



# **BARROW COUNTY BOARD OF EDUCATION WINDER, GEORGIA**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**  
(Including Independent Auditor's Reports)



BARROW COUNTY BOARD OF EDUCATION

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BARROW COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL

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## 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

February 16, 2016

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Barrow 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 H) of the Barrow 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



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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 Barrow 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 Barrow 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.

As discussed in Note 2 to the financial statements, in 2014, the Barrow County Board of Education restated the prior period financial statements to correct a misstatement. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 31, 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.

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### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Barrow 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 February 16, 2016, on our consideration of the Barrow 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 Barrow County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor

GSG:er  
2014ARL-11

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BARROW COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 20,405,080.82
Investments	24,540,523.78
Accounts Receivable, Net	
Interest	281.89
Taxes	2,976,089.38
State Government	8,835,756.89
Federal Government	1,459,027.29
Other	903,065.54
Inventories	98,330.90
Prepaid Items	54,583.33
Capital Assets, Non-Depreciable	17,222,278.76
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>140,406,259.18</u>
Total Assets	<u>216,901,277.76</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Amount on Bond Refunding	<u>2,174,463.84</u>
<u>LIABILITIES</u>	
Accounts Payable	781,472.91
Salaries and Benefits Payable	12,854,358.64
Payroll Withholdings Payable	2,165,094.78
Interest Payable	1,247,008.33
Contracts Payable	2,536,506.09
Retainages Payable	790,230.18
Long-Term Liabilities	
Due Within One Year	5,080,231.57
Due in More Than One Year	<u>74,102,369.56</u>
Total Liabilities	<u>99,557,272.06</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	91,013,548.88
Restricted for	
Continuation of Federal Programs	2,264,554.64
Debt Service	2,410,536.67
Capital Projects	13,613,073.91
Unrestricted	<u>10,216,755.44</u>
Total Net Position	<u>\$ 119,518,469.54</u>

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



BARROW 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	\$ 74,757,216.75	\$ 386,528.54
Support Services		
Pupil Services	3,358,572.80	
Improvement of Instructional Services	4,427,467.76	
Educational Media Services	1,294,674.06	
General Administration	1,169,207.67	
School Administration	6,196,931.35	
Business Administration	1,650,291.39	
Maintenance and Operation of Plant	7,613,640.71	28,155.23
Student Transportation Services	7,781,801.47	
Central Support Services	426,879.27	
Other Support Services	89,133.79	
Operations of Non-Instructional Services		
Enterprise Operations	2,180,479.53	169,510.16
Food Services	6,216,550.93	1,119,951.87
Interest on Short-Term and Long-Term Debt	<u>3,126,699.46</u>	
Total Governmental Activities	<u>\$ 120,289,546.94</u>	<u>\$ 1,704,145.80</u>
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
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 GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
\$ 48,903,957.10	\$ 2,898,418.79	\$ -22,568,312.32
649,530.81	69,865.10	-2,639,176.89
3,087,707.05	72,010.23	-1,267,750.48
1,619,189.63	1,629.16	326,144.73
1,710,576.07	36,051.26	577,419.66
3,002,152.32	3,160.43	-3,191,618.60
6,044.22	12,779.11	-1,631,468.06
3,942,668.99	207,733.72	-3,435,082.77
1,301,570.15		-6,480,231.32
4,557.42	924.45	-421,397.40
80,647.20		-8,486.59
		-2,010,969.37
5,208,106.34	66,670.15	178,177.43
		-3,126,699.46
<u>\$ 69,516,707.30</u>	<u>\$ 3,369,242.40</u>	<u>\$ -45,699,451.44</u>

25,880,634.89  
74.43

8,825,952.11  
536,265.53  
7,400,180.00  
30,431.53  
2,842,536.27

45,516,074.76

-183,376.68

119,701,846.22

\$ 119,518,469.54

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 13,554,897.42	\$ 6,849,824.78	\$ 358.62	\$ 20,405,080.82
Investments	2,499,439.86	18,383,921.52	3,657,162.40	24,540,523.78
Accounts Receivable, Net				
Interest	100.68	157.23	23.98	281.89
Taxes	2,213,550.95	760,910.98	1,627.45	2,976,089.38
State Government	7,966,514.49	869,242.40		8,835,756.89
Federal Government	1,459,027.29			1,459,027.29
Other	902,585.46	480.08		903,065.54
Inventories	98,330.90			98,330.90
Prepaid Items	54,583.33			54,583.33
Total Assets	<u>\$ 28,749,030.38</u>	<u>\$ 26,864,536.99</u>	<u>\$ 3,659,172.45</u>	<u>\$ 59,272,739.82</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 781,472.91			\$ 781,472.91
Salaries and Benefits Payable	12,854,358.64			12,854,358.64
Payroll Withholdings Payable	2,165,094.78			2,165,094.78
Contracts Payable		\$ 2,536,506.09		2,536,506.09
Retainages Payable		790,230.18		790,230.18
Total Liabilities	<u>15,800,926.33</u>	<u>3,326,736.27</u>		<u>19,127,662.60</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	<u>1,372,389.93</u>	<u>0.00</u>	<u>1,627.45</u>	<u>1,374,017.38</u>
<u>FUND BALANCES</u>				
Nonspendable	152,914.23			152,914.23
Restricted	2,166,223.74	23,537,800.72	3,657,545.00	29,361,569.46
Assigned	781,590.62			781,590.62
Unassigned	8,474,985.53			8,474,985.53
Total Fund Balances	<u>11,575,714.12</u>	<u>23,537,800.72</u>	<u>3,657,545.00</u>	<u>38,771,059.84</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 28,749,030.38</u>	<u>\$ 26,864,536.99</u>	<u>\$ 3,659,172.45</u>	<u>\$ 59,272,739.82</u>

