



# **BANKS COUNTY BOARD OF EDUCATION HOMER, GEORGIA**

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

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



BANKS 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

May 12, 2015

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Banks 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 Banks 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 Banks 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 Banks 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 viii 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 Banks 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 May 12, 2015, on our consideration of the Banks 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 Banks 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". The signature is fluid and cursive, with a horizontal line extending from the end.

Greg S. Griffin  
State Auditor

GSG:as  
2014ARL-11



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

## INTRODUCTION

Our discussion and analysis of the Banks County School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

## FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 are as follows:

- On the District-wide financial statements, the assets of the School District exceeded liabilities by \$51.1 million compared to \$49.3 million for the previous year.
- The School District had \$28.1 million in expenses relating to governmental activities compared to \$26.7 million for the previous year which is an increase of \$1.4 million. Only \$463,258.39 of these expenses are offset by program specific charges for services, and \$17.7 million were offset by grants and contributions. General revenues (primarily property and sales taxes) of \$11.7 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$11.7 million or 39.1% of all revenues totaling \$29.9 million compared to \$11.2 million or 39.2% of all revenues totaling \$28.6 million in the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of several parts including management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the *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* statement provides information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. The fund financial statements reflect the School District's most significant funds. In the case of the Banks County School District, the General Fund, Capital Projects Fund and Debt Service Funds are the most significant funds.

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

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

### District-wide Statements

The District-wide financial statements are basically a consolidation of all of the School 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 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 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 assets* and any changes in those assets. The change in net position is important because it notes 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 and other factors.

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

### Fund Financial Statements

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

#### *Governmental Funds*

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

#### *Fiduciary Funds*

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

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

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for this fiscal year and the prior year.

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

**Table 1**  
**Net Position**

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013 (1)
<b>Assets</b>		
Current and Other Assets	\$ 12,358,671.43	\$ 11,817,613.94
Capital Assets, Net	<u>51,939,482.57</u>	<u>51,590,701.86</u>
<b>Total Assets</b>	<u>64,298,154.00</u>	<u>63,408,315.80</u>
<b>Liabilities</b>		
Accounts Payables and Other Current Payables	1,290,210.93	1,784,976.79
Salaries Payable	2,951,269.85	2,742,132.75
Long-Term Liabilities	<u>9,005,146.21</u>	<u>9,512,330.82</u>
<b>Total Liabilities</b>	<u>13,246,626.99</u>	<u>14,039,440.36</u>
<b>Net Position</b>		
Net Investment in Capital Assets	45,212,077.56	45,810,140.80
Restricted	5,774,343.97	3,302,746.63
Unrestricted	<u>65,105.48</u>	<u>255,988.01</u>
<b>Total Net Position</b>	<u>\$ 51,051,527.01</u>	<u>\$ 49,368,875.44</u>

(1) Fiscal year 2013 balances do not reflect the effects on the restatement of Net Position. See Note 2 in the Notes to the Basic Financial Statements for additional information.

Table 2 shows the Changes in Net Position for this fiscal year and the prior year.



BANKS 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 (1)
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 463,258.39	\$ 469,271.47
Operating Grants, Capital Grants and Contributions	17,678,266.99	16,873,526.18
Total Program Revenues	18,141,525.38	17,342,797.65
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	7,820,376.41	7,402,573.67
Railroad Cars	6,069.36	5,514.79
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	2,943,469.61	2,986,852.24
Real Estate and Intangible Recording Tax	79,722.18	98,172.79
Grants and Contributions not		
Restricted to Specific Programs	533,461.00	456,982.00
Investment Earnings	11,095.56	12,110.63
Miscellaneous	328,646.50	274,699.92
Total General Revenues	11,722,840.62	11,236,906.04
Total Revenues	29,864,366.00	28,579,703.69
<b>Program Expenses:</b>		
Instruction	18,354,266.56	17,565,730.24
Support Services		
Pupil Services	620,995.79	507,726.66
Improvement of Instructional Services	842,927.50	833,560.82
Educational Media Services	260,928.99	245,330.55
General Administration	520,785.88	465,742.04
School Administration	1,527,376.24	1,414,910.44
Business Administration	215,640.78	195,671.73
Maintenance and Operation of Plant	1,870,848.86	1,694,038.07
Student Transportation Services	1,672,149.93	1,668,575.85
Central Support Services	29,725.50	30,208.50
Other Support Services	42,738.99	49,190.96
Operations of Non-Instructional Services		
Enterprise Operations	145,973.64	145,349.32
Food Services	1,783,231.98	1,633,166.23
Interest on Short-Term and Long-Term Debt	217,798.71	279,926.35
Total Expenses	28,105,389.35	26,729,127.76
Increase in Net Position	\$ 1,758,976.65	\$ 1,850,575.93

(1) Fiscal year 2013 balances do not reflect the effects on the restatement of Net Position. See Note 2 in the Notes to the Basic Financial Statements for additional information.

