfers out	(775,209)	(774,789)	(1,742,607)	(967,818)
Total other financing sources (uses)	<u>24,580</u>	<u>-</u>	<u>(370,355)</u>	<u>(370,355)</u>
Net change in fund balances	(2,784,454)	(1,971,164)	366,964	2,338,128
FUND BALANCE, beginning of fiscal year	<u>6,813,879</u>	<u>6,813,879</u>	<u>6,813,879</u>	<u>-</u>
FUND BALANCE, end of fiscal year	<u>\$ 4,029,425</u>	<u>\$ 4,842,715</u>	<u>\$ 7,180,843</u>	<u>\$ 2,338,128</u>

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

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.233023%	0.225437%	0.220221%	0.213863%	0.207611%
District's proportionate share of the net pension liability	\$ 43,254,060	\$ 41,898,161	\$ 45,434,048	\$ 32,558,518	\$ 26,228,911
State of Georgia's proportionate share of the net pension liability associated with the District	-	-	-	-	-
Total	\$ 43,254,060	\$ 41,898,161	\$ 45,434,048	\$ 32,558,518	\$ 26,228,911
District's covered payroll	\$ 27,740,075	\$ 25,897,057	\$ 24,159,790	\$ 22,577,922	\$ 21,180,488
District's proportionate share of the net pension liability as a percentage of its covered payroll	155.93%	161.79%	188.06%	144.21%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	80.27%	79.33%	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.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 6,043,035	\$ 4,663,109	\$ 3,695,510	\$ 3,447,602	\$ 2,968,999
Contributions in relation to the contractually required contributions	<u>6,043,035</u>	<u>4,663,109</u>	<u>3,695,510</u>	<u>3,447,602</u>	<u>2,968,999</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	28,914,043	27,740,075	25,897,057	24,159,790	22,577,922
Contributions as a percentage of covered payroll	20.90%	16.81%	14.27%	14.27%	13.15%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$ 2,600,961	\$ 2,335,428	\$ 2,005,680	\$ 1,926,521	\$ 1,846,138
Contributions in relation to the contractually required contributions	<u>2,600,961</u>	<u>2,335,428</u>	<u>2,005,680</u>	<u>1,926,521</u>	<u>1,846,138</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	21,180,448	20,468,257	19,510,499	18,740,469	18,954,179
Contributions as a percentage of covered payroll	12.28%	11.41%	10.28%	10.28%	9.74%

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>348,127</u>	<u>298,154</u>	<u>405,517</u>	<u>256,607</u>	<u>188,706</u>
Total	<u>\$ 348,127</u>	<u>\$ 298,154</u>	<u>\$ 405,517</u>	<u>\$ 256,607</u>	<u>\$ 188,706</u>
School District's covered-employee payroll	\$ 639,086	\$ 572,740	\$ 548,875	\$ 475,587	\$ 487,730
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	85.26%	85.69%	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.

**CITY OF BUFORD BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.255315%	0.247536%
District's proportionate share of the net OPEB liability	<u>\$ 32,449,753</u>	<u>\$ 34,778,709</u>
Total	<u>\$ 32,449,753</u>	<u>\$ 34,778,709</u>
District's covered-employee payroll	\$ 25,623,822	\$ 23,906,164
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	126.64%	145.48%
Plan fiduciary net position as a percentage of the total OPEB liability	2.93%	1.61%

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

CITY OF BUFORD BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 1,367,774	\$ 1,323,269	\$ 1,290,673
Contributions in relation to the contractually required contributions	<u>1,367,774</u>	<u>1,323,269</u>	<u>1,290,673</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 26,816,640	\$ 25,623,822	\$ 23,906,164
Contributions as a percentage of covered-employee payroll	5.10%	5.16%	5.40%

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

CITY OF BUFORD BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Teachers Retirement System of Georgia:

Changes of assumptions: Postretirement 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. 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 November 18, 2015, the numbers of expected future deaths are 8-11% 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.

Public Schools Employees Retirement System of Georgia:

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

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

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date.

School System OPEB Fund:

Changes of benefit terms: In the June 30, 2010 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in a Medicare Advantage plan to receive the State subsidy.

Changes in assumptions: In the revised June 30, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location.

In the June 30, 2015 actuarial valuation, decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.

In the June 30, 2012 actuarial valuation, a data audit was performed and data collection procedures and assumptions were changed.