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

BARROW 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") \$ 38,771,059.84

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	\$	4,033,604.82	
Construction in Progress		13,188,673.94	
Land Improvements		3,551,388.32	
Buildings		170,562,802.90	
Equipment		16,962,946.67	
Accumulated Depreciation		-50,670,878.71	
Total Capital Assets		157,628,537.94	157,628,537.94

Taxes that are not available to pay for current period expenditures are deferred in the governmental funds. 1,374,017.38

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

Bonds Payable	\$	-73,535,000.00	
Deferred Amount on Refunding of Debt		2,174,463.84	
Accrued Interest Payable		-1,247,008.33	
Installment Sales Agreement		-469,256.48	
Compensated Absences Payable		-468,421.42	
Bond Premiums, Net of Amortization		-4,709,923.23	
Total		-78,255,145.62	-78,255,145.62

Net Position of Governmental Activities (Exhibit "A") \$ 119,518,469.54

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

BARROW 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	\$ 25,530,129.13		\$ 74.43	\$ 25,530,203.56
Sales Taxes	536,265.53	\$ 8,825,952.11		9,362,217.64
State Funds	65,621,366.29	3,369,242.40		68,990,608.69
Federal Funds	11,295,521.01			11,295,521.01
Charges for Services	1,704,145.80			1,704,145.80
Investment Earnings	20,165.35	9,944.12	322.06	30,431.53
Miscellaneous	2,772,516.27	70,000.00	20.00	2,842,536.27
Total Revenues	107,480,109.38	12,275,138.63	416.49	119,755,664.50
<u>EXPENDITURES</u>				
Current				
Instruction	70,698,335.45	807,939.51		71,506,274.96
Support Services				
Pupil Services	3,273,427.90			3,273,427.90
Improvement of Instructional Services	4,325,254.53			4,325,254.53
Educational Media Services	1,292,853.76			1,292,853.76
General Administration	862,052.39	241,767.82		1,103,820.21
School Administration	6,164,047.27			6,164,047.27
Business Administration	1,478,072.79	292,259.57		1,770,332.36
Maintenance and Operation of Plant	6,849,690.09	648,575.45		7,498,265.54
Student Transportation Services	6,851,180.25	279,854.50		7,131,034.75
Central Support Services	426,700.56			426,700.56
Other Support Services	89,133.79			89,133.79
Enterprise Operations	2,180,479.53			2,180,479.53
Food Services Operation	6,634,247.52			6,634,247.52
Capital Outlay		14,063,665.51		14,063,665.51
Debt Services				
Principal		64,458.31	4,150,000.00	4,214,458.31
Interest		22,919.53	3,033,378.50	3,056,298.03
Total Expenditures	111,125,475.83	16,421,440.20	7,183,378.50	134,730,294.53
Excess of Revenues over (under) Expenditures	-3,645,366.45	-4,146,301.57	-7,182,962.01	-14,974,630.03
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of Bonds		5,880,000.00		5,880,000.00
Transfers In			7,334,038.61	7,334,038.61
Transfers Out		-7,334,038.61		-7,334,038.61
Total Other Financing Sources (Uses)		-1,454,038.61	7,334,038.61	5,880,000.00
Net Change in Fund Balances	-3,645,366.45	-5,600,340.18	151,076.60	-9,094,630.03
Fund Balances - Beginning	15,221,080.57	29,138,140.90	3,506,468.40	47,865,689.87
Fund Balances - Ending	\$ 11,575,714.12	\$ 23,537,800.72	\$ 3,657,545.00	\$ 38,771,059.84

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

BARROW 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") \$ -9,094,630.03

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	\$ 15,020,393.54	
Depreciation Expense	<u>-4,591,711.92</u>	
Excess of Capital Outlay over Depreciation Expense		10,428,681.62

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 350,505.76

Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases Long-Term Liabilities in the Statement of Net Position. In the current period, proceeds were received from:

General Obligation Bonds Issued		-5,880,000.00
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Loss on Refunding of Bonds is reported as an expenditure in Governmental Funds, but are reported as deferred outflows on the Statement of Net Position and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:

Amortization of Deferred Loss on Refunding of Bonds		-780,099.07
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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, these amounts consist of:

Bond Principal Retirements	\$ 4,150,000.00	
Installment Sales Agreement Payments	<u>64,458.31</u>	
Total Long-Term Debt Repayments		4,214,458.31

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

Net Decrease in Accrued Interest on Bonds	\$ 16,899.38	
Increase in Compensated Absences	-131,990.91	
Amortization of Bond Premiums	<u>692,798.26</u>	
Total Additional Expenditures		<u>577,706.73</u>

Change in Net Position of Governmental Activities (Exhibit "B") \$ -183,376.68

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

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

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>147,166.99</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>147,166.99</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 Barrow 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 Barrow 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 and reports for all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST) and Bond Proceeds that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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- Debt Service Fund accounts for and reports financial resources that are restricted, committed or assigned including taxes (property and sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

- Agency funds account for assets held by the School District as an agent for various funds, governments or individuals.

