



# **LOWNDES COUNTY BOARD OF EDUCATION VALDOSTA, GEORGIA**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

**(Including Independent Auditor's Reports)**



LOWNDES COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL





# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

June 3, 2015

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Lowndes County Board of Education

## INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through I) of the Lowndes County Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board'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 of 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County Board of Education, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2014 the Lowndes County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The School District restated beginning Net Position for the cumulative effect of this accounting change. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through x and page 27 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lowndes County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 2 through 5, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2015, on our consideration of the Lowndes County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Lowndes County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor

GSG:as  
2014ARL-11



LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**INTRODUCTION**

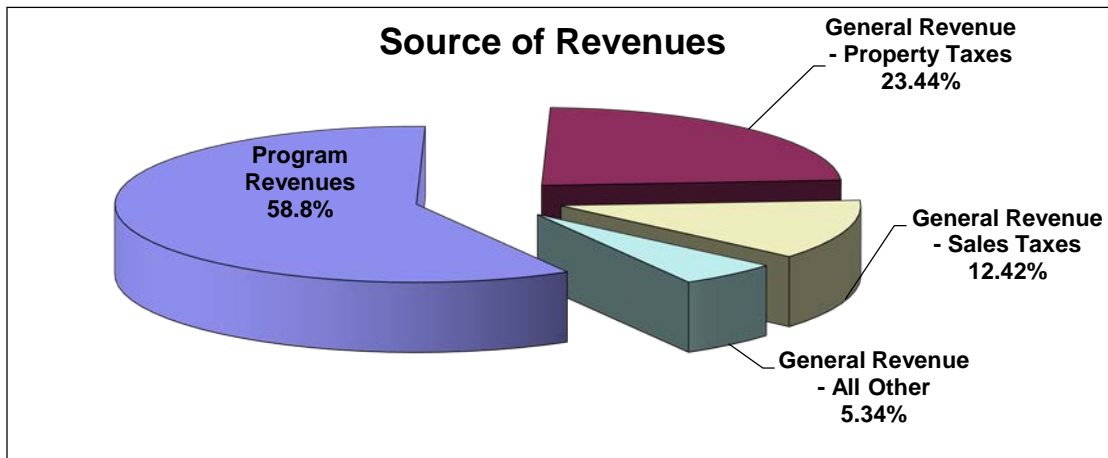
The District's financial statements for the fiscal year ended June 30, 2014 includes a series of basic financial statements that report financial information for the District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide financial information about all of the District's activities and present both a short-term and long-term view of the District's finances on a global basis. The fund financial statements provide information about all of the District's funds. Information about these funds, such as the District's General Fund, is important in its own right, but will also give insight into the District's overall soundness as reported in the Statement of Net Position and the Statement of Activities.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2014 are as follows:

On the District-wide financial statements:

- The District's net position at June 30, 2014 was \$172.2 million. Net position reflects the difference between all assets and deferred outflows of resources of the District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term, and deferred inflows of resources. The net position at June 30, 2014 of \$172.2 million represented an increase of almost \$3.1 million when compared to the prior year.
- The School District had \$95.3 million in expenses relating to governmental activities; about \$58.0 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of \$40.6 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$40.6 million or about 41.2% of all revenues totaling \$98.6 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues.(Percentages in table below rounded to two decimal places)



LOWNDES COUNTY BOARD OF EDUCATION  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

On the fund financial statements:

- Among major funds, the General Fund had \$86.3 million in revenues and \$87.8 million in expenditures. The General Fund balance of \$4.5 million at June 30, 2014 decreased by roughly \$1.5 million from the prior year. This decrease in General Fund balance of roughly \$1.5 million was less than the Board anticipated based on its Final Amended Budget which reflected a \$2.4 million decrease in General Fund balance.

## OVERVIEW OF THE FINANCIAL STATEMENTS

These financial Statements consists of three parts; management's discussion and analysis (this section), the basic financial statements including notes to the financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the District-wide and fund financial statements.

The District-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 School District's overall financial status.

The fund financial statements focus on individual parts of the School District, 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. In the case of the Lowndes County School District, the General Fund, Capital Projects Funds, and Debt Service Funds are all considered to be major funds. The District has no funds reported as nonmajor funds as defined by generally accepted accounting principles.

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.

### District-wide Statements

Since Lowndes County School District has no operations that have been classified as "Business Activities", the District-wide financial statements are basically a consolidation of all of the District's operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position now than last year? The 'Statement of Net Position' and the 'Statement of Activities' provides the basis for answering this question. These financial statements include all of the District's assets and liabilities and uses the **accrual basis of accounting** similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and any changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, student-teacher ratios, and other factors.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

When analyzing District-wide financial statements, it is important to remember these statements are prepared using an economic resources measurement focus (accrual accounting) and involve the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position as follows:
  - *Net Investment in capital assets*
  - *Restricted net position* is amounts with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
  - *Unrestricted for no specific use*

### Fund Financial Statements

The School District uses many funds or sub-funds to account for a multitude of financial transactions during the fiscal year. The fund financial statements presented in this report provide detail information about the School District's significant or major funds. As discussed previously, the District has no nonmajor Funds as defined by generally accepted accounting principles.

The District has two kinds of funds as discussed below:

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the **modified accrual 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 differences between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

Fiduciary Funds – The School District is the trustee, or fiduciary, for assets that belong to clubs, organizations, and others 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 District-wide financial statements because it cannot use these assets to finance its operations.

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net position, which is the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, is one indicator of the financial condition of the District. When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as the District's operating results. The District's net position, as measured in the Statement of Net Position is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position - as measured in the Statement



LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

of Activities - is one indicator of whether its financial health is improving or deteriorating. However, the District's goal and mission is to provide success for each child's education, not to generate profits as private corporations do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the District.

In the case of the Lowndes County School District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by almost \$172.2 million at June 30, 2014. To better understand the District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net position category. For example, of the \$172.2 million of net position, almost \$13.3 million was restricted for continuation of various State and Federal programs, debt service and ongoing capital projects. Accordingly, these funds were not available to meet the District's ongoing obligations to citizens and creditors.

In addition, the District had just over \$169.7 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets to provide educational services to students within geographic boundaries served by the District. Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the net position is *not* available for future spending.

The offsetting balance of *unrestricted net position* of almost (\$10.8) million is driven to a deficit due to the calculation of net position with uncapitalized bond proceeds and bonds outstanding. Otherwise, the unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Table 1 provides a summary of the School District's net position for this fiscal year as compared to the prior fiscal year.

**Table 1  
Net Position**

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
<b>Assets</b>		
Current and Other Assets	\$ 30,931,585	\$ 31,868,506
Capital Assets, Net	184,154,317	187,585,210
<b>Total Assets</b>	215,085,902	219,453,716
<b>Liabilities</b>		
Current and Other Liabilities	13,555,258	14,199,961
Long-Term Liabilities	29,326,908	36,137,975
<b>Total Liabilities</b>	42,882,166	50,337,936
<b>Net Position</b>		
Net Investment in Capital Assets	169,695,916	166,708,068
Restricted	13,306,213	11,346,814
Unrestricted	-10,798,393	-8,939,102
<b>Total Net Position</b>	\$ 172,203,736	\$ 169,115,780

Total net position increased \$3.1 million in fiscal year 2014 from the prior year. This change in net position is detailed in Table 2 as presented below, equaling \$3.2 million prior to the decrease in beginning net position due to restatement for reclassification of bond issuance cost of \$144 thousand. Table 2 also shows the changes in net position as compared to the prior fiscal year.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Table 2**  
**Change in Net Position**

