**INTRODUCTION**

The discussion and analysis of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_ County 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, 2016 and June 30, 2015. 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 2016 and 2015 are as follows:

Examples of financial highlights are included below. Choose those that best highlight the district’s financial position. Additional bullets may be added.

* 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 $\_\_\_\_\_\_\_\_\_\_ and   
  $\_\_\_\_\_\_\_\_\_, respectively, for the fiscal years ended June 30, 2016 and 2015. Of these amounts, $\_\_\_\_\_\_\_\_\_\_\_\_ and $\_\_\_\_\_\_\_\_\_\_\_\_, respectively, for fiscal years 2016 and 2015 are available for spending at the School District’s discretion. The amounts for fiscal years 2016 and 2015 do not reflect the effects of the restatement of net position as described in Note 2.
* The School District had $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and $\_\_\_\_\_\_\_\_\_\_\_\_ million in expenses relating to governmental activities for the fiscal years ended June 30, 2016 and June 30, 2015, respectively. Only $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and $\_\_\_\_\_\_\_\_\_\_ of the above mentioned expenses for 2016 and 2015 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and $\_\_\_\_\_\_\_\_\_\_\_, respectively, for 2016 and 2015, along with fund balance were adequate to provide for these programs.
* General revenues accounts for $\_\_\_\_\_\_\_\_\_\_\_ in revenue or \_\_\_\_% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $\_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_% of total revenues of $\_\_\_\_\_\_\_\_\_\_.
* The School District had $\_\_\_\_\_\_\_\_\_\_ in expenses related to governmental activities; however, $\_\_\_\_\_\_\_\_of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of $\_\_\_\_\_\_\_\_\_\_\_\_ were adequate to provide for these programs.
* The current ratio, which measures the School District’s ability to transform current assets into cash and pay its short- term liabilities, was \_\_\_\_\_\_ and \_\_\_\_\_\_\_ for the fiscal years ended June 30, 2016 and June 30, 2015, respectively. Generally, a ratio greater than 2.0 is considered very financially stable.
* The \_\_\_\_\_\_\_\_\_ County voters passed a one percent sales tax for educational purposes (ESPLOST) for another five years (insert applicable five year period, i.e. 2008-2012) on \_\_\_\_\_\_\_\_\_\_. The voters also approved the issuance of $ \_\_\_\_\_\_ general obligations bonds which were issued on \_\_\_\_\_\_\_\_\_\_\_\_.
* Long-term debt increased/decreased by $\_\_\_\_\_\_\_\_\_\_ for 2016 and increased/decreased by $\_\_\_\_\_\_\_\_\_\_\_ for 2015. This increase/decrease for 2016 was due primarily to the issuance of general obligations bonds/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 $\_\_\_\_\_\_\_\_\_\_\_\_\_\_, a (n) increase/decrease of $\_\_\_\_\_\_\_\_\_\_ from the June 30, 2015 fund balance of $\_\_\_\_\_\_\_\_\_\_\_.
* Among major funds, the general fund had $ \_\_\_\_\_\_\_\_\_ in revenues and $ \_\_\_\_\_\_\_ in expenditures. The fund balance for the general fund increased/decreased from $ \_\_\_\_\_\_\_ to approximately $\_\_\_\_\_\_\_\_\_. Several factors led to this increase/decrease (insert factors specific to district).

**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, 2016 and 2015, the general fund, the capital projects fund, and the debt service fund represent the most significant 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.

**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.

Proprietary Funds - (add detail if the district has these funds)

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.

**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 2016 and 2015.

Insert Table 1 from excel template

The following examples sets forth information on the details of unrestricted net position (Table 1) that management may want to consider for inclusion in the MD&A.

Total assets and deferred outflows of resources increased/decreased by $\_\_\_\_\_\_ which was primarily due to \_\_\_\_\_\_\_\_\_\_\_\_\_.

Total liabilities and deferred inflows of resources increased/decreased by $\_\_\_\_\_\_\_\_\_. The combination of the increase/decrease in total assets and deferred outflows of resources and the increase/decrease in total liabilities and deferred inflows of resources yielded an increase/decrease in net position of $\_\_\_\_\_\_\_\_\_.