### **BASIS OF ACCOUNTING**

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

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

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

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

### **RESTATEMENT OF PRIOR YEAR NET POSITION**

For fiscal year 2014, the School District restated various Capital Assets due to errors and omissions. The School District increased, net of accumulated depreciation, buildings and improvements by \$658,034.22. The result is an increase in Net Position at July 1, 2013, of \$658,034.22.

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Also, for fiscal year 2014, the School District made one other prior period adjustment due to the adoption of GASB Statement No. 65, as described in "New Accounting Pronouncements" below, which requires the restatement of the June 30, 2013, net position in Governmental Activities. The result is a decrease in Net Position at July 1, 2013 of \$806,475.59.

The above changes are in accordance with generally accepted accounting principles.

Net Position, July 1, 2013, as previously reported	\$ 119,850,287.59
Increase Additions to Capital Assets Due to Omissions	658,034.22
Decrease Reclassification of Bond Issuance Costs	<u>806,475.59</u>
Net Position, July 1, 2013, as restated	<u><u>\$ 119,701,846.22</u></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 deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. As noted above, the School District restated beginning Net Position for the cumulative effect of this accounting change.

### FUTURE ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this Statement will require the School District to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it participates. Based on information provided by the Teacher's Retirement System of Georgia (TRS), the School District's liability for its proportionate share of the Net Pension Liability of the pension plan administered through TRS is estimated to be \$76.2 million at June 30, 2015.

### 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,
- (6) The Georgia Fund 1 administered by the State of Georgia, Office of 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 Barrow County Board of Commissioners fixed the property tax levy for the 2013 tax digest year (calendar year) on October 15, 2013 (levy date). Taxes were due on December 15, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The Barrow 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 \$23,717,531.65 and for school bonds amounted to \$74.43.

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

School Operations	<u>18.5</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$1,812,597.48 during the fiscal year ended June 30, 2014.

## **SALES TAXES**

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$8,825,952.11 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.

## **PREPAID ITEMS**

Payments made to vendors for services that will benefit periods subsequent to June 30, 2014 are recorded as prepaid items.

## **CAPITAL ASSETS**

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

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

	<u>Estimated Useful Life</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 5,000.00	20 to 80 years
Buildings and Improvements	\$ 5,000.00	10 to 80 years
Equipment	\$ 5,000.00	3 to 20 years
Intangible Assets	\$ 5,000.00	10 to 20 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. Reported at the District-wide level is the deferred charge on refunded debt resulting from the difference in the carrying value of the refunded debt and its reacquisition price is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

#### COMPENSATED ABSENCES

Members of the Teachers' Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual school districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School District's financial statements.

Vacation leave of 12 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis until they have reached 5 fiscal years of service. Between 5 to 10 fiscal years of service, employees earn 15 days and after 10 fiscal years of service they earn 18 days per fiscal year. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 30 days.

## GENERAL OBLIGATION BONDS

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

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In addition, general obligation bonds have been issued to refund existing general obligation bonds. 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 are 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 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 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.

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**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.

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

Nonspendable		
Inventories	\$	98,330.90
Prepaid Items		<u>54,583.33</u>
	\$	152,914.23
Restricted		
Continuation of Federal Programs	\$	2,166,223.74
Capital Projects		23,537,800.72
Debt Service		<u>3,657,545.00</u>
		29,361,569.46
Assigned		
School Activity Accounts		781,590.62
Unassigned		<u>8,474,985.53</u>
Fund Balance, June 30, 2014	\$	<u>38,771,059.84</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 accounts, is prepared and adopted by fund and function. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.



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

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

#### Note 4: DEPOSITS AND INVESTMENTS

##### **COLLATERALIZATION OF DEPOSITS**

Official Code of Georgia Annotated (OCGA) 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 (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 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

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- (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 \$23,051,687.67, which includes \$2,499,439.86 in Certificates of Deposits that are recorded as investments, and a bank balance of \$24,421,654.28. The bank balances insured by Federal depository insurance were \$383,175.40.

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

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

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

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 0.00
2	21,539,039.02
3	<u>2,499,439.86</u>
Total	<u>\$ 24,038,478.88</u>

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### CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2014, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>
Other Investments	
Certificates of Deposits	\$ 2,499,439.86
U. S. Treasury Money Market Funds	22,033,899.47
Investment Pool	
Office of State Treasurer	
Georgia Fund 1	<u>7,184.45</u>
Total Investments	<u>\$ 24,540,523.78</u>

The Georgia Fund 1 (local government investment pool) administered by the State of Georgia, Office of the State Treasurer is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <http://www.audits.ga.gov/SGD/cafr.html>.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity for Georgia Fund 1 on June 30, 2014, was 62 days.