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2014	2013
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 1,736,043	\$ 1,905,468
Operating Grants and Contributions	56,220,999	56,151,833
Capital Grants and Contributions		457,317
Total Program Revenues	57,957,042	58,514,618
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	23,005,507	20,655,068
Other Taxes	108,917	
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	7,159,715	11,513,089
For Capital Projects	4,730,878	672,031
Other Sales Tax	351,132	562,052
Grants and Contributions not		
Restricted to Specific Programs	3,806,212	3,710,274
Investment Earnings	53,014	70,653
Miscellaneous	1,438,213	1,306,726
Transfers	-32,949	-35,485
Total General Revenues and Transfers	40,620,639	38,454,408
Total Revenues	98,577,681	96,969,026
<b>Program Expenses:</b>		
Instruction	60,525,386	59,777,573
Support Services		
Pupil Services	3,330,976	3,314,860
Improvement of Instructional Services	2,672,191	2,969,379
Educational Media Services	1,337,618	1,317,082
General Administration	1,152,407	1,056,798
School Administration	4,341,517	4,478,935
Business Administration	743,228	774,211
Maintenance and Operation of Plant	7,525,626	7,106,874
Student Transportation Services	5,323,181	5,070,242
Central Support Services	644,075	616,150
Other Support Services	145,340	149,505
Operations of Non-Instructional Services		
Enterprise Operations	191,754	207,540
Community Services	3,117	1,512
Food Services	5,991,825	5,860,350
Interest on Short-Term and Long-Term Debt	1,416,831	1,822,137
Total Expenses	95,345,072	94,523,148
Increase in Net Position	\$ 3,232,609	\$ 2,445,878

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Cost of Providing Services**

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

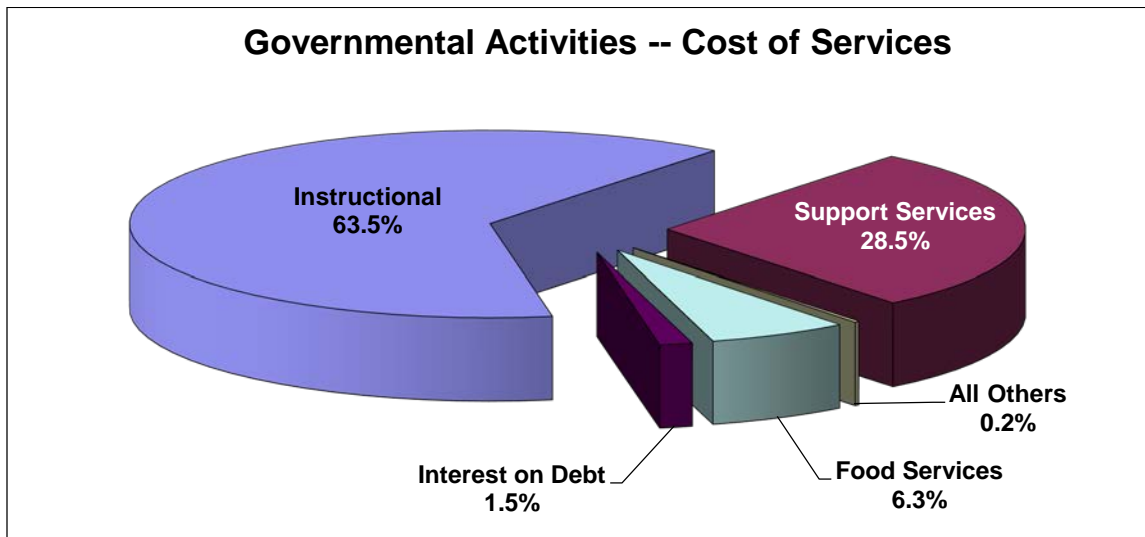
Both expenditures and net cost of services remained virtually unchanged from the prior fiscal year.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2013
Instruction	\$ 60,525,386	\$ 59,777,573	\$ 20,812,551	\$ 21,244,862
Support Services:				
Pupil Services	3,330,976	3,314,860	2,464,476	2,366,195
Improvement of Instructional Services	2,672,191	2,969,379	699,714	676,651
Educational Media Services	1,337,618	1,317,082	29,824	-101,206
General Administration	1,152,407	1,056,798	-432,216	-765,029
School Administration	4,341,517	4,478,935	1,788,919	1,549,918
Business Administration	743,228	774,211	723,972	708,935
Maintenance and Operation of Plant	7,525,626	7,106,874	4,192,933	3,627,732
Student Transportation Services	5,323,181	5,070,242	3,935,287	3,093,035
Central Support Services	644,075	616,150	617,108	576,282
Other Support Services	145,340	149,505	54,293	83,301
Operations of Non-Instructional Services:				
Enterprise Operations	191,754	207,540	191,754	207,540
Community Services	3,117	1,512	3,117	1,512
Food Services	5,991,825	5,860,350	889,467	916,664
Interest on Short-Term and Long-Term Debt	1,416,831	1,822,137	1,416,831	1,822,137
Total Expenses	<u>\$ 95,345,072</u>	<u>\$ 94,523,148</u>	<u>\$ 37,388,030</u>	<u>\$ 36,008,529</u>

The chart below shows a functional summary of the expenses made by the District during fiscal year 2014. The percentages are rounded to one decimal place.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014



#### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$98.2 million and total expenditures of \$98.9 million in fiscal year 2014. Total governmental fund balances of \$16.8 million at June 30, 2014, decreased about \$726 thousand from the prior year. This decrease in fund balance resulted primarily from the General Fund expenditures exceeding revenues by about \$1.5 million. This decrease in General Fund Balance of roughly \$1.5 million was less than the Board anticipated based on its Final Amended Budget which reflected a \$2.4 million decrease in General Fund balance.

#### General Fund Budget Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2014, the School District amended its general fund budget as needed.

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

For the General Fund, the final actual revenues of \$86.3 million were about \$2.6 million more than the final budget amount of \$83.7 million. This fact demonstrates the District's conservative approach of forecasting revenues for the fiscal year.

The General Fund's final actual expenditures of almost \$87.8 million were more than the final budget amount of \$86.1 million by roughly \$1.7 million. This variance was primarily due to actual expenditures for maintenance and operation of plant were more than the budgeted amount by about \$300 thousand, actual expenditures for transportation were more than the budget amount by about \$277 thousand, and actual expenditures and actual expenditures for food services were more than the budget amount by \$611 thousand.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At fiscal year ended June 30, 2014, the School District had \$184.0 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation, as compared to the prior fiscal year.

**Table 4**  
**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities	
	Fiscal	Fiscal
	Year 2014	Year 2013
Land	\$ 35,891,580	\$ 35,891,580
Construction In Progress	16,853	119,367
Land Improvements	12,034,573	12,456,397
Building and Improvements	129,722,927	131,746,321
Equipment	6,488,384	7,371,545
Total	\$ 184,154,317	\$ 187,585,210

Additional information about the School District's Capital Assets can be found in the Notes to the Financial Statements.

**Long-Term Debt**

At June 30, 2014, the School District had just over \$29.3 million in total debt outstanding (which consisted of about) \$28.4 million in bond debt, \$479 thousand in capital lease debt and \$468 thousand in bond premiums amortized debt. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

**Table 5**  
**Debt at June 30**

	Governmental Activities	
	Fiscal	Fiscal
	Year 2014	Year 2013
Bonds Payable	\$ 28,380,000	\$ 34,775,000
Capital Leases	478,563	631,536
Bond Premiums Amortized	468,345	731,439
Total	\$ 29,326,908	\$ 36,137,975

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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On July 17, 2013, "Moody's Investors Service confirmed the 'Aa3' general obligation rating of Lowndes County School District, GA."

- Moody's Rating Update 17 July 2013 -

On February 19, 2015, "Standard & Poor's Ratings Services affirmed its 'A+' underlying rating on the Lowndes County School District, Georgia's general obligation (GO) debt". The program rating reflects our opinion of the strength of the Georgia State Aid Intercept program."