SUPPLEMENTARY INFORMATION

CITY OF BUFORD BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>PROJECT</u>	<u>ORIGINAL ESTIMATED COST (1)</u>	<u>CURRENT ESTIMATED COSTS (2)</u>	<u>AMOUNT EXPENDED IN CURRENT YEAR (3)</u>	<u>AMOUNT EXPENDED IN PRIOR YEARS (3)</u>	<u>TOTAL COMPLETION COST</u>	<u>ESTIMATED COMPLETION DATE</u>
SPLOST V - HALL COUNTY						
(i) Acquiring, constructing and equipping new schools, fine arts facilities, physical education facilities, student activity facilities and other school system facilities, acquiring and conducting site preparation of real estate for school district purposes, constructing and equipping additional classrooms, instructional and support space, and other school district facilities at existing school system facilities, and acquiring furnishings, equipment and fixtures for new and existing facilities system-wide, including technology equipment, textbooks, library books and school buses; and (ii) paying expenses incident thereto.	\$ 3,200,000	\$ 5,916,065	\$ -	\$ 5,916,065	\$ 5,916,065	Completed
SPLOST V - GWINNETT COUNTY						
(i) acquiring new sites for the construction of new schools, support facilities and athletic facilities and the expansion of existing schools and support facilities; (ii) developing sites for and constructing and equipping new schools, support facilities and athletic facilities; (iii) making additions to, acquiring or renovating and equipping existing schools, support facilities and athletic facilities; (iv) purchasing and refurbishing school buses and other transportation vehicles; (v) making existing or new lease/purchase payments or payments with respect to the acquisition of new and existing schools and support facilities along with buses and other transportation vehicles, textbooks, library books and other media; (vi) modernizing technology and making system-wide technology improvements in the Buford School District; and (vii) paying principal and interest of previously issued indebtedness	22,325,000	37,123,079	2,396,293	34,726,786	37,123,079	2/1/2020
Total SPLOST V Expenditures	<u>25,525,000</u>	<u>43,039,144</u>	<u>2,396,293</u>	<u>40,642,851</u>	<u>43,039,144</u>	
	\$ 25,525,000	\$ 43,039,144	\$ 2,396,293	\$ 40,642,851	\$ 43,039,144	

Reconciliation of the Schedule of Approved Local Option Sales Tax Projects expenditures to the Capital Projects Fund total expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds:

Expenditures from above paid by SPLOST funding	\$ 2,396,293
Principal payments on SPLOST projects	10,770,000
Expenditures not reflected above that were paid from other local sources of the School System	34,157,545
Total Capital Projects Expenditures	<u>\$ 47,323,838</u>

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Hall and Gwinnett Counties approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

SINGLE AUDIT SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buford City Schools (the "School District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 2, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003, 2019-004, and 2019-005 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-006.

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

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and management's corrective action plan. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 2, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited the School District'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 School District's major federal programs for the year ended June 30, 2019. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 2, 2021

CITY OF BUFORD BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Funding Agency Program/Grant</u>	<u>CFDA Number</u>	<u>Pass- Through Entity ID Number</u>	<u>Expenditures In Period</u>
U. S. Department of Agriculture			
Pass-Through From Georgia Department of Education			
Child Nutrition Cluster			
Food services			
National School Breakfast Program	10.553	195GA324N1099	\$ 293,491
National School Lunch Program	10.555	195GA324N1099	952,597
USDA-Food Distribution	10.560	195GA904N2533	163,972
SNP Warehouse	10.560	195GA904N2533	2,834
Total Child Nutrition Cluster			1,412,894
Total U. S. Department of Agriculture			1,412,894
U. S. Department of Education			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Title VI-B Flow Through	84.027	H027A190073	762,591
Total Special Education Cluster			762,591
Pass-Through From Georgia Department of Education			
Other Programs			
Career and Technical Education - Basic Grants to States	84.048	V048A190010	23,683
English Language Acquisition State Grants	84.365	S365A180010	14,496
English Language Acquisition State Grants	84.365	S365A190010	43,604
Student Support and Academic Enrichment Program	84.424A	S424A180011	25
Student Support and Academic Enrichment Program	84.424A	S424A19001	25,356
Supporting Effective Instruction State Grants	84.367	S367A180001	11,514
Supporting Effective Instruction State Grants	84.367	S367A190001	75,050
Title I Grants to Local Educational Agencies	84.010	S010A180010	138,054
Title I Grants to Local Educational Agencies	84.010	S010A190010	526,851
Total Other Programs			858,633
Total U.S. Department of Education			1,621,224
Total Expenditures of Federal Awards			\$ 3,034,118

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Buford Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Financial Statements

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

Internal control over financial reporting:
Material weaknesses identified? __X__ yes ____ no

Significant deficiencies identified? ____ yes __X__ none reported

Noncompliance material to financial statements noted? __X__ yes ____ no

Federal Awards

Internal control over major programs:
Material weaknesses identified? ____ yes __X__ no

Significant deficiencies identified? ____ yes __X__ 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 2 CFR 200.516(a)? ____ yes __X__ no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A
84.027	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ____ yes __X__ no

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

2019-001 Maintenance of Long-term Debt Ledger

Criteria: Internal controls should be in place to ensure that financial statements of the School District are properly presented in accordance with accounting principles generally accepted in the United States of America.