U.S. Treasury Money Market funds of \$207,235.97 are in an Institutional Portfolio Fund managed by Fidelity Investments. The Treasury Portfolio Fund is rated AAAM by Standard and Poor's. The weighted average maturity of the fund is approximately 57 days.

U.S. Treasury Money Market funds of \$21,826,663.50 are in a Fidelity Institutional Treasury Only Fund managed by Regions Bank. This fund is rated AAAM by Standard and Poor's and Aaa-mf by Moody's. The weighted average maturity of the fund is approximately 57 days.

### Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their Federally assigned value. See Note 2 - Inventories

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Note 6: CAPITAL ASSETS

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

	Balances July 1, 2013 (Restated)	Increases	Decreases	Balances June 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,954,326.42	\$ 1,079,278.40	\$ 0.00	\$ 4,033,604.82
Construction Work In Progress	315,564.81	12,873,109.13		13,188,673.94
	<u>3,269,891.23</u>	<u>13,952,387.53</u>	<u>0.00</u>	<u>17,222,278.76</u>
Total Capital Assets, Not Being Depreciated				
Capital Assets, Being Depreciated:				
Buildings and Improvements	170,457,944.06	104,858.84		170,562,802.90
Equipment	16,287,822.45	946,942.93	271,818.71	16,962,946.67
Land Improvements	3,534,603.32	16,785.00		3,551,388.32
Less: Accumulated Depreciation:				
Buildings and Improvements	32,661,562.94	3,238,751.21		35,900,314.15
Equipment	11,464,908.76	1,210,822.23	271,818.71	12,403,912.28
Land Improvements	2,223,932.94	142,719.34		2,366,652.28
	<u>143,929,965.19</u>	<u>-3,523,706.01</u>	<u>0.00</u>	<u>140,406,259.18</u>
Total Capital Assets, Being Depreciated, Net				
Governmental Activity Capital Assets - Net	<u>\$ 147,199,856.42</u>	<u>\$ 10,428,681.52</u>	<u>\$ 0.00</u>	<u>\$ 157,628,537.94</u>

Capital assets being acquired under installment sales agreement as of June 30, 2014, are as follows:

	Governmental Funds
Buildings and Improvements	\$ 767,530.98
Land	90,723.00
Less: Accumulated Depreciation	<u>75,628.46</u>
	<u>\$ 782,625.52</u>

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Current year depreciation expense by function is as follows:

Instruction		\$ 3,238,462.34
Support Services		
Pupil Services	\$ 78,061.70	
Improvements of Instructional Services	80,458.49	
Educational Media Services	1,820.30	
General Administration	40,280.81	
School Administration	3,531.21	
Business Administration	14,278.36	
Maintenance and Operation of Plant	232,105.12	
Student Transportation Services	827,188.78	
Central Support Services	<u>1,032.90</u>	1,278,757.67
Food Services		<u>74,491.91</u>
		<u><u>\$ 4,591,711.92</u></u>

Note 7: INTERFUND TRANSFERS

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

	Transfers From
	<u>District-wide Capital Projects</u>
<u>Transfer to</u>	
Debt Service Fund	<u><u>\$ 7,334,038.61</u></u>

Transfers are used to move property and sales tax revenues collected by the District-wide Capital Projects Fund to the Debt Service Fund to pay principal and interest on bonds and to pay agent fees.

Note 8: RISK MANAGEMENT

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

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

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

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2013	\$ 0.00	\$ 42,614.92	\$ 42,614.92	\$ 0.00
2014	\$ 0.00	\$ 17,627.00	\$ 17,627.00	\$ 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 insurance coverage. Additional 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 \$1,000,000.00 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Company with a loss fund percentage of 100%, based on the Fund's annual normal premium, up to a maximum limit of indemnity of aggregate limit of \$2,000,000.00.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 100,000.00
All Employees	\$ 100,000.00

#### Note 9: LONG-TERM DEBT

##### INSTALLMENT SALES AGREEMENT

The Barrow County Board of Education entered into an agreement dated June 1, 2006, with the Northeast Georgia Regional Educational Service Agency for the construction and subsequent lease of the Rutland Center. Under the terms of the agreement, the School District will make annual payments through July 15, 2020.

##### COMPENSATED ABSENCES

Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the General Fund is the fund used to liquidate this long-term debt. The School District uses the vesting method to compute compensated absences.