Net position increased/decreased $\_\_\_\_\_ in fiscal year 2016. This increase/decrease is primarily due to \_\_\_\_\_\_\_\_\_\_\_\_\_.

Table 2 shows the changes in net position for fiscal years ending June 30, 2016 and June 30, 2015.

Insert Table 2 from excel table.

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions increased/decreased $\_\_\_\_\_\_\_\_\_\_\_\_\_ for governmental activities. This increase/decrease is largely due to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (insert applicable explanations. Examples include but are not limited to: an increase in funds earned through the State Quality Basic Education (QBE) Funding 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.)

General revenues increased/decreased by $\_\_\_\_\_\_\_\_\_\_ during fiscal year 2016 (give examples of this increase/decrease. For example, was it due to change in millage rate, economic improvement resulting in larger sales tax revenue, more/less equalization funding, etc.)

**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.

Insert Table 3 from excel table

Select an option from below to explain Table 3.

Although program revenues make up a majority of the funding, the School District is still dependent upon tax revenues for governmental activities. For 2016, \_\_\_\_\_\_\_\_\_% of instruction and support activities were supplemented by taxes and other general revenues compared to \_\_\_\_% in 2015.

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Taxes and other general revenues support \_\_\_\_ % of instructional activities, which increased/decreased from the prior year by \_\_\_\_\_%; for all other governmental activities general revenue support is \_\_\_\_\_%, which is an increase/decrease of \_\_\_\_%.

Expenses increased/decreased $\_\_\_\_\_\_\_ from the prior year, the net costs of providing services increased/decreased $\_\_\_\_\_\_\_\_. This situation occurred because \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT’S FUNDS

Select one option below

OPTION 1

The School District’s governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of $\_\_\_\_\_\_\_\_\_\_\_ and total expenses and other financing uses of $\_\_\_\_\_\_\_\_\_\_. There was a(n) increase/decrease in the fund balance totaling $\_\_\_\_\_\_\_\_\_\_ for the governmental funds as a whole. Insert an explanation for the increase or decrease in fund balance for governmental funds.

OPTION 2

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 $\_\_\_\_\_\_ and expenditures and other financing uses of $\_\_\_\_\_\_\_. The capital projects fund had an overall increase/decrease of $\_\_\_\_\_ due to \_\_\_\_\_\_\_\_\_\_\_\_. The general fund had an overall increase/decrease of $\_\_\_\_\_\_\_. The increase/decrease in the general fund for the year is due mostly to \_\_\_\_\_\_\_\_\_\_\_\_\_.

**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 2016 and 2015, the School District amended its general fund budget as needed.

Select Option 1 or Option 2

OPTION 1

During fiscal year 2016 the general fund had final actual revenues and other financing sources totaling $\_\_\_\_\_\_\_\_, which represented a(n) increase/decrease from the original budgeted amount of $\_\_\_\_\_\_\_\_ by $\_\_\_\_\_\_\_\_\_. This difference (final actual vs. original budget) was due to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Final actual expenditures during fiscal year 2016 totaling $\_\_\_\_\_\_\_\_\_ represented a(n) increase/decrease from the original budgeted amount of $\_\_\_\_\_\_\_\_\_\_\_ by $\_\_\_\_\_\_\_\_\_\_. The increase/decrease in actual expenditures versus original budget expenditures was due primarily to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

OPTION 2

For the general fund, the final budgeted revenues and other financing sources of $\_\_\_\_\_\_\_\_\_\_ increased/decreased from the original budgeted amount of $\_\_\_\_\_\_\_\_\_ by $\_\_\_\_\_\_\_\_. This difference was mainly due to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The actual revenue was more/less than the budgeted amount by $\_\_\_\_\_\_\_\_\_\_. The majority of the variances between final budget and actual revenue are due to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

The final budgeted expenditures and other financial uses of $\_\_\_\_\_\_\_\_\_ was less/more than the original budgeted amount of $\_\_\_\_\_\_\_\_\_\_ by $\_\_\_\_\_\_\_\_\_\_. This difference was due mainly to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The actual expenditures and other financing uses of $\_\_\_\_\_\_\_\_\_ was $\_\_\_\_\_\_\_\_ less/more than budgeted. The majority of the variances between the final budgeted expenditures and actual are due to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**CAPITAL ASSETS**

At the fiscal years ended June 30, 2016 and June 30, 2015, the School District had $\_\_\_\_\_\_\_\_\_ and $\_\_\_\_\_\_\_\_\_\_, 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.