- Standard & Poor's RatingsDirect February 19, 2015 -

Additional information about the School District's debt can be found in the Notes to the Financial Statements.

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

Currently known circumstances that are expected to have a significant effect on financial position or results of operations in future years are as follows:

- The School District's operating millage for fiscal year 2014 was 14.725, which produced about \$1.56 million per mill. The School District is growing at a rate of about 50 students per year. The District will construct additional facilities to accommodate the growth and reduce portable classrooms at various schools as needed. The District plans to fund additional capital outlays with the one percent local sales tax revenue and state capital outlay grants.
- The School District continues to be financially challenged by the lagging economy; however, fiscal year 2015 offers some improvement. The 2014 tax digest has been increased by approximately 1 percent due to re-assessment and some real growth. The amount of amended formula adjustment applied to the District's state funds was reduced by \$2.1 million for fiscal year 2015. The millage rate was increased to 16.848 mills. Revenues in fiscal year 2014 from property taxes increased roughly \$2.4 million from the prior year, State Funds and Federal Funds combined for the General Fund, decreased about \$300 thousand from the prior year, which offset roughly one-third of gain in property tax revenue noted above.
- The General Fund had an unassigned fund balance of almost \$2.6 million at June 30, 2014, which is down about \$1.4 million from the prior year. The Board anticipates financial challenges going forward due to higher health insurance costs for employees. In spite of challenges, the School District will continue to be a good steward of tax dollars while providing a quality education.

### **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 Lee Goodman, Accountant at Lowndes County Board of Education, 1592 Norman Drive, Valdosta, Georgia, 31601. You may email your questions to [leegoodman@lowndes.k12.ga.us](mailto:leegoodman@lowndes.k12.ga.us).

LOWNDES COUNTY BOARD OF EDUCATION





LOWNDES COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2014

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 5,783,950.66
Investments	13,771,076.63
Accounts Receivable, Net	
Taxes	3,321,847.29
State Government	6,584,722.00
Federal Government	984,504.23
Other	159,580.30
Inventories	324,510.06
Other Current Assets	1,394.11
Capital Assets, Non-Depreciable	35,908,432.93
Capital Assets, Depreciable (Net of Accumulated Depreciation)	148,245,883.88
Total Assets	215,085,902.09
<u>LIABILITIES</u>	
Accounts Payable	2,193,241.51
Salaries and Benefits Payable	10,596,269.46
Interest Payable	497,906.96
Deposits and Unearned Revenues	267,840.00
Long-Term Liabilities	
Due Within One Year	7,079,294.11
Due in More Than One Year	22,247,614.39
Total Liabilities	42,882,166.43
<u>NET POSITION</u>	
Net Investment in Capital Assets	169,695,915.51
Restricted for	
Bus Replacement	65,054.33
Continuation of Federal Programs	1,428,583.62
Debt Service	7,264,974.61
Capital Projects	4,547,600.93
Unrestricted	-10,798,393.34
Total Net Position	\$ 172,203,735.66

The notes to the basic financial statements are an integral part of this statement.

LOWNDES COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT "B"

	PROGRAM REVENUES		NET (EXPENSES)	
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 60,525,386.18	\$ 611,504.71	\$ 39,101,329.94	\$ -20,812,551.53
Support Services				
Pupil Services	3,330,976.39		866,500.25	-2,464,476.14
Improvement of Instructional Services	2,672,191.07		1,972,476.75	-699,714.32
Educational Media Services	1,337,618.24		1,307,794.00	-29,824.24
General Administration	1,152,406.92		1,584,623.08	432,216.16
School Administration	4,341,516.95		2,552,597.71	-1,788,919.24
Business Administration	743,227.90		19,256.20	-723,971.70
Maintenance and Operation of Plant	7,525,625.89		3,332,693.29	-4,192,932.60
Student Transportation Services	5,323,180.89		1,387,894.15	-3,935,286.74
Central Support Services	644,075.17		26,966.95	-617,108.22
Other Support Services	145,340.20		91,046.62	-54,293.58
Operations of Non-Instructional Services				
Enterprise Operations	191,753.63			-191,753.63
Community Services	3,116.78			-3,116.78
Food Services	5,991,824.94	1,124,538.10	3,977,820.14	-889,466.70
Interest on Short-Term and Long-Term Debt	1,416,831.13			-1,416,831.13
<b>Total Governmental Activities</b>	<b>\$ 95,345,072.28</b>	<b>\$ 1,736,042.81</b>	<b>\$ 56,220,999.08</b>	<b>\$ -37,388,030.39</b>
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				23,005,506.98
Other Taxes				108,917.11
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Debt Services				7,159,714.85
For Capital Projects				4,730,878.44
Other Sales Tax				351,132.31
Grants and Contributions not Restricted to Specific Programs				3,806,211.59
Investment Earnings				53,013.89
Miscellaneous				1,438,213.03
Transfers				-32,949.10
<b>Total General Revenues and Transfers</b>				<b>40,620,639.10</b>
Change in Net Position				3,232,608.71
Net Position - Beginning of Year (Restated)				168,971,126.95
Net Position - End of Year				<b>\$ 172,203,735.66</b>

The notes to the basic financial statements are an integral part of this statement.

LOWNDES COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 4,127,050.43	\$ 1,316.33	\$ 1,655,583.90	\$ 5,783,950.66
Investments	3,785,377.99	3,878,400.97	6,107,297.67	13,771,076.63
Accounts Receivable, Net				
Taxes	2,312,039.37	1,009,807.92		3,321,847.29
State Government	6,584,722.00			6,584,722.00
Federal Government	984,504.23			984,504.23
Other	159,580.30			159,580.30
Inventories	324,510.06			324,510.06
Other Current Assets	1,394.11			1,394.11
Total Assets	\$ 18,279,178.49	\$ 4,889,525.22	\$ 7,762,881.57	\$ 30,931,585.28
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,851,317.22	\$ 341,924.29	\$ 0.00	\$ 2,193,241.51
Salaries and Benefits Payable	10,596,269.46			10,596,269.46
Deposits and Unearned Revenue	267,840.00			267,840.00
Total Liabilities	12,715,426.68	341,924.29	0.00	13,057,350.97
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	1,096,127.15	0.00	0.00	1,096,127.15
 <u>FUND BALANCES</u>				
Nonspendable	324,510.06			324,510.06
Restricted	1,229,536.95	4,547,600.93	7,762,881.57	13,540,019.45
Committed	234,955.26			234,955.26
Assigned	75,023.14			75,023.14
Unassigned	2,603,599.25			2,603,599.25
Total Fund Balances	4,467,624.66	4,547,600.93	7,762,881.57	16,778,107.16
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 18,279,178.49	\$ 4,889,525.22	\$ 7,762,881.57	\$ 30,931,585.28

The notes to the basic financial statements are an integral part of this statement.

LOWNDES COUNTY BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2014

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 16,778,107.16

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Land	\$	35,891,580.22	
Construction in Progress		16,852.71	
Land Improvements		16,385,274.47	
Buildings		163,993,292.58	
Equipment		16,545,998.86	
Accumulated Depreciation		<u>-48,678,682.03</u>	
Total Capital Assets			184,154,316.81

Taxes that are not available to pay for current period expenditures are deferred in the governmental funds. 1,096,127.15

Some Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. These Liabilities at year-end consist of:

Bonds Payable	\$	-28,380,000.00	
Accrued Interest Payable		-497,906.96	
Capital Leases Payable		-478,562.98	
Bond Premiums, Net of Amortization		<u>-468,345.52</u>	
			<u>-29,824,815.46</u>

Net Position of Governmental Activities (Exhibit "A") \$ 172,203,735.66

The notes to the basic financial statements are an integral part of this statement.