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EXHIBIT "H"

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Refunding - Series 2004	2.87%	\$ 1,865,000.00
General Government - Series 2006	4.00% - 5.00%	11,670,000.00
General Government - Series 2010	3.75% - 5.00%	38,700,000.00
General Government - Series 2012A	2.00% - 3.00%	9,475,000.00
General Government - Series 2012B	3.00% - 4.00%	5,945,000.00
General Government - Series 2014	2.55%	5,880,000.00
		<u>\$ 73,535,000.00</u>

	Governmental Activities				
	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
G. O. Bonds	\$ 71,805,000.00	\$ 5,880,000.00	\$ 4,150,000.00	\$ 73,535,000.00	\$ 4,320,000.00
Less: Deferred Amounts					
Issuance Discounts on Refunding	(2)			(2)	
Compensated Absences (1)	336,430.51	377,141.17	245,150.26	468,421.42	
Installment Sales Agreement	533,714.79		64,458.31	469,256.48	67,433.31
Bond Premiums Amortized	5,402,721.49		692,798.26	4,709,923.23	692,798.26
	<u>\$ 78,077,866.79</u>	<u>\$ 6,257,141.17</u>	<u>\$ 5,152,406.83</u>	<u>\$ 79,182,601.13</u>	<u>\$ 5,080,231.57</u>

- (1) The portion of Compensated Absences due within one year has been determined to be immaterial to the basic financial statements.
- (2) Deferred amounts on refunding were reclassified as Deferred Outflows of Resources with the adoption of GASB No. 65 as described in Note 2.

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

EXHIBIT "H"

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

	Installment Sales Agreement	
	Principal	Interest
<u>Fiscal Year Ended June 30:</u>		
2015	\$ 67,433.31	\$ 19,521.06
2016	70,011.64	16,715.85
2017	72,986.64	13,803.36
2018	76,159.96	10,767.11
2019	79,333.30	7,598.86
2020 - 2021	103,331.63	5,164.92
Total Principal and Interest	<u>\$ 469,256.48</u>	<u>\$ 73,571.16</u>

	General Obligation Debt		Unamortized Bond Premium
	Principal	Interest	
<u>Fiscal Year Ended June 30:</u>			
2015	\$ 4,320,000.00	\$ 3,003,649.00	\$ 692,798.26
2016	4,495,000.00	2,843,402.50	359,076.26
2017	4,720,000.00	2,622,152.50	359,076.26
2018	5,025,000.00	2,392,752.50	359,076.26
2019	5,195,000.00	2,181,365.00	359,076.26
2020 - 2024	29,170,000.00	7,822,734.60	1,696,694.50
2025 - 2029	20,610,000.00	1,697,910.00	884,125.43
Total Principal and Interest	<u>\$ 73,535,000.00</u>	<u>\$ 22,563,966.10</u>	<u>\$ 4,709,923.23</u>

**Note 10: PRIOR YEAR DEFEASEMENT OF DEBT**

In fiscal year 2011, 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 assets and the liability for the defeased bonds are not included in the School District's basic financial statements. At June 30, 2014, \$14,960,000.00 of bonds are outstanding and are considered defeased.

**Note 11: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$5,966,031.10 for 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 \$5,733,828.00



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

EXHIBIT "H"

Georgia Department of Education  
Paid to the Teachers Retirement System of Georgia  
For Teachers Retirement System (TRS) Employer's Cost  
In the amount of \$23,913.10

Office of Treasury and Fiscal Services  
Paid to the Public School Employees Retirement System  
For Public School Employees Retirement (PSERS) Employer's Cost  
In the amount of \$208,290.00

**Note 12: SIGNIFICANT COMMITMENTS**

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

<u>Project</u>	<u>Unearned Executed Contracts</u>
Sims Academy	\$ 1,043,194.53
Bramblett Elementary	478,945.86
Yargo Elementary	313,616.03
	<u>\$ 1,835,756.42</u>

The amounts described in this note are not reflected in the basic financial statements.

**Note 13: 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.

On May 21, 2004, a previous workers' compensation insurer of the School District, Cornerstone Mutual Insurance Company, was placed under an order of administrative supervision of the Georgia Department of Insurance and is insolvent. As a result, the School District may be liable for one outstanding workers' compensation claim that was being administered by the company. Due to the nature of the claim, the amount of future liability of the School District is not determinable, however, it is not believed to be material to the basic financial statements.

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

EXHIBIT "H"

Note 14: 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.

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 per member per month
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For non-certificated school personnel:

July 1, 2013 - June 30, 2014	\$596.20 per member per month
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BARROW COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

EXHIBIT "H"

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%	\$ 12,457,217.57
2013	100%	\$ 11,313,615.80
2012	100%	\$ 10,687,764.70

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.

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

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

EXHIBIT "H"

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% 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%	\$ 7,617,471.62
2013	100%	\$ 6,924,060.65
2012	100%	\$ 6,276,225.23

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.