Condition: Certain internal controls at fiscal year-end were not in place to ensure the activity noted below was properly and timely reported within the financial statements.

Context/Cause: During the audit for the fiscal year ended June 30, 2019, we noted that the long-term debt schedule provided for the audit omitted the advance between the School District and Gwinnett County with a balance of approximately \$14,709,000 as of and for the fiscal year ended June 30, 2019.

Effects: The errors discussed above created the need for adjustments to the line items noted above. The total value of these adjustments was approximately \$110,936,000.

Recommendations: We recommend the School District reexamine its fiscal year-end close out procedures to ensure controls are in place to correctly record activity that occurred during the fiscal year and that such activity is properly reflected in the School District's accounting records as of the end of the fiscal year.

Auditee's Response: We concur with the finding and will reexamine our fiscal year-end closeout procedures to ensure controls are in place to properly reflect activity and balances for the fiscal year.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

2019-002 Payroll Reversal

Criteria: Payroll accrual reversals should be adjusted against the expenditure functions they were accrued for and not revenues.

Condition: The School District erroneously recorded a payroll accrual reversal as revenue in its accounting records as of and for the fiscal year ended June 30, 2019.

Context/Cause: The error noted above occurred due to management oversight.

Effects: The effects of the oversight noted above caused the School District's revenues and expenditures to be overstated by approximately \$819,000.

Recommendation: We recommend the School District implement a procedure to ensure that payroll activity for the year is correctly recorded in its accounting records as of fiscal year-end.

Auditee's Response: We concur with the finding. We will implement a procedure to ensure payroll activity for the year is correctly recorded in our accounting records as of fiscal year-end.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

2019-003 Cash

Criteria: Accounting records at fiscal year-end should reflect all cash balances as of June 30, 2019. Monthly reconciliations of the District's cash balances should be timely performed to reconcile activity to the general ledger.

Condition: The School District failed to record all of its cash activity as of and for the fiscal year-ended June 30, 2019.

Context/Cause: During our testing of cash, audit adjustments were required to properly report the School District's cash and revenue balances resulting from omissions of cash and revenues due to management oversight.

Effects: As a result of the errors noted above, the School District's cash and revenues were understated by approximately \$267,000. An audit adjustment was required to correct these misstatements.

Recommendations: We recommend the School District carefully review all cash and related revenues to ensure that transactions are recorded in its accounting records.

Auditee's Response: We concur with the finding and are currently implementing controls to properly reflect all transactions in our accounting records.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

2019-004 Prior Period Adjustment

Criteria: Internal controls should be in place to correctly record expenditure activity that is transacted by the City of Buford on behalf of the School District. The activity resulting from the various capital accounts of the District which are maintained by the City should be reported in the District's general ledger on a monthly basis and reconciled to the City's records.

Condition: During our testing, the School District had erroneously recorded approximately \$1,700,000 of overaccrued expenditures related to construction in progress in the prior fiscal year as donation revenue from the City of Buford for the fiscal year ended June 30, 2019.

Context/Cause: The above error occurred due to a failure of management to accurately track and record activity and adjustments that occurred on behalf of the School District at the City of Buford.

Effects: Failure to properly track and record activity, including all year-end adjustments, noted above resulted in an overstatement of revenues and understated opening fund balance of approximately \$1,738,000 in the School District's Capital Projects Fund. An audit adjustment was required to correct these misstatements.

Recommendation: We recommend the School District work with the City of Buford in order to accurately understand and record activity that occurs on the School District's behalf to ensure that this activity is properly recorded in its accounting records at the end of the fiscal year.

Auditee's Response: We concur with the finding. The School District will take the necessary steps to work with the City of Buford to ensure that activity that occurs on behalf of the School District is properly recorded in our accounting records.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

2019-005 Segregation of Duties

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

Condition: During our walkthrough procedures, we noted the School District does not have adequate controls to properly segregate all responsibilities related to the following:

- The individual responsible for reconciling the bank statements also has the ability to edit the receivables master file;
- The individual who deposits cash also posts receipts to the receivables ledger;
- The individual who mails checks and issues debit memos can also edit the vendor master file;
- The individual who maintains access to and custody of inventory also maintains the chart of accounts; and
- All members of the Finance staff are able to print checks with the Superintendent's electronic signature.

Context/Cause: The School District finance department runs on a relatively small staff with multiple responsibilities and it is easy to assign too many functions to one individual.

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

Recommendation: We recommend the School District properly segregate duties relative to the areas we noted above. In particular, we specifically recommend that only select members of the finance staff have the ability to print the Superintendent's signature on checks.

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

CITY OF BUFORD BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-006 Collateralization of Deposits

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

Condition: As of June 30, 2019, deposits of the School District held at a financial institution totaling approximately \$9.3 million were not fully collateralized or insured in accordance with the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c). The pledged collateral for these accounts was less than the required amount by approximately \$287,000.