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

## Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

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

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2014	Fiscal Year 2013 (1)	Fiscal Year 2014	Fiscal Year 2013 (1)
Instruction	\$ 18,354,266.56	\$ 17,565,730.24	\$ 5,613,249.76	\$ 5,761,143.91
Support Services:				
Pupil Services	620,995.79	507,726.66	498,706.06	355,811.74
Improvement of Instructional Services	842,927.50	833,560.82	247,501.00	211,720.45
Educational Media Services	260,928.99	245,330.55	-54,474.15	-90,919.84
General Administration	520,785.88	465,742.04	-133,354.25	-131,125.65
School Administration	1,527,376.24	1,414,910.44	919,806.10	691,573.35
Business Administration	215,640.78	195,671.73	210,352.85	179,960.03
Maintenance and Operation of Plant	1,870,848.86	1,694,038.07	1,123,599.63	912,472.99
Student Transportation Services	1,672,149.93	1,668,575.85	1,109,699.91	1,065,090.97
Central Support Services	29,725.50	30,208.50	29,720.52	30,204.23
Other Support Services	42,738.99	49,190.96	18,224.64	30,020.06
Operations of Non-Instructional Services:				
Enterprise Operations	145,973.64	145,349.32	-5,621.94	-20,017.82
Food Services	1,783,231.98	1,633,166.23	168,655.13	110,469.34
Interest on Short-Term and Long-Term Debt	217,798.71	279,926.35	217,798.71	279,926.35
Total Expenses	\$ 28,105,389.35	\$ 26,729,127.76	\$ 9,963,863.97	\$ 9,386,330.11

(1) Fiscal year 2013 balances do not reflect the effects on the restatement of Net Position. See Note 2 in the Notes to the Basic Financial Statements for additional information.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$29.7 million and total expenditures of \$29.0 million compared to \$28.6 million in revenue and \$33.7 million of expenses for the prior year. Of the \$29.0 million of expenditures, \$0.7 million pertained to principal and interest on debt services.

## General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its general fund budget as needed. The School District uses site-based budgeting as a part of the budget process. The budgeting systems are designed to control total site budgets but provide flexibility for site management.

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

For the General Fund, the actual revenues of \$26.3 million were over the final budgeted amounts of \$25.2 million by \$1.1 million. This difference (actual vs. final budget) was due to an increase in the miscellaneous income of \$326,446.50, decrease in federal funds of \$305,836.17, increase in property taxes of \$323,264.27, an increase in charges for services of \$124,313.39 and an increase in state funds of \$647,828.91. The miscellaneous revenue over final budget was due to the inclusion of the principals' accounts in our financial statements, but not in the budget.

The actual expenditures of \$26.7 million were under the final budgeted amount of \$26.8 million by \$0.1 million. The expenses from the school activity accounts are included in the actual expenses, but were not included in the budget amounts. General Fund revenues were less than expenditures by \$333,274.74.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At fiscal year ended June 30, 2014, the School District had \$51,939,482.57 invested in capital assets, all in governmental activities compared to \$51,590,701.86 for the prior year. Table 4 reflects a summary of these balances net of accumulated depreciation for the current year and the prior year.

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

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Land	\$ 534,510.00	\$ 534,510.00
Land Improvements	3,287,459.15	3,484,370.86
Building and Improvements	44,711,345.91	39,613,014.10
Equipment	2,671,781.77	2,580,416.33
Construction In Progress	734,385.74	5,378,390.57
Total	<u>\$ 51,939,482.57</u>	<u>\$ 51,590,701.86</u>

Due to the implementation of H.B. 1187, the School District has completed numerous construction projects including new buildings, additions and renovations.

### DEBT

At fiscal year ended June 30, 2014, the School District had \$9,005,146.21 in long-term liabilities compared to \$9,512,330.82 in long-term liabilities at the end of June 30, 2013. This decrease of \$507,184.61 is due to bond payments of \$400,000.00 and amortization of bond premiums of \$107,184.61. The \$9,005,146.21 in long-term debt at the end of 2014 was made up of \$2,127,184.63 due within one year.

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

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Bonds Payable Series 2011	<u>\$ 9,005,146.21</u>	<u>\$ 9,512,330.82</u>

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

## CURRENT ISSUES

The following are the currently known facts, decisions or conditions that are expected to have a significant effect on financial positions or results of operations:

- **Economic Slowdown** – State funding for education has been declining and as a result more pressure is being placed on the local School Districts to prioritize its educational programs and provide additional local funding. Despite challenges, the Banks County School District is strong financially, and we remain optimistic about the ability of the School District to maximize all of the financial resources to provide a quality education to our students.
- **Capital Improvements** – The School District plans capital improvements as future capital needs arise due to increased student population and facility repair and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. In 2007 the School District completed construction of a new elementary school, a new transportation facility, and an addition to the high school cafeteria. The School District has also constructed nine new classrooms, an administrative suite, expanded the kitchen at the primary school and expanded the athletic complex at the high school. In 2014 the School District completed construction of 20 additional classrooms at the high school. The School District regularly monitors anticipated capital outlay needs.
- On March 15, 2010, the voters of Banks County authorized the continuance of a one percent sales tax to raise no more than \$19,000,000.00 or to be collected for 20 consecutive quarters, whichever comes first. In conjunction with the continuing of this one percent sales tax, the voters authorized the School District to issue general obligation bonds in the amount of \$15,000,000.00. The School District issued \$9,030,000.00 of the approved \$15,000,000.00 general obligation bonds. The proceeds from these bonds will be used for (i) adding to, renovating, improving and equipping existing school buildings and facilities, including but not limited to Banks County High School, transportation facilities, physical education/athletic fields and facilities, classrooms, agricultural and other facilities, (ii) acquiring, constructing, equipping and furnishing new school buildings and facilities, including but not limited to a new elementary school, an administrative facility and other new school buildings and facilities, (iii) acquiring technology equipment, and security equipment and other school equipment, (iv) acquiring school buses and other school vehicles, (v) acquiring textbooks and band instruments and (vi) acquiring any capital property necessary or desirable for the foregoing purposes both real and personal, necessary or desirable for the foregoing purposes.
- 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.

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

**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, Mr. Michael E. Beasley, Finance Director for the Banks County School System, 102 Highway 51 South, Homer, Georgia 30547. You may also email your questions to Mr. Beasley at [mbeasley@banks.k12.ga.us](mailto:mbeasley@banks.k12.ga.us).

BANKS COUNTY BOARD OF EDUCATION



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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 7,848,157.84
Accounts Receivable, Net	
Interest	1,096.99
Taxes	1,383,256.31
State Government	2,496,495.06
Federal Government	595,772.71
Other	5,568.67
Inventories	28,323.85
Capital Assets, Non-Depreciable	1,268,895.74
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>50,670,586.83</u>
Total Assets	<u>64,298,154.00</u>
<u>LIABILITIES</u>	
Accounts Payable	351,672.57
Salaries and Benefits Payable	2,951,269.85
Payroll Withholdings Payable	215,107.02
Interest Payable	107,883.34
Contracts Payable	561,515.00
Retainages Payable	54,033.00
Long-Term Liabilities	
Due Within One Year	2,127,184.63
Due in More Than One Year	<u>6,877,961.58</u>
Total Liabilities	<u>13,246,626.99</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	45,212,077.56
Restricted for	
Continuation of Federal Programs	203,214.64
Debt Service	4,665,986.02
Capital Projects	812,643.23
Other (Bus Replacement)	92,500.08
Unrestricted	<u>65,105.48</u>
Total Net Position	<u>\$ 51,051,527.01</u>

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



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

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 18,354,266.56	
Support Services		
Pupil Services	620,995.79	
Improvement of Instructional Services	842,927.50	
Educational Media Services	260,928.99	
General Administration	520,785.88	
School Administration	1,527,376.24	
Business Administration	215,640.78	
Maintenance and Operation of Plant	1,870,848.86	
Student Transportation Services	1,672,149.93	
Central Support Services	29,725.50	
Other Support Services	42,738.99	
Operations of Non-Instructional Services		
Enterprise Operations	145,973.64	\$ 151,595.58
Food Services	1,783,231.98	311,662.81
Interest on Short-Term and Long-Term Debt	<u>217,798.71</u>	
Total Governmental Activities	<u>\$ 28,105,389.35</u>	<u>\$ 463,258.39</u>
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year (Restated)		
Net Position - End of Year		

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

## EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING	CAPITAL	REVENUES
GRANTS AND	GRANTS AND	AND CHANGES IN
CONTRIBUTIONS	CONTRIBUTIONS	NET POSITION
\$ 12,001,275.23	\$ 739,741.57	\$ -5,613,249.76
122,289.73		-498,706.06
595,426.50		-247,501.00
315,403.14		54,474.15
654,140.13		133,354.25
607,570.14		-919,806.10
5,287.93		-210,352.85
747,249.23		-1,123,599.63
562,450.02		-1,109,699.91
4.98		-29,720.52
24,514.35		-18,224.64
		5,621.94
1,302,914.04		-168,655.13
		-217,798.71
\$ 16,938,525.42	\$ 739,741.57	\$ -9,963,863.97
		7,820,376.41
		6,069.36
		2,943,469.61
		79,722.18
		533,461.00
		11,095.56
		328,646.50
		11,722,840.62
		1,758,976.65
		49,292,550.36
		\$ 51,051,527.01

## EXHIBIT "C"

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

BANKS 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")	\$	7,399,391.33
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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	\$	534,510.00	
Construction in Progress		734,385.74	
Land Improvements		4,922,792.57	
Buildings		52,268,889.83	
Equipment		5,217,158.23	
Accumulated Depreciation		<u>-11,738,253.80</u>	
Total Capital Assets			51,939,482.57

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

Property Taxes		776,939.16
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Georgia State Financing and Investment Commission grants that are not available to pay current period expenditures are deferred in the funds.		48,743.50
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Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.  
Long-Term Liabilities at year-end consist of:

Bonds Payable	\$	-8,630,000.00	
Accrued Interest Payable		-107,883.34	
Bond Premiums, Net of Amortization		<u>-375,146.21</u>	
Total Long-Term Liabilities			<u>-9,113,029.55</u>

Net Position of Governmental Activities (Exhibit "A")	\$	<u>51,051,527.01</u>
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The notes to the basic financial statements are an integral part of this statement.