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BARROW 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
<b>REVENUES</b>				
Property Taxes	\$ 24,341,258.00	\$ 24,341,893.00	\$ 25,530,129.13	\$ 1,188,236.13
Sales Taxes	435,000.00	435,000.00	536,265.53	101,265.53
State Funds	64,987,233.00	65,160,460.00	65,621,366.29	460,906.29
Federal Funds	10,624,812.00	11,442,960.48	11,295,521.01	-147,439.47
Charges for Services	1,695,775.00	1,695,775.00	1,704,145.80	8,370.80
Investment Earnings	31,087.00	31,087.00	20,165.35	-10,921.65
Miscellaneous	856,838.00	926,653.00	2,772,516.27	1,845,863.27
Total Revenues	102,972,003.00	104,033,828.48	107,480,109.38	3,446,280.90
<b>EXPENDITURES</b>				
Current				
Instruction	71,061,389.91	70,888,414.01	70,698,335.45	190,078.56
Support Services				
Pupil Services	3,205,598.00	3,497,490.17	3,273,427.90	224,062.27
Improvement of Instructional Services	3,513,185.00	4,442,757.51	4,325,254.53	117,502.98
Educational Media Services	1,343,885.40	1,344,367.95	1,292,853.76	51,514.19
General Administration	860,039.22	861,347.47	862,052.39	-704.92
School Administration	6,060,046.00	6,130,226.46	6,164,047.27	-33,820.81
Business Administration	1,438,121.00	1,587,321.00	1,478,072.79	109,248.21
Maintenance and Operation of Plant	7,010,237.20	7,009,237.20	6,849,690.09	159,547.11
Student Transportation Services	6,744,234.00	6,617,422.90	6,851,180.25	-233,757.35
Central Support Services	466,273.00	489,526.00	426,700.56	62,825.44
Other Support Services	124,388.00	142,758.78	89,133.79	53,624.99
Enterprise Operations	353,727.00	353,727.00	2,180,479.53	-1,826,752.53
Food Services Operation	5,853,695.00	5,885,181.92	6,634,247.52	-749,065.60
Total Expenditures	108,034,818.73	109,249,778.37	111,125,475.83	-1,875,697.46
Net Change in Fund Balances	-5,062,815.73	-5,215,949.89	-3,645,366.45	1,570,583.44
Fund Balances - Beginning	15,230,445.71	15,220,316.77	15,221,080.57	763.80
Fund Balances - Ending	\$ 10,167,629.98	\$ 10,004,366.88	\$ 11,575,714.12	\$ 1,571,347.24

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

- (1) Original and Final Budget amounts do not include budgeted revenues (\$2,496,738.00) or expenditures (\$2,091,016.48) of the various principal accounts.

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.

BARROW 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	\$ 6,388,539.05 (1)
Total U. S. Department of Agriculture			<u>6,388,539.05</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	* 84.027	N/A	2,132,369.92
Preschool Grants	* 84.173	N/A	<u>77,274.46</u>
Total Special Education Cluster			<u>2,209,644.38</u>
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	N/A	499,744.67
Career and Technical Education - Basic Grants to States	84.048	N/A	107,532.00
Education for Homeless Children and Youth	84.196	N/A	43,205.59
English Language Acquisition Grants	84.365	N/A	123,313.46
Improving Teacher Quality State Grants	* 84.367	N/A	451,360.07
Migrant Education - State Grant Program	84.011	N/A	11,486.26
Title I Grants to Local Educational Agencies	* 84.010	N/A	2,591,954.13
Twenty-First Century Community Learning Centers	84.287	N/A	<u>191,445.58</u>
Total Other Programs			<u>4,020,041.76</u>
Total U. S. Department of Education			<u>6,229,686.14</u>
Defense, U. S. Department of			
Direct			
Department of the Army			
J.R.O.T.C. Program			<u>106,450.17</u>
Total Expenditures of Federal Awards			<u>\$ 12,724,675.36</u>

N/A = Not Available

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 \$462,581.44.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$1,190,155.64) were not maintained separately and are included in the 2013 National School Lunch Program.

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 Barrow County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 1,398,199.88		\$ 1,398,199.88
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	3,179,587.00		3,179,587.00
Kindergarten Program - Early Intervention Program	1,884,311.00		1,884,311.00
Primary Grades (1-3) Program	9,221,141.00		9,221,141.00
Primary Grades - Early Intervention (1-3) Program	2,390,446.00		2,390,446.00
Upper Elementary Grades (4-5) Program	4,442,078.00		4,442,078.00
Upper Elementary Grades - Early Intervention (4-5) Program	672,479.00		672,479.00
Middle School (6-8) Program	7,685,960.00		7,685,960.00
High School General Education (9-12) Program	5,926,019.00		5,926,019.00
Vocational Laboratory (9-12) Program	2,196,040.00		2,196,040.00
Students with Disabilities	9,245,243.00		9,245,243.00
Gifted Student - Category VI	2,284,615.00		2,284,615.00
Remedial Education Program	1,234,944.00		1,234,944.00
Alternative Education Program	511,548.00		511,548.00
English Speakers of Other Languages (ESOL)	1,583,938.00		1,583,938.00
Media Center Program	1,410,227.00		1,410,227.00
20 Days Additional Instruction	420,605.00		420,605.00
Staff and Professional Development	289,213.00		289,213.00
Indirect Cost			
Central Administration	1,439,066.00		1,439,066.00
School Administration	2,544,969.00		2,544,969.00
Facility Maintenance and Operations	3,391,105.00		3,391,105.00
Amended Formula Adjustment	-8,530,146.00		-8,530,146.00
Charter System Adjustment	1,032,187.00		1,032,187.00
Categorical Grants			
Pupil Transportation			
Regular	1,056,907.00		1,056,907.00
Nursing Services	251,983.00		251,983.00
Education Equalization Funding Grant	7,400,180.00		7,400,180.00
Other State Programs			
Food Services	179,929.00		179,929.00
Math and Science Supplements	150,418.73		150,418.73
Move on When Ready Grant	400.00		400.00
Preschool Handicapped Program	165,128.58		165,128.58
Pupil Transportation - State Bonds	77,220.00		77,220.00
Teachers' Retirement	23,913.10		23,913.10
Vocational Education	253,222.00		253,222.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects		869,242.40	869,242.40
Office of the State Treasurer			
Public School Employees' Retirement	208,290		208,290.00
Technical College System of Georgia			
Vocational-Technology School		2,500,000.00	2,500,000.00
	\$ 65,621,366.29	\$ 3,369,242.40	\$ 68,990,608.69

(1) The Quality Basic Education Formula Grants shown above include on-behalf payments of \$5,733,828.00 from the Department of Education to the Department of Community Health for health insurance for School District employees.