Context/Cause: The School District's deposits were not properly monitored by management of the School District and therefore, were not adequately collateralized at the financial institution as of June 30, 2019.

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

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

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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

None noted

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

**STATUS OF PRIOR FISCAL YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FS2018-001 Internal Controls over Cash and Cash Equivalents

Condition and Context: The prior fiscal year's auditors observed deficiencies following control deficiencies related to cash and investments.

Status: Corrected for the current fiscal year's audit.

FS2018-002 Controls over Financial Reporting

Condition and Context: The prior fiscal year's auditors noted numerous deficiencies in the School District's controls over preparation of financial information used in the financial statements.

Status: Not corrected in the current fiscal year's audit. See finding 2019-001.

FS2018-003 Accounting for Special Purpose Local Option Sales Tax Activity

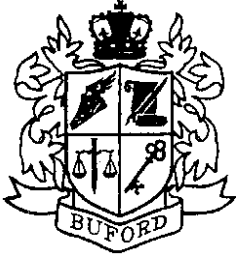
Condition and Context: The School District did not adequately account for the activity of the Special Purpose Local Option Sales Tax (SPLOST).

Status: Not corrected in the current fiscal year's audit. See finding 2019-004.

FA2018-001 Excessive Cash Balances (CFDA #84.010)

Condition and Context: Upon review of cash drawdowns and disbursements related to the Title I program, cash balances in excess of Title I program materiality were observed throughout the majority of the fiscal year.

Status: Corrected for the current fiscal year's audit.



Buford City Schools

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CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

Finding 2019-001: Maintenance of Long-term Debt Ledger

The financial statement reporting process of the School District was insufficient to ensure all required activity was correctly included in the financial statement information presented for audit.

Corrective Action Plans:

Buford City Schools administrative finance team will utilize the suggested end of the year checklist from Georgia Department of Education FMGULA and the suggested end of the year checklist from the Georgia Department of Audits and Accounts. The finance team will work with the vendor contracted to provide financial statements to ensure that the statements are completed in compliance with GAAP.

Estimated Completion Date: 09/30/2021

Contact Person: Angela Adams, Director of Finance
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Finding 2019-002: Payroll Reversal

Payroll accrual reversals should be adjusted against the expenditure functions they were accrued for and not revenue.

Corrective Action Plans:

Buford City Schools administrative finance team will implement procedures to ensure that payroll activity for the year is correctly recorded in its accounting records as of the fiscal year-end.

Estimated Completion Date: 09/30/2021

Contact Person: Angela Adams, Director of Finance
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Finding 2019-003: Cash

The school district failed to record all of its cash activity as of and for the fiscal year ended June 30, 2019.

Corrective Action Plans:

Buford City Schools administrative finance team will carefully review all cash and related revenues to ensure that transactions are recorded in the accounting records.

Estimated Completion Date: 09/30/2021

Contact Person: Angela Adams, Director of Finance

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Finding 2019-004: Prior Period Adjustment

The School District erroneously recorded approximately \$1,700,000 of overaccrued expenditures related to construction in progress in the prior fiscal year as donation revenue from the City of Buford for the fiscal year ended June 30, 2019.

Corrective Action Plans:

Buford City Schools administrative finance team will work closely with the City of Buford in order to accurately record the activity that occurs at the City Government on behalf of the school district.

Estimated Completion Date: 09/30/2021

Contact Person: Angela Adams, Director of Finance

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Finding 2019-005: Segregation of Duties

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

- The individual responsible for reconciling the bank statements also has the ability to edit the receivables master file;
- The individual who deposits cash also posts receipts to the receivables ledger;
- The individual who mails checks and issues debit memos can also edit the vendor master file;
- The individual who maintains access to and custody of inventory also maintains the chart of accounts;
- All members of the Finance staff are able to print checks with the Superintendent's; and
- Electronic signature.

Corrective Action Plan:

The School District will take the necessary steps to address the segregation of duties deficiency noted above with compensating controls.

Estimated Completion Date: 09/30/2021

Contact Person: Angela Adams, Director of Finance

Telephone: 770-945-5035 ext 308; E-mail:angela.adams@bufordcityschools.org

Finding 2019-006: Collateralization of Deposits

Deposits of the School District held at a financial institution totaling approximately \$9.3 million were not fully collateralized or insured in accordance with the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c). The pledged collateral for these accounts was less than the required amount by approximately \$287,000.

Corrective Action Plans:

The School District will take the necessary steps to ensure that all deposits are properly categorized as public funds by the financial institution and that the deposits are adequately insured and, or collateralized throughout the fiscal year.

Estimated Completion Date: 09/30/2021

Contact Person: Angela Adams, Director of Finance

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