LOWNDES COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 22,667,549.32			\$ 22,667,549.32
Sales Taxes	351,132.31	\$ 4,730,878.44	\$ 7,159,714.85	12,241,725.60
State Funds	51,087,064.49			51,087,064.49
Federal Funds	8,940,146.18			8,940,146.18
Charges for Services	1,736,042.81			1,736,042.81
Investment Earnings	39,113.96	12,138.33	1,761.60	53,013.89
Miscellaneous	1,438,213.03			1,438,213.03
Total Revenues	<u>86,259,262.10</u>	<u>4,743,016.77</u>	<u>7,161,476.45</u>	<u>98,163,755.32</u>
<u>EXPENDITURES</u>				
Current				
Instruction	55,771,827.56	1,587,749.84		57,359,577.40
Support Services				
Pupil Services	3,158,677.85			3,158,677.85
Improvement of Instructional Services	2,672,191.07			2,672,191.07
Educational Media Services	1,265,200.15			1,265,200.15
General Administration	1,076,319.02			1,076,319.02
School Administration	4,326,511.62			4,326,511.62
Business Administration	749,454.73			749,454.73
Maintenance and Operation of Plant	7,445,108.29	11,200.00		7,456,308.29
Student Transportation Services	4,759,125.77			4,759,125.77
Central Support Services	586,086.07	55,722.90		641,808.97
Other Support Services	144,075.65			144,075.65
Enterprise Operations	191,753.63			191,753.63
Community Services	3,116.78			3,116.78
Food Services Operation	5,616,300.31			5,616,300.31
Capital Outlay		1,340,019.94		1,340,019.94
Debt Services				
Principal		152,973.30	6,395,000.00	6,547,973.30
Dues and Fees			5,673.52	5,673.52
Interest		13,337.42	1,529,430.00	1,542,767.42
Total Expenditures	<u>87,765,748.50</u>	<u>3,161,003.40</u>	<u>7,930,103.52</u>	<u>98,856,855.42</u>
Excess of Revenues over (under) Expenditures	-1,506,486.40	1,582,013.37	-768,627.07	-693,100.10
<u>OTHER FINANCING USES</u>				
Transfers Out	-32,949.10			-32,949.10
Net Change in Fund Balances	-1,539,435.50	1,582,013.37	-768,627.07	-726,049.20
Fund Balances - Beginning	<u>6,007,060.16</u>	<u>2,965,587.56</u>	<u>8,531,508.64</u>	<u>17,504,156.36</u>
Fund Balances - Ending	<u>\$ 4,467,624.66</u>	<u>\$ 4,547,600.93</u>	<u>\$ 7,762,881.57</u>	<u>\$ 16,778,107.16</u>

The notes to the basic financial statements are an integral part of this statement.

LOWNDES COUNTY BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2014

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ -726,049.20

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 1,193,263.21	
Depreciation Expense	<u>-4,605,392.58</u>	
Excess of Capital Outlay over Depreciation Expense		-3,412,129.37

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. -18,763.66

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 446,874.77

Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Bond Principal Retirements	\$ 6,395,000.00	
Capital Lease Payments	152,973.30	
Amortized Bond Premium	<u>263,093.06</u>	
Total Long-Term Debt Repayments		6,811,066.36

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:

Net Decrease in Accrued Interest on Issuance of Bonds		<u>131,609.81</u>
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Change in Net Position of Governmental Activities (Exhibit "B") \$ 3,232,608.71

LOWNDES COUNTY BOARD OF EDUCATION  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2014

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,373.04	\$ 562,888.41
Investments	845.11	
 Total Assets	 2,218.15	 \$ 562,888.41
 <u>LIABILITIES</u>		
Funds Held for Others	0.00	\$ 562,888.41
 <u>NET POSITION</u>		
Held in Trust for Private Purposes	\$ 2,218.15	

The notes to the basic financial statements are an integral part of this statement.



LOWNDES COUNTY BOARD OF EDUCATION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2014

EXHIBIT "H"

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Investment Earnings	
Interest	\$ <u>1.00</u>
<u>DEDUCTIONS</u>	
Other Deductions	<u>0.00</u>
Change in Net Position	1.00
Net Position - Beginning	<u>2,217.15</u>
 Net Position - Ending	 <u><u>\$ 2,218.15</u></u>

The notes to the basic financial statements are an integral part of this statement.

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## **NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY**

### **REPORTING ENTITY**

The Lowndes County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

## **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **BASIS OF PRESENTATION**

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

#### **District-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.

#### **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 and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) and Bond Proceeds that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are restricted, including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund types:

- Private Purpose Trust funds report trust arrangements under which principal and income benefit a possible selection of various graduating seniors to which may receive scholarships.
- Agency funds account for assets held by the School District as an agent for various funds, governments or individuals.

**BASIS OF ACCOUNTING**

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental 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, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, both restricted and unrestricted resources are 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.

**RESTATEMENT OF PRIOR YEAR NET POSITION**

For fiscal year 2014, the School District made a prior period adjustment due to the adoption of GASB Statement No. 65, as described in "New Accounting Pronouncements" below, which requires the restatement of the June 30, 2013, net position in Governmental Activities. The result is a decrease in Net Position at July 1, 2013 of \$144,652.88. This change is in accordance with generally accepted accounting principles.

Net Position, July 1, 2013, as previously reported	\$ 169,115,779.83
Reclassification of Bond Issuance Costs	-144,652.88
Net Position, July 1, 2013, as restated	\$ 168,971,126.95

## NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2014, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this Statement establish accounting and financial reporting standards that reclassify, as deferred outflows or inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. As noted above, the School District restated beginning Net Position for the cumulative effect of this accounting change.

## FUTURE ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement will require the School District to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it participates. Actuarial estimates are currently being made to determine the School District's liability, the effects of which are believed to be material.

## CASH AND CASH EQUIVALENTS

### Composition of Deposits

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

## INVESTMENTS

### Composition of Investments

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year and equity investments are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following:

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

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

### 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 Lowndes County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on July 24, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on November 15, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The Lowndes County Tax Commissioner bills and collects the property taxes for the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2014, for maintenance and operations amounted to \$21,839,895.82.

The tax millage rate levied for the 2013 tax year (calendar year) for the Lowndes County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>14.725</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$718,736.39 during fiscal year ended June 30, 2014.

### SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$11,890,593.29 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.

### INVENTORIES

#### Food Inventories

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

### CAPITAL ASSETS

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

LOWNDES COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2014

EXHIBIT "I"

District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	\$ 100,000.00	20 to 50 years
Buildings and Improvements	\$ 50,000.00	15 to 50 years
Equipment	\$ 25,000.00	5 to 30 years
Intangible Assets	\$ 1,000,000.00	30 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets which are amortized.

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 30 years.

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The School District did not have any items that qualified for reporting in this category for the year ended June 30, 2014.

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and this amount is deferred and will be recognized as an inflow of resources in the period in which the amount become available.

**GENERAL OBLIGATION BONDS**

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Position.

## NET POSITION

The School District's net position in the District-wide Statements is classified as follows:

**Net investment in capital assets** - This represents the School District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

**Restricted net position** - This represents resources for which the School District is legally or contractually obligated to spend resources for bus replacement, continuation of Federal Programs, debt service, and capital projects in accordance with restrictions imposed by external third parties.

**Unrestricted net position** - Unrestricted net position represents resources derived from property taxes, sales taxes, grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School District, and may be used at the discretion of the Board to meet current expenses for those purposes.

## FUND BALANCES

The School District's fund balances are classified as follows:

**Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - Constraints are placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed** - Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board of Education or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

**Unassigned** - The residual classification for the General Fund. This classification represents fund balances that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.