See notes to the basic financial statements.



BARROW 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) (5)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4) (5)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
<b>SPLOST #3</b>							
(A)(i) the acquisition, construction and equipping of new school buildings and facilities, including but not limited to, new schools, physical education/athletic facilities and equipment, classrooms, lunchrooms, gymnasiums and auditoriums.			\$ 204,234.87	\$ 16,222,118.42	\$ 16,426,353.29		
(ii) the addition, renovation, repair and improvement to existing school buildings and facilities, including, but not limited to, Winder Barrow High School, Auburn Elementary School, Holsenbeck Elementary School, Statham Elementary School and Apalachee High School and other classrooms and physical education/athletic facilities and equipment.			261,260.36	64,685,348.23	64,946,608.59		
(iii) the acquisition and purchase of any property necessary and desirable therefore, both real and personal, including but not limited to, technology and transportation facilities and equipment.			10,487.87	1,593,860.48	1,604,348.35		
(iv) the purchase of land. The maximum cost of such projects to be funded from sales and use tax proceeds not to exceed \$60,785,000.			1,076,278.40	963,976.92	2,040,255.32		
	\$ 60,785,000.00	\$ 85,017,565.55	1,552,261.50	83,465,304.05	85,017,565.55		
(B) the payment of principal and interest on the School District's Series 1995B and Series 2004 Bonds coming due August 1, 2007 through and including February 1, 2012, the maximum amount of debt to be retired not to exceed \$9,215,000.	9,215,000.00	9,215,000.00	0.00	8,768,708.50	8,768,708.50		
<b>SPLOST #3 Totals</b>	<b>\$ 70,000,000.00</b>	<b>\$ 94,232,565.55</b>	<b>\$ 1,552,261.50</b>	<b>\$ 92,234,012.55</b>	<b>\$ 93,786,274.05</b>	<b>\$ 0.00</b>	<b>Completed</b>
<b>SPLOST #4</b>							
(A)(1) the acquisition, construction and equipping of new school buildings and facilities, including but not limited to, classrooms, physical education facilities and equipment, lunchrooms and auditoriums.			\$ 10,471,239.54	\$ 315,654.81			
(2) the addition, renovation, repair and improvement to existing school buildings and facilities, including, but not limited to, classrooms, physical education facilities and equipment, lunchrooms and auditoriums.			3,099,655.58	985,391.64			
(3) the acquisition and purchase of any property necessary and desirable therefore, both real and personal property, including but not limited to, technology and transportation facilities and equipment.			1,298,283.58	4,463,281.75			
(4) the purchase of land. The maximum cost of such projects to be funded from sales and use tax proceeds not to exceed \$26,000,000.							
	\$ 26,000,000.00	\$ 26,000,000.00	14,869,178.70	5,764,328.20			
(B) the payment of principal and interest on the School District's outstanding Series 2004, unrefunded portion of the Series 2006 Bonds, and the Series 2012 Bonds and the Series 2014 Bonds coming due August 1, 2012, through and including February 1, 2017, the maximum amount of debt to be retired not to exceed \$28,000,000.	28,000,000.00	28,000,000.00	5,360,466.00	896,893.33			
<b>SPLOST #4 Totals</b>	<b>\$ 54,000,000.00</b>	<b>\$ 54,000,000.00</b>	<b>\$ 20,229,644.70</b>	<b>\$ 6,661,221.53</b>	<b>\$ 93,786,274.05</b>	<b>\$ 0.00</b>	<b>June 2019</b>
(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 Barrow 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	18,280,571.91					
	Current Year	3,033,378.50					
	Total	21,313,950.41					
(5) In addition to the expenditures shown above, the School District has incurred the following issuance costs to provide advance funding for the above projects as follows:							
	Current Year	81,770.00					

See notes to the basic financial statements.