BANKS 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	\$ 7,729,482.27			\$ 7,729,482.27
Sales Taxes	79,722.18		\$ 2,943,469.61	3,023,191.79
State Funds	14,673,357.91	\$ 450,247.75		15,123,605.66
Federal Funds	3,039,378.83			3,039,378.83
Charges for Services	463,258.39			463,258.39
Investment Earnings		3,317.24	7,778.32	11,095.56
Miscellaneous	328,646.50			328,646.50
Total Revenues	<u>26,313,846.08</u>	<u>453,564.99</u>	<u>2,951,247.93</u>	<u>29,718,659.00</u>
<u>EXPENDITURES</u>				
Current				
Instruction	17,270,211.38	174,079.46		17,444,290.84
Support Services				
Pupil Services	620,995.79			620,995.79
Improvement of Instructional Services	842,927.50			842,927.50
Educational Media Services	260,928.99			260,928.99
General Administration	514,522.47			514,522.47
School Administration	1,499,147.90			1,499,147.90
Business Administration	215,640.78			215,640.78
Maintenance and Operation of Plant	1,861,489.41			1,861,489.41
Student Transportation Services	1,645,925.97	69,380.33		1,715,306.30
Central Support Services	29,725.50			29,725.50
Other Support Services	42,738.99			42,738.99
Enterprise Operations	145,973.64			145,973.64
Food Services Operation	1,696,892.50			1,696,892.50
Capital Outlay		1,345,790.72		1,345,790.72
Debt Services				
Principal			400,000.00	400,000.00
Interest			327,650.00	327,650.00
Total Expenditures	<u>26,647,120.82</u>	<u>1,589,250.51</u>	<u>727,650.00</u>	<u>28,964,021.33</u>
Net Change in Fund Balances	-333,274.74	-1,135,685.52	2,223,597.93	754,637.67
Fund Balances - Beginning	<u>2,194,896.98</u>	<u>1,899,585.25</u>	<u>2,550,271.43</u>	<u>6,644,753.66</u>
Fund Balances - Ending	<u>\$ 1,861,622.24</u>	<u>\$ 763,899.73</u>	<u>\$ 4,773,869.36</u>	<u>\$ 7,399,391.33</u>

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

BANKS 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")	\$	754,637.67
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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	\$	1,391,432.40	
Depreciation Expense		-1,042,651.69	
Excess of Capital Outlay over Depreciation Expense			348,780.71

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		96,963.50
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Georgia State Financing and Investment Commission grants that do not provide current financial resources are not reported as revenues in the funds.		48,743.50
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Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Position and amortized over the term of the debt, using the straight-line method. The detail of this difference in the current period is as follows:

Amortization of Bond Premium		107,184.61
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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, this amount consists of:

Bond Principal Retirements		400,000.00
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Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid.		2,666.66
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Change in Net Position of Governmental Activities (Exhibit "B")	\$	<u>1,758,976.65</u>
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The notes to the basic financial statements are an integral part of this statement.

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

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
	<hr/>	<hr/>
<u>ASSETS</u>		
Cash and Cash Equivalents		\$ 356,395.32
Investments	\$ 20,087.58	
Accounts Receivable, Net		
Other	<hr/>	<hr/> 10,638.00
 Total Assets	 \$ <u>20,087.58</u>	 \$ <u>367,033.32</u>
 <u>LIABILITIES</u>		
Funds Held for Others		\$ <u>367,033.32</u>
 <u>NET POSITION</u>		
Held in Trust for Private Purposes	\$ <u>20,087.58</u>	

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

BANKS 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	\$ 87.58
<u>DEDUCTIONS</u>	
Scholarships	<u>0.00</u>
Change in Net Position	\$ 87.58
Net Position - Beginning	<u>20,000.00</u>
Net Position - Ending	\$ <u><u>20,087.58</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 Banks 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 Banks 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), Bond Proceeds and grants from Georgia State Financing and Investment Commission 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, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

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

EXHIBIT "I"

The School District reports the following fiduciary fund types:

- Private Purpose Trust fund reports a trust arrangement which provides funds for scholarships.
- Agency funds account for assets held by the School District as an agent for various individuals, the local public library, and the individual school accounts for clubs, student organizations, awards, gifts, etc.

#### **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, and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. 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 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 several prior period adjustments due to the adoption of GASB Statement No. 65, as described in "New Accounting Pronouncements" below, which require 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 \$76,325.08. This change is in accordance with generally accepted accounting principles.

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

EXHIBIT "I"

Net Position, July 1, 2013, as previously reported	\$ 49,368,875.44
Reclassification of Bond Issuance Costs	<u>-76,325.08</u>
Net Position, July 1, 2013, as restated	<u>\$ 49,292,550.36</u>

#### 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 New 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 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,

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

EXHIBIT "I"

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 Banks County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on September 12, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on December 20, 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 Banks County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2014, for maintenance and operations amounted to \$7,386,427.50.