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Fund Balances of the Governmental Funds at June 30, 2014, are as follows:

Nonspendable					
Inventories			\$	324,510.06	
Restricted					
Bus Replacement	\$	65,054.33			
Continuation of Federal Programs		1,164,482.62			
Capital Projects		4,547,600.93			
Debt Service		7,762,881.57		13,540,019.45	
Committed					
School Activity Accounts				234,955.26	
Assigned					
Self-Insurance				75,023.14	
Unassigned				2,603,599.25	
Fund Balance, June 30, 2014			\$	16,778,107.16	

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

**USE OF ESTIMATES**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3: BUDGETARY DATA**

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except for the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of Official Code of Georgia Annotated section 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

Any position or expenditure not previously approved in the annual budget that exceeds \$25,000.00 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See Schedule 1 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

**NOTE 4: DEPOSITS AND INVESTMENTS**

**COLLATERALIZATION OF DEPOSITS**

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

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

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

**CATEGORIZATION OF DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a formal policy for custodial credit risk. At June 30, 2014, the School District had deposits with a carrying amount of \$6,348,212.11, and a bank balance of \$7,116,692.75. The bank balances insured by Federal depository insurance were \$2,620,103.84, and the bank balances collateralized with securities held by the pledging institution or by the pledging financial institution's trust department or agent in the School District's name were \$4,407,151.12.

The amounts exposed to custodial credit risk are classified into three categories as follows:

- Category 1 - Uncollateralized,
- Category 2 - Cash collateralized with securities held by the pledging financial institution,  
or
- Category 3 - Cash collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

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The School District's deposits by custodial risk category at June 30, 2014, are as follows:

Custodial Credit Risk Category	Bank Balance
1	\$ 0.00
2	89,437.79
3	0.00
Total	\$ 89,437.79

**CATEGORIZATION OF INVESTMENTS**

At June 30, 2014, the carrying value of the School District's total investments was \$13,771,921.74, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1 (local government investment pool) administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <http://www.audits.ga.gov/SGD/cafr.html>.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity for Georgia Fund 1 on June 30, 2014, was 62 days.

**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. **See Note 2 - Inventories**

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**NOTE 6: CAPITAL ASSETS**

The following is a summary of changes in the Capital Assets during the fiscal year:

	Balances July 1, 2013	Increases	Decreases	Balances June 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 35,891,580.22			\$ 35,891,580.22
Construction in Progress	119,367.15	\$ 16,852.71	\$ 119,367.15	16,852.71
Total Capital Assets Not Being Depreciated	36,010,947.37	16,852.71	119,367.15	35,908,432.93
Capital Assets Being Depreciated				
Buildings and Improvements	162,761,231.58	1,232,061.00		163,993,292.58
Equipment	17,150,551.96	63,716.65	668,269.75	16,545,998.86
Land Improvements	16,385,274.47			16,385,274.47
Less Accumulated Depreciation for:				
Buildings and Improvements	31,014,910.99	3,255,455.13		34,270,366.12
Equipment	9,779,006.98	928,113.67	649,506.09	10,057,614.56
Land Improvements	3,928,877.57	421,823.78		4,350,701.35
Total Capital Assets, Being Depreciated, Net	151,574,262.47	-3,309,614.93	18,763.66	148,245,883.88
Governmental Activity Capital Assets - Net	\$ 187,585,209.84	\$ -3,292,762.22	\$ 138,130.81	\$ 184,154,316.81

Capital assets being acquired under capital leases as of June 30, 2014, are as follows:

	Governmental Funds
Equipment	\$ 797,835.00
Less: Accumulated Depreciation	99,166.92
	\$ 698,668.08

Current year depreciation expense by function is as follows:

Instruction		\$ 3,205,087.34
Support Services		
Pupil Services	\$ 174,436.26	
Educational Media Services	73,316.60	
General Administration	77,031.92	
School Administration	18,019.51	
Business Administration	7,198.82	
Maintenance and Operation of Plant	89,872.56	
Student Transportation Services	576,671.19	
Central Support Services	2,294.32	
Other Support Services	1,280.25	1,020,121.43
Food Services		380,183.81
		\$ 4,605,392.58

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**NOTE 7: INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Transfer to</u>	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 0 5px;">Transfers</td> </tr> <tr> <td style="text-align: center; padding: 0 5px;">From</td> </tr> <tr> <td style="text-align: center; padding: 0 5px;">General</td> </tr> <tr> <td style="text-align: center; padding: 0 5px;">Fund</td> </tr> </table>	Transfers	From	General	Fund
Transfers					
From					
General					
Fund					
Agency Funds	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 0 5px;">\$</td> <td style="text-align: right; padding: 0 5px;"><u>32,949.10</u></td> </tr> </table>	\$	<u>32,949.10</u>		
\$	<u>32,949.10</u>				

Transfers are used to move funds from Governmental School Activity Accounts to Agency School Activity Accounts as various expenditures are paid on behalf of these Agency accounts.

**NOTE 8: RISK MANAGEMENT**

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

The School District 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 has elected to self-insure for all losses related to acts of God. The School District has not experienced any losses related to this risk in the past three years.

The School District is self-insured with regard to unemployment compensation claims. In connection with this program, a self-insurance reserve has been established within the General Fund by the School District. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

		<u>Beginning of Year Liability</u>		<u>Claims and Changes in Estimates</u>		<u>Claims Paid</u>		<u>End of Year Liability</u>
2013	\$	<u>8,311.00</u>	\$	<u>1,026.86</u>	\$	<u>9,337.86</u>	\$	<u>0.00</u>
2014	\$	<u>0.00</u>	\$	<u>7,877.38</u>	\$	<u>0.00</u>	\$	<u>7,877.38</u>

**NOTE 9: LONG-TERM LIABILITIES**

**CAPITAL LEASES**

The Lowndes County Board of Education entered into a lease agreement for the purchase of buses. This lease agreement qualifies as a capital leases for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

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**GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2006	3.576%	\$ 10,000,000.00
General Government - Series 2008	3.520% - 3.730%	9,595,000.00
General Government - Series 2009	3.000% - 3.560%	<u>8,785,000.00</u>
		<u>\$ 28,380,000.00</u>

The changes in Long-Term Liabilities during the fiscal year ended June 30, 2014, were as follows:

	<u>Governmental Activities</u>				
	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>	<u>One Year</u>
G.O. Bonds	\$ 34,775,000.00	\$ 0.00	\$ 6,395,000.00	\$ 28,380,000.00	\$ 6,660,000.00
Capital Leases	631,536.28		152,973.30	478,562.98	156,201.04
Bond Premiums Amortized	<u>731,438.58</u>		<u>263,093.06</u>	<u>468,345.52</u>	<u>263,093.07</u>
	<u>\$ 36,137,974.86</u>	<u>\$ 0.00</u>	<u>\$ 6,811,066.36</u>	<u>\$ 29,326,908.50</u>	<u>\$ 7,079,294.11</u>

At June 30, 2014, payments due by fiscal year which includes principal and interest for these items are as follows:

	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
<u>Fiscal Year Ended June 30:</u>		
2015	\$ 156,201.04	\$ 10,097.68
2016	159,496.88	6,801.84
2017	<u>162,865.06</u>	<u>3,433.67</u>
Total Principal and Interest	<u>\$ 478,562.98</u>	<u>\$ 20,333.19</u>

	<u>General Obligation Debt</u>		<u>Unamortized</u>
	<u>Principal</u>	<u>Interest</u>	<u>Bond Premium</u>
<u>Fiscal Year Ended June 30:</u>			
2015	\$ 6,660,000.00	\$ 1,209,680.00	\$ 263,093.07
2016	6,940,000.00	876,680.00	176,004.50
2017	7,235,000.00	529,680.00	29,247.95
2018	<u>7,545,000.00</u>	<u>269,809.20</u>	
Total Principal and Interest	<u>\$ 28,380,000.00</u>	<u>\$ 2,885,849.20</u>	<u>\$ 468,345.52</u>

**NOTE 10: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$4,318,764.66 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

- Georgia Department of Education
  - Paid to the Georgia Department of Community Health
  - For Health Insurance of Certificated Personnel
  - In the amount of \$4,087,044.00
  - Paid to the Teachers' Retirement System of Georgia
  - For Teachers' Retirement System (TRS) Employer's Cost
  - In the amount of \$27,582.66
- Office of the State Treasurer
  - Paid to the Public School Employees' Retirement System
  - For Public School Employees' Retirement (PSERS) Employer's Cost
  - In the amount of \$204,138.00

Funds paid to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District are reported as part of the Quality Basic Education revenue allotments on Schedule 3 – Schedule of State Revenue.