Insert Table 4 from excel table

These examples set forth information on the details of capital assets (Table 4) that management may want to consider for inclusion in the MD&A.

The overall capital assets increased/decreased in fiscal year 2016 by $\_\_\_\_\_\_ due to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A net increase/decrease was made in \_\_\_\_\_\_\_\_\_\_\_\_\_ (asset category) due to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Construction in progress increased/decreased primarily due to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**DEBT ADMINISTRATION**

At June 30, 2016, the School District had $\_\_\_\_\_\_\_\_\_ in total debt outstanding with $\_\_\_\_\_\_\_\_\_ due within one year. Table 5 summarizes bond debt outstanding at June 30, 2016 and 2015.

Insert Table 5 from excel table

The District may choose to add information about any new debt entered into in the current year or significant payments.

**CURRENT ISSUES**

Insert pertinent information specific to the school district here. Examples include but are not limited to:

In fiscal year 2017, the cost of the employer portion of TRS pension will increase approximately $600,000, and an increase in health insurance premiums for non-certified employees is expected to add another $750,000. In addition, revenues will again be cut as the State of Georgia imposes another QBE Austerity Reduction expected to cost the School District approximately $3.3 million in earned revenue, bringing the grand total of revenue lost since the cuts began in 2003 to more than   
$60.0 million. In spite of these hardships, the School District plans to reduce the number of furlough days from three to two for fiscal year 2017 and add numerous teaching positions to help combat increasing class sizes.

Approximately 85% 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, 2016. 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 and health insurance premium expenses. The School District consistently evaluates how funds can be spent smarter and more effectively to ensure that County students receive a quality education from effective personnel.

The School District’s millage rate for fiscal year 2016 was 18.692. The net digest was relatively flat during fiscal years 2015 and 2014, ending a string of several years where it decreased annually. The net digest for fiscal year 2015 was $1.497 billion, which produced approximately $1,497,000 per mill. As shown in Table 3, property tax and sales tax are responsible for covering 39% 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 in 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.

General fund revenues were positively impacted in fiscal year 2015 by the School District's decision to implement the newly offered Community Eligibility Plan (CEP) for school food reimbursements. This change resulted in additional revenues versus fiscal year 2014 in excess of $400 thousand. Additionally, the general fund received another $400 thousand in revenues from the newly legislated Title Ad Valorem Tax bill. Despite the negative impact of this legislation on sales tax revenue, the general fund benefited. The School District remains vigilant at controlling costs, and maintained general fund expenditures comparable to fiscal year 2014. Year over year spending increases were attributable to state mandated increases for teacher salaries, increased Special Education costs, and increased health insurance costs due to the full implementation of the Affordable Care Act. As expected, expenditures in fiscal year 2015 exceeded revenues. Through rigorous controls, the amount of the fund balance consumed was limited to $844 thousand. When the fiscal year 2015 millage rate was set by the School District, the amount expected to be provided from fund balance was in excess of $2.0 million.

Fiscal year 2015 saw the completion of the second major portion of the New High School Construction and Renovation project. In addition to the athletic facilities that were completed in 2014, the instructional facilities were substantially complete in June 2015. Students started the 2016 school year in the new facilities. This project will be fully completed in the fall of 2016 after the construction of the Theater and Fine Arts wing. Upon completion, the cost of the New High School Construction and Renovation Project is projected to be on budget at $30.7 million. New projects are under consideration for a field house and additional building renovations at the high school, athletic field renovations, parking lots, and bus loading ramps. Preliminary estimates indicate a cost of $10.0 million for these additional projects, which will be funded from ESPLOST revenues not required for debt service.

Another matter which is of concern to the School District is the impact of GASB 68 on the financial statements for fiscal year 2015 and beyond. At this time, the actual amount required to be reported is not known, but is expected to have a significant impact on net position in future financial statements. (If new standards have passed that will significantly impact the district it should be mentioned here.)

**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 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ at the \_\_\_\_\_\_\_\_\_\_\_\_\_\_ County Board of Education, [insert address]. You may also email your questions to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.