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

School Operations	<u>14.509</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$336,985.41 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 \$2,943,469.61 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

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

EXHIBIT "I"

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 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:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 10,000.00	25 years
Buildings and Improvements	\$ 20,000.00	30 to 80 years
Equipment	\$ 5,000.00	5 to 25 years
Intangible Assets	\$ 100,000.00	5 to 100 years
Works of Art/Historical Treasures	All	N/A
Software Development or		
Obtained for Personal Use	\$ 20,000.00	10 years
Portable Classrooms	\$ 8,000.00	25 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 10 to 20 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 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 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 reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts 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.

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

EXHIBIT "I"

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.



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

EXHIBIT "I"

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

Nonspendable			
Inventories		\$	28,323.85
Restricted			
Bus Replacement	\$	92,500.08	
Continuation of Federal Programs		174,890.79	
Capital Projects		763,899.73	
Debt Service		<u>4,773,869.36</u>	5,805,159.96
Assigned			
School Activity Accounts	\$	119,381.08	
Subsequent Period Expenditures		<u>1,227,242.00</u>	1,346,623.08
Unassigned			<u>219,284.44</u>
Fund Balance, June 30, 2014		\$	<u><u>7,399,391.33</u></u>

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 the various school activity (principal) accounts, is prepared and adopted by fund and function. The legal level of budgetary control was established by the Board at the aggregate function 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.

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**

##### **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 deposit policy for custodial credit risk. At June 30, 2014, the School District had deposits with a carrying amount of \$8,224,640.74 which includes \$20,087.58 in Certificates of Deposit that are reported as Investments, and a bank balance of \$8,243,952.96. The bank balances insured by Federal depository insurance were \$250,000.00 and the bank balances collateralized with securities held by the pledging institution in the School District's name were \$7,993,952.96.

#### **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**

BANKS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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EXHIBIT "I"

**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	\$ 534,510.00			\$ 534,510.00
Construction in Progress	5,378,390.57	\$ 1,007,448.34	\$ 5,651,453.17	734,385.74
Total Capital Assets Not Being Depreciated	5,912,900.57	1,007,448.34	5,651,453.17	1,268,895.74
Capital Assets Being Depreciated				
Buildings and Improvements	46,561,909.66	5,706,980.17	0.00	52,268,889.83
Equipment	4,888,701.17	328,457.06		5,217,158.23
Land Improvements	4,922,792.57			4,922,792.57
Less Accumulated Depreciation for:				
Buildings and Improvements	6,948,895.56	608,648.36		7,557,543.92
Equipment	2,308,284.84	237,091.62		2,545,376.46
Land Improvements	1,438,421.71	196,911.71		1,635,333.42
Total Capital Assets, Being Depreciated, Net	45,677,801.29	4,992,785.54	0.00	50,670,586.83
Governmental Activity Capital Assets - Net	\$ 51,590,701.86	\$ 6,000,233.88	\$ 5,651,453.17	\$ 51,939,482.57

Current year depreciation expense by function is as follows:

Instruction	\$ 782,451.48
Support Services	
General Administration	\$ 5,245.79
School Administration	23,642.08
Maintenance and Operation of Plant	8,526.92
Student Transportation Services	150,473.52
Food Services	72,311.90
	\$ 1,042,651.69

**NOTE 7: 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 vehicles. 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 participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups

BANKS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage. Additional coverage is provided through agreements by the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the system varies by line of coverage.

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and 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:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2013	\$ 0.00	\$ 23,618.00	\$ 23,618.00	\$ 0.00
2014	\$ 0.00	\$ 8,598.00	\$ 8,598.00	\$ 0.00

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general worker's compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2 million. The Trust covers the first \$1 million of each Employers liability claim with Safety National providing additional Employers Liability limits up to a \$2 million per occurrence maximum. Safety National Casualty Company also provides \$2 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

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

Position Covered	Amount
Superintendent	\$ 100,000.00

#### **NOTE 8: LONG-TERM LIABILITIES**

##### **GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2011	2.00% - 5.00%	\$ <u>8,630,000.00</u>

Voters have authorized \$5,970,000.00 in general obligation debt which was not issued as of June 30, 2014.

BANKS COUNTY BOARD OF EDUCATION  
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JUNE 30, 2014

EXHIBIT "I"

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

	Governmental Activities				
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
G.O. Bonds	\$ 9,030,000.00	\$ 0.00	\$ 400,000.00	\$ 8,630,000.00	\$ 2,020,000.00
Bond Premiums Amortized	482,330.82		107,184.61	375,146.21	107,184.63
	<u>\$ 9,512,330.82</u>	<u>\$ 0.00</u>	<u>\$ 507,184.61</u>	<u>\$ 9,005,146.21</u>	<u>\$ 2,127,184.63</u>

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

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
<u>Fiscal Year Ended June 30:</u>			
2015	\$ 2,020,000.00	\$ 278,150.00	\$ 107,184.63
2016	2,110,000.00	179,900.00	107,184.63
2017	2,215,000.00	93,925.00	107,184.63
2018	2,285,000.00	30,350.00	53,592.32
Total Principal and Interest	<u>\$ 8,630,000.00</u>	<u>\$ 582,325.00</u>	<u>\$ 375,146.21</u>

**NOTE 9: PRIOR YEAR DEFEASEMENT OF DEBT**

In fiscal year 2004, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements. At June 30, 2014, \$1,705,000.00 of bonds are outstanding and are considered defeased.