**NOTE 11: SIGNIFICANT COMMITMENTS**

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2014:

	Unearned Executed Contracts
Lake Park Elementary Sewer Project	\$ <u>402,300.10</u>

The amount described in this note is not reflected in the basic financial statements.

**NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES**

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

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

**NOTE 13: POST-EMPLOYMENT BENEFITS**

**GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND**

**Plan Description.** The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits

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for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

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

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2014:

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

July 1, 2013 - June 30, 2014      \$945.00 per member per month

**For non-certificated school personnel:**

July 1, 2013 - June 30, 2014      \$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2014 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	\$ 9,780,929.06
2013	100%	\$ 8,973,455.46
2012	100%	\$ 8,791,601.89



**NOTE 14: RETIREMENT PLANS**

**TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)**

**Plan Description.** The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS. The Teachers' Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers' Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member 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. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

**Funding Policy.** TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2014, were 6.00% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011, actuarial valuation.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	\$ 5,951,158.32
2013	100%	\$ 5,540,978.64
2012	100%	\$ 4,939,079.84

**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

Bus drivers, lunchroom personnel, and maintenance and custodial personnel are members of the Public School Employees' Retirement System of Georgia. The System is funded by contributions by the employees and by the State of Georgia. The School District makes no contribution to this plan.

**DEFINED CONTRIBUTION PLAN**

In 1982, Lowndes County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees' Retirement System (PSERS) and Teachers' Retirement System (TRS). Recognizing that PSERS and TRS were limited defined contribution and defined benefit plans which did not provide for an adequate retirement for these group of employees, it was the Board's desire to supplement the retirement of these groups.

The Board selected Metlife, Valic, Hartford, ABC Planmember Services, and Aspire as the providers of these plans. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to 6 percent of the employee's base pay. In fiscal year 2012, the Board's contribution method for employees covered under TRS changed. The Board now matches up to 6 percent of the TRS covered employees' contribution.

The employee becomes vested in the plan upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment with the Lowndes County Board of Education. Funds are available for financial hardship and loans.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	\$ 2,398,188.99
2013	100%	\$ 2,528,108.96
2012	100%	\$ 2,560,034.65

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LOWNDES COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
<b>REVENUES</b>				
Property Taxes	\$ 21,150,000.00	\$ 21,150,000.00	\$ 22,667,549.32	\$ 1,517,549.32
Sales Taxes	400,000.00	400,000.00	351,132.31	-48,867.69
State Funds	50,678,541.00	50,620,616.00	51,087,064.49	466,448.49
Federal Funds	8,574,435.00	9,244,891.00	8,940,146.18	-304,744.82
Charges for Services	1,976,140.00	1,976,140.00	1,736,042.81	-240,097.19
Investment Earnings	36,990.00	36,990.00	39,113.96	2,123.96
Miscellaneous	294,969.00	294,969.00	1,438,213.03	1,143,244.03
<b>Total Revenues</b>	<b>83,111,075.00</b>	<b>83,723,606.00</b>	<b>86,259,262.10</b>	<b>2,535,656.10</b>
<b>EXPENDITURES</b>				
Current				
Instruction	56,170,364.00	55,935,585.00	55,771,827.56	163,757.44
Support Services				
Pupil Services	3,055,567.00	2,983,955.00	3,158,677.85	-174,722.85
Improvement of Instructional Services	2,742,969.00	2,824,519.00	2,672,191.07	152,327.93
Educational Media Services	1,239,881.00	1,239,881.00	1,265,200.15	-25,319.15
General Administration	911,413.00	911,896.00	1,076,319.02	-164,423.02
School Administration	4,327,390.00	4,182,380.00	4,326,511.62	-144,131.62
Business Administration	793,435.00	733,263.00	749,454.73	-16,191.73
Maintenance and Operation of Plant	7,062,371.00	7,145,844.00	7,445,108.29	-299,264.29
Student Transportation Services	4,928,775.00	4,482,593.00	4,759,125.77	-276,532.77
Central Support Services	545,388.00	538,094.00	586,086.07	-47,992.07
Other Support Services	68,762.00	118,386.00	144,075.65	-25,689.65
Enterprise Operations			191,753.63	-191,753.63
Community Services			3,116.78	-3,116.78
Food Services Operation	5,005,038.00	5,005,038.00	5,616,300.31	-611,262.31
<b>Total Expenditures</b>	<b>86,851,353.00</b>	<b>86,101,434.00</b>	<b>87,765,748.50</b>	<b>-1,664,314.50</b>
Excess of Revenues over (under) Expenditures	-3,740,278.00	-2,377,828.00	-1,506,486.40	871,341.60
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers To Other Funds			-32,949.10	-32,949.10
Sale or Compensation For Loss of Fixed Assets	5,000.00	5,000.00		-5,000.00
<b>Total Other Financing Sources (Uses)</b>	<b>5,000.00</b>	<b>5,000.00</b>	<b>-32,949.10</b>	<b>-37,949.10</b>
<b>Net Change in Fund Balances</b>	<b>-3,735,278.00</b>	<b>-2,372,828.00</b>	<b>-1,539,435.50</b>	<b>833,392.50</b>
Fund Balances - Beginning	5,968,832.96	5,669,721.57	6,007,060.16	337,338.59
Adjustments	311,041.00			
<b>Fund Balances - Ending</b>	<b>\$ 2,544,595.96</b>	<b>\$ 3,296,893.57</b>	<b>\$ 4,467,624.66</b>	<b>\$ 1,170,731.09</b>

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are \$503,856.33 and \$455,462.88, respectively.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

LOWNDES COUNTY BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2014

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ <u>5,380,442.33</u> (1)
Total Child Nutrition Cluster			5,380,442.33
Pass-Through From Georgia Department of Education			
Food Services			
Fresh Fruit and Vegetable Program	10.582	N/A	<u>33,438.02</u>
Total U. S. Department of Agriculture			<u>5,413,880.35</u>
Education, U. S. Department of			
Impact Aid			
Direct			
Impact Aid	84.041		(3)
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	2,231,295.64
Preschool Grants	84.173	N/A	<u>96,146.77</u>
Total Special Education Cluster			<u>2,327,442.41</u>
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grant	84.395	N/A	9,236.37
Career and Technical Education - Basic Grants to States	84.048	N/A	97,893.44
Education for Homeless Children and Youth	84.196	N/A	39,667.38
English Language Acquisition Grants	84.365	N/A	26,817.16
Improving Teacher Quality State Grants	84.367	N/A	284,091.46
Migrant Education - State Grant Program	84.011	N/A	115,330.96
Title I Grants to Local Educational Agencies	84.010	N/A	<u>1,942,282.04</u>
Total Other Programs			<u>2,515,318.81</u>
Total U. S. Department of Education			<u>4,842,761.22</u>
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program			<u>(4)</u>
Total Expenditures of Federal Awards			\$ <u><u>10,256,641.57</u></u>

N/A = Not Available

LOWNDES COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

SCHEDULE "2"

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$438,105.67.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$807,561.60) were not maintained separately and are included in the 2014 National School Lunch Program.
- (3) Funds earned on the Impact Aid Program, in the amount of \$266,945.76, do not require reporting of expenditures.
- (4) Expenditures on this program of were supported by \$53,827.68 in Federal assistance.