BARROW 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)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 3,841,844.00	\$ 2,644,556.00	\$ 120,720.76	\$ 2,765,276.76
Kindergarten Program-Early Intervention Program	1,956,256.00	3,234,228.83		3,234,228.83
Primary Grades (1-3) Program	10,614,222.00	10,287,507.95	75,246.98	10,362,754.93
Primary Grades-Early Intervention (1-3) Program	2,687,458.00	2,617,711.06		2,617,711.06
Upper Elementary Grades (4-5) Program	5,068,825.00	6,436,260.93	228,370.25	6,664,631.18
Upper Elementary Grades-Early Intervention (4-5) Program	811,037.00	1,209,495.31		1,209,495.31
Middle School (6-8) Program	8,817,495.00	9,013,288.00	199,452.68	9,212,740.68
High School General Education (9-12) Program	6,809,034.00	8,927,638.58	312,084.40	9,239,722.98
Vocational Laboratory (9-12) Program	2,552,009.00	2,276,979.77	234,335.73	2,511,315.50
Students with Disabilities	10,555,516.00			
Category I		252.50	309,667.81	309,920.31
Category II		990,047.40		990,047.40
Category III		7,959,878.42		7,959,878.42
Category IV		222,450.06		222,450.06
Category V		34,025.01		34,025.01
Gifted Student - Category VI	2,585,531.00	2,345,974.01		2,345,974.01
Remedial Education Program	1,409,781.00	362,401.45		362,401.45
Alternative Education Program	599,949.00	715,744.27	8,178.39	723,922.66
English Speakers of Other Languages (ESOL)	1,818,010.00	2,085,889.28		2,085,889.28
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	60,126,967.00	61,364,328.83	1,488,057.00	62,852,385.83
Media Center Program	1,618,252.00	1,083,312.51	209,541.25	1,292,853.76
Staff and Professional Development	327,065.00			80,185.78
TOTAL QBE FORMULA FUNDS	\$ 62,072,284.00	\$ 62,447,641.34	\$ 1,697,598.25	\$ 64,225,425.37

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

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

See notes to the basic financial statements.

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## SECTION II

### COMPLIANCE AND INTERNAL CONTROL REPORTS

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## 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

February 16, 2016

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Barrow 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 Barrow 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 Barrow County Board of Education's basic financial statements, and have issued our report thereon dated February 16, 2016.

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

In planning and performing our audit of the financial statements, we considered Barrow 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 Barrow County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Barrow County Board of Education's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item FS-2014-001, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

We noted certain matters that we have reported to management of Barrow County Board of Education in a separate letter dated February 16, 2016.

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

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



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## 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

February 16, 2016

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Barrow 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 Barrow 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. Barrow 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 Barrow 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 Barrow County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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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 Barrow County Board of Education's compliance.

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

In our opinion, the Barrow 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 Barrow 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 Barrow 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 Barrow 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

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### SECTION III

#### AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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BARROW 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

No matters were reported

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



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## SECTION IV

### FINDINGS AND QUESTIONED COSTS

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BARROW 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? No
- Significant deficiency identified? Yes

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-133, Section 510(a)? No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster
84.367	Improving Teacher Quality
84.010	Title I – Grants to Local Education Agencies

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

Auditee qualified as low-risk auditee? No

BARROW 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 Cash and Cash Equivalents

Control Category: Cash and Cash Equivalents

Internal Control Impact: Significant Deficiency

Compliance Impact: N/A

#### Condition:

The accounting procedures of the School District were insufficient to provide adequate internal control procedures over the Cash and Cash Equivalents.

#### Criteria:

The School District's management is responsible for designing and maintaining an adequate system of internal controls that ensure that all cash accounts are supported by and reconciled to either cash on hand or bank accounts held at authorized financial institutions.

#### Condition:

A test of several bank account reconciliations performed throughout the fiscal year revealed the following deficiencies:

- Bank Reconciliations for the Operating Account were not performed during the fiscal year and had not been completed as of the time of the audit.
- The Operating Account bank reconciliation provided at time of audit was not properly reconciled back to the general ledger. An unidentified variance of \$86,526.30 was noted on the bank reconciliation.
- Outstanding check listings provided to support the reconciliation provided at time of audit did not tie to the completed Operating Account bank reconciliation. An unidentified variance of \$141,439.34 was noted.
- A lack of approval was noted for all Central Office bank reconciliations.
- The School District's internal tracking spreadsheet of cash accounts used for financial reporting was incomplete resulting in variances in the cash balances reported on the financial statements and within the note disclosure.

#### Cause:

These deficiencies were a result of management not ensuring that internal control policies and procedures were established, implemented, and functioning as intended with regard to Cash and Cash Equivalents.

#### Effect or Potential Effect:

The lack of adequate control over cash increases the risk of theft, fraud, or misuse of School District resources that may result in errors and/or irregularities which would not be detected in a timely manner.

#### Recommendation:

The School District should establish policies and procedures to ensure that bank reconciliations are completed in a timely manner and that administrative reviews are performed to determine that bank reconciliations are correct and that all required adjustments are made and are properly documented.

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

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

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

We concur with this finding. Due to various events, the Accountant and Assistant Superintendent for Business Services of the Barrow County Board of Education were replaced. The change in staff caused the bank reconciliations to be delayed. The School District's finance department is currently developing step by step procedures to ensure all bank accounts are reconciled in a timely manner. The Assistant Superintendent for Business Services will review School District level bank reconciliations. The Director of Finance will review school level bank reconciliations.

Contact Person: Jennifer Houston  
Title: Assistant Superintendent for Business Services  
Telephone: 678-425-2885  
Email: [jennifer.houston@barrow.k12.ga.us](mailto:jennifer.houston@barrow.k12.ga.us)

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.