**NOTE 10: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$1,315,218.16 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 \$1,242,576.00

Paid to the Teachers' Retirement System of Georgia

For Teachers' Retirement System (TRS) Employer's Cost

In the amount of \$11,747.16

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 \$60,895.00

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.

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

EXHIBIT "I"

**NOTE 11: SIGNIFICANT COMMITMENTS**

The following is an analysis of significant outstanding construction or renovation projects executed by the School District as of June 30, 2014, together with funding available.

Project	Unearned Executed Contracts	Funding Available From State
Banks County High School HVAC Replacement	\$ 458,260.36	\$ 493,472.25
Banks County High School Track Improvements	507,730.05	
	<u>\$ 965,990.41</u>	<u>\$ 493,472.25</u>

The amounts described in this note are 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 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.

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

EXHIBIT "I"

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:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 3,065,495.12
2013	100%	\$ 2,670,545.56
2012	100%	\$ 2,550,952.08

**NOTE 15: 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.

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

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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:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 1,730,509.04
2013	100%	\$ 1,537,071.56
2012	100%	\$ 1,416,141.98

#### **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 1996, Banks 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). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board selected Lincoln Life as the provider of this plan. For each employee covered under PSERS, the Board began matching contributions up to \$25.00 per month.

The employee becomes vested in the plan with 5 years of experience. Employees who had already achieved 5 years of experience at the time the plan was implemented were vested upon enrollment.



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

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Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and 5 years of service to Banks County Board of Education. If an employee terminates employment prior to achieving 5 years of service, funds paid on behalf of the non-vested employee are credited back to the Board.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 12,150.00
2013	100%	\$ 11,425.00
2012	100%	\$ 12,640.00



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BANKS 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	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 7,406,218.00	\$ 7,406,218.00	\$ 7,729,482.27	\$ 323,264.27
Sales Taxes	102,000.00	102,000.00	79,722.18	-22,277.82
State Funds	13,782,481.00	14,025,529.00	14,673,357.91	647,828.91
Federal Funds	3,240,750.00	3,345,215.00	3,039,378.83	-305,836.17
Charges for Services	339,145.00	339,145.00	463,458.39	124,313.39
Miscellaneous	2,000.00	2,000.00	328,446.50	326,446.50
Total Revenues	<u>24,872,594.00</u>	<u>25,220,107.00</u>	<u>26,313,846.08</u>	<u>1,093,739.08</u>
<u>EXPENDITURES</u>				
Current				
Instruction	17,470,045.00	17,622,050.00	17,270,211.38	351,838.62
Support Services				
Pupil Services	615,501.00	639,957.00	620,995.79	18,961.21
Improvement of Instructional Services	906,220.00	862,831.00	842,927.50	19,903.50
Educational Media Services	249,221.00	260,424.00	260,928.99	-504.99
General Administration	454,400.00	501,552.00	514,522.47	-12,970.47
School Administration	1,346,029.00	1,346,029.00	1,499,147.90	-153,118.90
Business Administration	212,969.00	212,969.00	215,640.78	-2,671.78
Maintenance and Operation of Plant	1,809,024.00	1,809,024.00	1,861,489.41	-52,465.41
Student Transportation Services	1,533,602.00	1,715,471.00	1,645,925.97	69,545.03
Central Support Services	30,209.00	30,209.00	29,725.50	483.50
Other Support Services	31,896.00	31,896.00	42,738.99	-10,842.99
Enterprise Operations			145,973.64	-145,973.64
Food Services Operation	1,749,467.00	1,749,467.00	1,696,892.50	52,574.50
Total Expenditures	<u>26,408,583.00</u>	<u>26,781,879.00</u>	<u>26,647,120.82</u>	<u>134,758.18</u>
Excess of Revenues over (under) Expenditures	-1,535,989.00	-1,561,772.00	-333,274.74	1,228,497.26
<u>OTHER FINANCING USES</u>				
Operating Transfers To Other Funds	-7,000.00	-7,000.00		7,000.00
Net Change in Fund Balances	-1,542,989.00	-1,568,772.00	-333,274.74	1,235,497.26
Fund Balances - Beginning	2,874,872.64	2,874,872.64	2,194,896.98	-679,975.66
Adjustments	-31,498.71	-31,035.66		31,035.66
Fund Balances - Ending	<u>\$ 1,300,384.93</u>	<u>\$ 1,275,064.98</u>	<u>\$ 1,861,622.24</u>	<u>\$ 586,557.26</u>

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 \$353,053.92 and \$384,110.51, 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.