Major Programs are identified by an asterisk (\*) in front of the CFDA number.

The School District did not provide Federal Assistance to any Subrecipient.

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Lowndes County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

LOWNDES COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2014

SCHEDULE "3"

<u>AGENCY/FUNDING</u>	<u>GOVERNMENTAL FUND TYPE GENERAL FUND</u>
<b>GRANTS</b>	
Behavioral Health, Georgia Department of Suicide Prevention	\$ 39,600.00
Bright From the Start: Georgia Department of Early Care and Learning Pre-Kindergarten Program	1,223,459.31
Education, Georgia Department of Quality Basic Education (1) Direct Instructional Cost	
Kindergarten Program	3,700,260.00
Kindergarten Program - Early Intervention Program	150,905.00
Primary Grades (1-3) Program	7,833,415.00
Primary Grades - Early Intervention (1-3) Program	757,618.00
Upper Elementary Grades (4-5) Program	3,606,464.00
Upper Elementary Grades - Early Intervention (4-5) Program	611,911.00
Middle Grades (6-8) Program	7,033,435.00
High School General Education (9-12) Program	5,332,309.00
Vocational Laboratory (9-12) Program	1,757,274.00
Students with Disabilities	7,414,006.00
Gifted Student - Category VI	1,568,162.00
Remedial Education Program	154,004.00
Alternative Education Program	461,382.00
English Speakers of Other Languages (ESOL)	317,143.00
Media Center Program	1,130,167.00
20 Days Additional Instruction	346,379.00
Staff and Professional Development	211,631.00
Indirect Cost	
Central Administration	1,275,804.00
School Administration	2,017,452.00
Facility Maintenance and Operations	2,630,657.00
Categorical Grants	
Pupil Transportation	
Regular	1,012,592.00
Nursing Services	196,985.00
Vocational Supervisors	26,733.00
Principal Staff and Professional Development	3,178.00
Education Equalization Funding Grant	4,064,794.00
Food Services	139,244.00
Vocational Education	150,439.00
Amended Formula Adjustment	-6,710,528.00
Other State Programs	
GNETS State Grant	2,075,278.00
Math and Science Supplements	58,981.52
Move On When Ready	600.00
Preschool Handicapped Program	181,610.00
Teachers' Retirement	27,582.66
Technology to Support Digital Learning - State Bonds	82,000.00
Office of the State Treasurer Public School Employees' Retirement	<u>204,138.00</u>
	<u>\$ 51,087,064.49</u>

- (1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$4,087,044.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

LOWNDES COUNTY BOARD OF EDUCATION  
 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
 YEAR ENDED JUNE 30, 2014

SCHEDULE "4"

	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
<b>SPLOST IV PROJECTS</b>							
(a) Retiring previously incurred general obligation debt of the School District	\$ 39,200,000.00	\$ 39,200,000.00	\$ 6,395,000.00	\$ 10,080,000.00			June 2018
(b) the addition, renovation, repair and improvement to existing school buildings and facilities, including, but not limited to, all existing elementary and middle schools and Lowndes High School	39,942,150.00	11,386,586.00	1,193,122.07	75,184.75			June 2018
(c) planning and design of new school buildings and facilities, including, but not limited to, a new high school and a new auditorium/performing arts facility	780,000.00	780,000.00					June 2018
(d) the acquisition of technology equipment, security and safety equipment, textbooks, band and other musical instruments, vocational equipment and physical education and athletic equipment	9,552,850.00	9,552,850.00	1,801,570.61	274,797.11			June 2018
(e) the acquisition of school vehicles, including, but not limited to, school buses and maintenance vehicles and equipment	5,400,000.00	5,400,000.00	166,310.72				June 2018
(f) the acquisition of any property necessary and desirable therefore, both real and personal							
(g) the repayment of general obligation debt incurred through temporary loans for capital outlay project expenses							
Total SPLOST IV Projects	<u>\$ 94,875,000.00</u>	<u>\$ 66,319,436.00</u>	<u>\$ 9,556,003.40</u>	<u>\$ 10,429,981.86</u>			

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Lowndes County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ 14,291,709.92
Current Year	<u>1,529,430.00</u>
Total	<u>\$ 15,821,139.92</u>

See notes to the basic financial statements.



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LOWNDES COUNTY BOARD OF EDUCATION  
 GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)  
 ALLOTMENTS AND EXPENDITURES - BY PROGRAM  
 YEAR ENDED JUNE 30, 2014

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)			ELIGIBLE QBE PROGRAM COSTS				
				SALARIES	OPERATIONS	TOTAL		
Direct Instructional Programs								
Kindergarten Program	\$	4,271,058.00	\$	3,868,462.93	\$	56,619.67	\$	3,925,082.60
Kindergarten Program-Early Intervention Program		182,548.00		227,357.35		316.97		227,674.32
Primary Grades (1-3) Program		9,084,126.00		8,609,695.91		205,847.77		8,815,543.68
Primary Grades-Early Intervention (1-3) Program		872,923.00		967,306.65		1,623.30		968,929.95
Upper Elementary Grades (4-5) Program		4,174,651.00		4,799,402.30		88,065.09		4,887,467.39
Upper Elementary Grades-Early Intervention (4-5) Program		714,875.00		791,625.86		1,057.53		792,683.39
Middle School (6-8) Program		8,120,267.00		8,741,281.01		223,687.73		8,964,968.74
High School General Education (9-12) Program		6,206,281.00		8,061,159.63		257,741.84		8,318,901.47
Vocational Laboratory (9-12) Program		2,041,140.00		1,748,991.88		148,237.01		1,897,228.89
Students with Disabilities		8,579,601.00						
Category I				176,959.25		5,430.93		182,390.18
Category II				491,504.50		2,767.16		494,271.66
Category III				6,519,914.98		39,331.48		6,559,246.46
Category IV				219,994.84		8,378.23		228,373.07
Gifted Student - Category VI		1,825,805.00		1,100,184.71		4,414.46		1,104,599.17
Remedial Education Program		167,944.00		9,292.39		139.80		9,432.19
Alternative Education Program		545,062.00		796,338.58		3,323.55		799,662.13
English Speakers of Other Languages (ESOL)		364,503.00		494,535.12		1,215.00		495,750.12
TOTAL DIRECT INSTRUCTIONAL PROGRAMS		47,150,784.00		47,624,007.89		1,048,197.52		48,672,205.41
Media Center Program		1,309,256.00		1,205,277.40		69,123.00		1,274,400.40
Staff and Professional Development		244,649.00		11,744.60		58,280.85		70,025.45
TOTAL QBE FORMULA FUNDS	\$	<u>48,704,689.00</u>	\$	<u>48,841,029.89</u>	\$	<u>1,175,601.37</u>	\$	<u>50,016,631.26</u>

(1) Comprised of State Funds plus Local Five Mill Share.

(2) Allotments do not include the impact of the State amended formula adjustment.

(3) Allotments do not include the State Health payments made by GDOE to the Department of Community Health for the certified employees.

See notes to the basic financial statements.



SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

June 3, 2015

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Lowndes County Board of Education

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*

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowndes County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lowndes County Board of Education's basic financial statements and have issued our report thereon dated June 3, 2015.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item FS 2014-002 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2014-001 and FS 2014-003 to be significant deficiencies.

### **Compliance and Other Matters**

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

We noted certain matters that we have reported to management of Lowndes County Board of Education in a separate letter dated June 3, 2015.

### **Lowndes County Board of Education's Response to Findings**

Lowndes County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Lowndes County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Respectfully submitted,



Greg S. Griffin  
State Auditor







## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

June 3, 2015

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Lowndes County Board of Education

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ladies and Gentlemen:

#### **Report on Compliance for Each Major Federal Program**

We have audited Lowndes County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Lowndes County Board of Education's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lowndes County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Lowndes County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



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

### ***Opinion on Each Major Federal Program***

In our opinion, the Lowndes County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

### **Report on Internal Control over Compliance**

Management of Lowndes County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lowndes County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Lowndes County Board of Education's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin  
State Auditor



SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS



LOWNDES COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FS-6921-13-01	Unresolved –See Corrective Action/Responses
FS-6921-13-02	Unresolved - See Corrective Action/Responses

**CORRECTIVE ACTION/RESPONSES**

**FINANCIAL REPORTING**

Inadequate Controls over Financial Reporting Process  
Finding Control Number: FS-6921-13-01

The Board is working to implement the recommendations of the Department of Audits. Procedures are being set up to strengthen the internal controls over the financial reporting process.

**EMPLOYEE COMPENSATION**

Inadequate Controls over Payroll Process  
Finding Control Number: FS-6921-13-02

The Board is working to implement the recommendations of the Department of Audits. Procedures are being set up to strengthen the internal controls over the payroll process.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.





SECTION IV  
FINDINGS AND QUESTIONED COSTS



LOWNDES COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2014

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issue: Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
▪ Material weakness identified?	Yes
▪ Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted:	No

**Federal Awards**

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiencies identified?	None Reported
Type of auditor's report issued on compliance for major programs: All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$317,322.45
Auditee qualified as low-risk auditee?	No

LOWNDES COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-001                                      Inadequate Controls over Financial Reporting Process  
Control Category:                              Financial Reporting  
Internal Control Impact:                      Significant Deficiency

### Description:

This is a repeat finding (FS-6921-13-01) from the year ended June 30, 2013. The School District did not have adequate controls in place over the financial statement reporting process.

### Criteria:

Management is responsible for having adequate controls over the financial reporting process, which not only includes proper recording of transactions to the general ledger, but extends to accurate preparation and presentation of the financial statements, including note disclosures.

### Condition:

The following errors and omissions were noted in the School District's financial statements and note disclosures presented for audit:

- Property Tax Revenues, Unavailable Revenues – Property Taxes and Accounts Receivable - Taxes were understated by \$773,532.49, \$135,790.17 and \$909,322.66, respectively for the General Fund. Property Tax Revenues and Accounts Receivable - Taxes were each understated by \$909,322.66 on the District-wide financial statements. Correcting entries were proposed and accepted by the School District to properly state property taxes.
- Charges for Services and Accounts Receivable - Federal were each overstated by \$380,456.54 for the General Fund and on the District-wide financial statements. Correcting entries were proposed and accepted by the School District to correct these overstatements.
- Net Investment in Capital Assets was understated by \$859,265.94, Net Position Restricted for Federal Programs was understated by \$264,101.00, Net Position Restricted for Debt Service was overstated by \$497,906.96 and Net Position Unrestricted was overstated by \$625,459.98. Reclassification entries were proposed and accepted by the School District to properly classify Net Position on the District-wide financial statements.
- Other immaterial reclassification entries were proposed and accepted by the School District to properly present the School District's financial statements.

### Cause:

In discussing these issues with management, they stated that a lack of proper procedures led to an oversight on the part of the finance personnel in charge of preparing and posting the appropriate journal entries to the general ledger.

### Effect or Potential Effect:

Significant misstatements and misclassifications were included in the financial statements presented for audit.

### Recommendation:

The School District should provide financial statement preparation training, review the accounting controls and procedures currently in place, identify weaknesses, and design and implement procedures necessary to strengthen controls over the preparation of the financial statements to ensure that all activity is properly recorded and classified on the financial statements presented for audit.

LOWNDES COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Views of Responsible Officials and Corrective Action Plans:

The Board concurs with this finding and is implementing the auditor's recommendations. Procedural changes are being executed to strengthen financial statement controls.

Estimated Corrective Action Date: June 30, 2015

Contact Person: Lee Goodman  
Title: Accountant  
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FS 2014-002 Management Override of Payroll Process Internal Controls  
Control Category: Employee Compensation  
Internal Control Impact: Material Weakness

### Description:

This is a repeat finding (FS-6921-13-02) from the year ended June 30, 2013. The School District's controls over employee compensation were overridden by a member management resulting in unapproved, undocumented salary adjustments for select employees.

### Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance employees are paid according to Board-approved salary schedules.

### Condition:

Management overrides related to employee compensation were noted during a review of employees' salaries as follows:

- An employee identified as overpaid in prior year audit finding FS-6921-13-02 continued to be overpaid throughout fiscal year 2014. These overpayments occurred due to the use of an incorrect certificate level. Despite management being made aware of this error, payroll personnel continued to pay the employee at the incorrect rate.
- An administration employee received a \$1,000.00 education supplement but did not have the required degree to receive this supplement. Despite management being made aware of this error, the supplement was not rescinded.
- A member of management determined numerous employees' salaries without appropriate board approval. This resulted in undocumented salary increases including cost of living adjustments for select employees. After becoming aware of this issue, the School District rescinded the pay increases to the affected employees.

### Cause:

A member of management circumvented the designed controls over employee compensation.

### Effect or Potential Effect:

Select employees received compensation not approved by the Board of Education.

LOWNDES COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Recommendation:

Management override should not be used to circumvent established internal controls. All employees should be paid according to approved salary schedules and contracts. The School District should review this matter to determine if recovery of funds are needed.

### Views of Responsible Officials and Corrective Action Plans:

The Board concurs with this finding and implemented the auditor's recommendations during fiscal year 2015. Procedural changes were executed to strengthen internal controls over the payroll process.

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FS 2014-003                      Inadequate Controls over School Activity Accounts  
Control Category:              Revenues/Receivables/Receipts  
Internal Control Impact:       Significant Deficiency

### Description:

The accounting procedures of the School District were insufficient to provide for adequate internal controls over the School Activity Accounts.

### Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide proper segregation of duties and reasonable assurance that transactions are processed according to established procedures.

### Condition:

The following errors were noted with the School District's school activity accounts:

#### Revenue/Receipts/Receivables

The following deficiencies were noted during our test of thirteen receipt transactions:

- Pre-numbered receipts were not utilized for athletic events.
- School District employees were paid directly from cash on hand from athletic event receipts rather than being properly run through the payroll process.
- Five gate receipts were not properly documented.
- Three gate receipt reconciliations contained unidentified variances.
- Receipts for a T-shirt sale were not reconciled to the number of items sold.

### Cause:

In discussing these issues with management, they stated that the internal control deficiencies related to School Activity Accounts occurred due to a shortage of personnel at the school and a failure of personnel to follow the established policies and procedures.

### Effect or Potential Effect:

Failure to maintain adequate internal controls over school activity accounts increases the risk that misstatements could occur in the financial statements due to errors and/or irregularities and not be detected in a timely manner.

LOWNDES COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**Recommendation:**

Management should implement controls to ensure that all receipts are recorded and properly documented. Additionally, management should ensure that all employee compensation is handled through the payroll process. Management should monitor controls to provide reasonable assurance that transactions are processed according to established procedures.

**Views of Responsible Officials and Corrective Action Plans:**

The Board concurs with this finding and is implementing the auditor's recommendations. Procedural changes are being executed to strengthen financial statement controls.

Estimated Corrective Action Date: July 1, 2015

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**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.