BANKS 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	\$ 1,635,737.49 (1)
Total Child Nutrition Cluster			1,635,737.49
Forest Service Schools and Roads Cluster			
Pass-Through From Office of the State Treasurer			
Schools and Roads - Grants to States	10.665	N/A	(3)
Total U. S. Department of Agriculture			1,635,737.49
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	422,536.85
Preschool Grants	84.173	N/A	15,144.46
Total Special Education Cluster			437,681.31
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	N/A	1,935.61
Career and Technical Education - Basic Grants to States	84.048	N/A	22,446.57
English Language Acquisition Grants	84.365	N/A	487.40
Improving Teacher Quality State Grants	84.367	N/A	121,165.00
Rural Education	84.358	N/A	61,580.86
Title I Grants to Local Educational Agencies	* 84.010	N/A	629,041.56
Twenty-First Century Community Learning Centers	84.287	N/A	477,154.39
Total Other Programs			1,313,811.39
Total U. S. Department of Education			1,751,492.70
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program			141,662.82
Total Expenditures of Federal Awards			\$ 3,528,893.01

N/A = Not Available

BANKS 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 \$113,389.66.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$266,278.27) were not maintained separately and are included in the 2014 National School Lunch Program.
- (3) Funds earned on this program, in the amount of \$747.91, do not require reporting of expenditures.

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 Banks 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.

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL	CAPITAL	
	FUND	PROJECTS FUND	
GRANTS			
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	\$ 531,649.00		\$ 531,649.00
Kindergarten Program - Early Intervention Program	422,082.00		422,082.00
Primary Grades (1-3) Program	1,649,824.00		1,649,824.00
Primary Grades - Early Intervention (1-3) Program	547,578.00		547,578.00
Upper Elementary Grades (4-5) Program	942,482.00		942,482.00
Upper Elementary Grades - Early Intervention (4-5) Program	84,867.00		84,867.00
Middle School (6-8) Program	1,801,645.00		1,801,645.00
High School General Education (9-12) Program	1,454,830.00		1,454,830.00
Vocational Laboratory (9-12) Program	546,279.00		546,279.00
Students with Disabilities	3,394,744.00		3,394,744.00
Gifted Student - Category VI	372,200.00		372,200.00
Remedial Education Program	118,594.00		118,594.00
Alternative Education Program	122,440.00		122,440.00
English Speakers of Other Languages (ESOL)	88,319.00		88,319.00
Media Center Program	300,103.00		300,103.00
20 Days Additional Instruction	89,349.00		89,349.00
Staff and Professional Development	64,820.00		64,820.00
Indirect Cost			
Central Administration	466,191.00		466,191.00
School Administration	607,348.00		607,348.00
Facility Maintenance and Operations	723,026.00		723,026.00
Amended Formula Adjustment	-1,958,089.00		-1,958,089.00
Charter System Adjustment	227,119.00		227,119.00
Categorical Grants			
Pupil Transportation			
Regular	405,688.00		405,688.00
Nursing Services	53,409.00		53,409.00
Education Equalization Funding Grant	533,461.00		533,461.00
Other State Programs			
Agriculture Construction Related Equipment - State Bonds	87,310.83		87,310.83
Agriculture State Leadership Grant	46,506.00		46,506.00
Food Services	42,137.00		42,137.00
Math and Science Supplements	5,413.42		5,413.42
Move on When Ready	100.00		100.00
Preschool Handicapped Program	50,746.00		50,746.00
Pupil Transportation - State Bonds	153,439.50		153,439.50
Teachers' Retirement	11,747.16		11,747.16
Technology to Support Digital Learning Bonds	19,000.00		19,000.00
Vocational Education	606,105.00		606,105.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects		\$ 450,247.75	450,247.75
Office of the State Treasurer			
Public School Employees' Retirement	60,895.00		60,895.00
	<u>\$ 14,673,357.91</u>	<u>\$ 450,247.75</u>	<u>\$ 15,123,605.66</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 \$1,242,576.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT	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
Adding to, renovating, improving, equipping and furnishing existing school buildings and facilities, including but not limited to Banks County High School, transportation facilities, physical education/athletic fields and facilities, classrooms, agricultural facilities and other facilities	\$ 7,000,000.00	\$ 8,000,000.00	\$ 1,111,538.87	\$ 5,648,501.71			1/10/2015
Acquiring, constructing, equipping and furnishing new school buildings and facilities, including but not limited to a new elementary school, an administrative facility and other new school buildings and facilities	0.00	0.00					
Acquiring technology equipment, safety and security equipment and other school equipment	1,900,000.00	1,900,000.00	229,623.61	1,447,889.30			8/31/2017
Acquiring school buses and other school vehicles	350,000.00	400,000.00	53,567.50	330,179.89			8/31/2017
Acquiring textbooks and band instruments	100,000.00	500,000.00	192,089.63	87,198.22			8/31/2017
Acquiring any capital property necessary or desirable for the foregoing purposes, both real and personal	9,650,000.00	4,200,000.00					8/31/2017
	<u>\$ 19,000,000.00</u>	<u>\$ 15,000,000.00</u>	<u>\$ 1,586,819.61</u>	<u>\$ 7,513,769.12</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 Banks 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	\$ 608,025.00
Current Year	<u>327,650.00</u>
Total	<u>\$ 935,675.00</u>

See notes to the basic financial statements.

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BANKS 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	\$	664,200.00	\$ 1,013,323.32	\$ 11,753.55	\$ 1,025,076.87
Kindergarten Program-Early Intervention Program		454,528.00	86,217.46		86,217.46
Primary Grades (1-3) Program		1,992,300.00	2,288,660.74	15,245.11	2,303,905.85
Primary Grades-Early Intervention (1-3) Program		586,586.00	454,296.57		454,296.57
Upper Elementary Grades (4-5) Program		1,125,880.00	1,135,947.55	9,830.76	1,145,778.31
Upper Elementary Grades-Early Intervention (4-5) Program		101,767.00	257,443.42		257,443.42
Middle School (6-8) Program		2,130,763.00	2,190,910.77	12,355.61	2,203,266.38
High School General Education (9-12) Program		1,706,813.00	2,405,410.95	71,788.41	2,477,199.36
Vocational Laboratory (9-12) Program		641,810.00	581,854.59	22,499.49	604,354.08
Students with Disabilities					
Category I		277,846.00	764,621.87	4,000.00	768,621.87
Category II		305,217.00	683,909.83	3,845.68	687,755.51
Category III		1,819,878.00	667,782.30	403,169.01	1,070,951.31
Category IV		884,511.00	926,335.57	7,000.00	933,335.57
Category V		730,407.00		5,698.00	5,698.00
Gifted Student - Category VI		445,405.00	532,170.90	3,091.96	535,262.86
Remedial Education Program		151,046.00			
Alternative Education Program		147,172.00	90,920.29		90,920.29
English Speakers of Other Languages (ESOL)		103,256.00	182,808.43	1,255.99	184,064.42
TOTAL DIRECT INSTRUCTIONAL PROGRAMS		14,269,385.00	14,262,614.56	571,533.57	14,834,148.13
Media Center Program		355,717.00	226,862.02	13,735.23	240,597.25
Staff and Professional Development		75,473.00			80,224.99
TOTAL QBE FORMULA FUNDS	\$	<u>14,700,575.00</u>	\$ <u>14,489,476.58</u>	\$ <u>585,268.80</u>	\$ <u>15,154,970.37</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

May 12, 2015

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Banks 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 Banks 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 Banks County Board of Education's basic financial statements and have issued our report thereon dated May 12, 2015.

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

In planning and performing our audit of the financial statements, we considered Banks 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 Banks County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Banks 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.



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. 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Banks 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*.

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

Banks County Board of Education's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Banks 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,

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

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

May 12, 2015

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Banks 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 Banks 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. Banks County Board of Education's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

Management is responsible for compliance with the 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 Banks 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 Banks County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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





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

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

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

Management of Banks 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 Banks County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Banks 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



BANKS 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-6061-12-02	Previously Reported Corrective Action Implemented
FS-6061-13-01	Previously Reported Corrective Action Implemented

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



## SECTION IV

### FINDINGS AND QUESTIONED COSTS





BANKS 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 deficiency identified?	None Reported

Noncompliance material to financial statements noted: No

**Federal Awards**

Internal Control over major programs:

▪ Material weakness identified?	No
▪ Significant deficiency 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-143, 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
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee? No

BANKS 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 Internal Controls Over Significant Outstanding Construction Contracts

Control Category: Financial Reporting

Internal Control Impact: Material Weakness

#### Description:

A note disclosure related to construction and other significant commitments was omitted from the Notes to the Basic Financial Statements.

#### Criteria:

Provisions of National Council on Governmental Accounting (NCGA) Interpretation 6, paragraph 4 states that notes to the financial statements essential to fair presentation in the basic financial statements include construction and other significant commitments.

#### Condition:

An analysis of construction activity that occurred during the fiscal year revealed contracts for two ongoing construction projects with outstanding balances totaling \$965,990.41 that was omitted from the Notes to the Basic Financial Statements. An adjustment was proposed and accepted by the School District to include the outstanding construction contracts in Note 11 within the Notes to the Basic Financial Statements.

#### Cause:

In discussing the issue with the Finance Director, he stated that ordinarily any missing notes would be found during the final review comparing notes for the current year with the prior year. However, with this note not being a note that was applicable for the prior year, it was unfortunately overlooked in the financial statement preparation of the notes.

#### Effect or Potential Effect:

A material adjustment was necessary in order for the School District's financial statements to be in conformity with generally accepted accounting principles.

#### Recommendation:

The School District should provide training over financial statement preparation and implement procedures, such as financial statement checklists, to ensure the completeness of all required note disclosures included in the Notes to the Basic Financial Statements.

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

We concur with this finding. In the future we will make an intensive review of any possible notes pertaining to construction instead of relying on a review of prior year notes and any new requirements. Also, we will attend any financial statement training that may be offered in our area.

Contact Person: Mike Beasley

Title: Finance Director

Telephone: (706) 677-2224

Fax: (706) 677-2223

Email: mbeasley@banks.k12.ga.us

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.